FIRST BANCTRUST CORP
Form 10QSB
August 12, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004
[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF
THE EXCHANGE ACT
FOR THE TRANSITION PERIOD FROM __________ TO __________
COMMISSION FILE NUMBER 0-32535

FIRST BANCTRUST CORPORATION
(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)

37-1406661
(IRS EMPLOYER IDENTIFICATION NO.)

206 SOUTH CENTRAL AVENUE
PARIS, ILLINOIS
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

61944
(ZIP CODE)

217-465-6381
(ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE)

CHECK WHETHER THE ISSUER: (1) FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE EXCHANGE ACT DURING THE PAST 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
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STATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON EQUITY AS OF THE LATEST PRACTICABLE DATE.

AS OF AUGUST 12, 2004 THE REGISTRANT HAD OUTSTANDING 2,500,450 SHARES OF COMMON STOCK.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE): YES [ ] NO [X]

First BancTrust Corporation

Form 10-QSB Quarterly Report

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FIRST BANCTRUST CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of dollars except share data)

	JUNE 30, 2004 (unaudited)	DECEMB 200
ASSETS		
Cash and due from banks	$ 4,409	$ 6,
Interest-bearing demand deposits	3,754	3,
Cash and cash equivalents	8,163	10,
Available-for-sale securities	85,650	93,
Loans held for sale	781	
Loans, net of allowance for loan losses of $2,200 and $2,124	111,020	106,
Premises and equipment	2,706	2,
Federal Home Loan Bank stock	4,131	4,
Foreclosed assets held for sale, net	157	
Interest receivable	1,601	2,
Loan servicing rights, net of valuation allowance of $149 and $267	847	
Cash surrender value of life insurance	4,378	4,
Deferred income taxes	848	

Other assets	947	
Total assets	$ 221,229	$ 226,
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest bearing deposits	$ 15,200	$ 15,
Interest bearing deposits	143,606	147,
Total deposits	158,806	163,
Federal Home Loan Bank advances	35,500	35,
Pass through payments received on loans sold	135	
Advances from borrowers for taxes and insurance	146	
Interest payable	141	
Other	754	
Total liabilities	195,482	199,
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY		
Preferred stock, $.005 par value; 1,000,000 shares authorized and unissued		
Common stock, $.005 par value, 5,000,000 shares authorized; 3,041,750 shares issued and 2,500,450 shares outstanding	15	
Additional paid-in capital	14,683	14,
Retained earnings	18,019	17,
Unearned employee stock ownership plan shares - 144,514 and 159,718 shares	(835)	(
Unearned incentive plan shares - 91,978 and 98,830 shares	(759)	(
Accumulated other comprehensive income (loss)	(812)	
Treasury stock, at cost - 541,300 shares	(4,564)	(4,
Total stockholders' equity	25,747	26,
Total liabilities and stockholders' equity	$ 221,229	$ 226,

See notes to condensed consolidated financial statements.

FIRST BANCTRUST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003
(in thousands of dollars-except share data)
(unaudited)

SIX MONTHS ENDED JUNE 30	2004	2003
INTEREST AND DIVIDEND INCOME		
Loans		

Taxable	$ 3,960	$ 4,340
Tax exempt	32	18
Securities		
Taxable	1,504	1,364
Tax exempt	187	155
Dividends on Federal Home Loan Bank stock	125	107
Deposits with financial institutions and other	19	35
Total interest and dividend income	5,827	6,019
INTEREST EXPENSE		
Deposits	1,462	1,654
Federal Home Loan Bank advances and other debt	726	680
Total interest expense	2,188	2,334
NET INTEREST INCOME	3,639	3,685
Provision for loan losses	262	333
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,377	3,352
NONINTEREST INCOME		
Customer service fees	419	366
Other service charges and fees	361	446
Net gains on loan sales	156	421
Net realized gains on sales of available-for-sale securities	37	--
Net loan servicing fees	255	262
Brokerage fees	35	57
Abstract and title fees	172	227
Other	165	139
Total noninterest income	1,600	1,918
NONINTEREST EXPENSE		
Salaries and employee benefits	2,322	2,051
Net occupancy expense	140	102
Equipment expense	360	337
Data processing fees	211	206
Professional fees	228	148
Foreclosed assets expense, net	46	61
Marketing expense	136	112
Amortization of loan servicing rights	321	467
Recovery of impairment of loan servicing rights	(118)	(138)
Other expenses	498	451

Total noninterest expense	4,144	3,797
INCOME BEFORE INCOME TAX	833	1,473
Income tax expense	283	502

NET INCOME	$ 550	$ 971
BASIC EARNINGS PER SHARE	$ 0.24	$ 0.42
DILUTED EARNINGS PER SHARE	$ 0.23	$ 0.40

See notes to condensed consolidated financial statements.

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FIRST BANCTRUST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THREE MONTH PERIODS ENDED JUNE 30, 2004 AND 2003
(in thousands of dollars-except share data)
(unaudited)

THREE MONTHS ENDED JUNE 30	2004	2003
INTEREST AND DIVIDEND INCOME		
Loans		
Taxable	$ 1,988	$ 2,108
Tax exempt	16	9
Securities		
Taxable	741	650
Tax exempt	94	80
Dividends on Federal Home Loan Bank stock	60	51
Deposits with financial institutions and other	8	18
Total interest and dividend income	2,907	2,916
INTEREST EXPENSE		
Deposits	701	807
Federal Home Loan Bank advances and other debt	363	365
Total interest expense	1,064	1,172
NET INTEREST INCOME	1,843	1,744
Provision for loan losses	112	169
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,731	1,575
NONINTEREST INCOME		
Customer service fees	233	201
Other service charges and fees	192	234
Net gains on loan sales	96	255

Net loan servicing fees	124	126
Brokerage fees	27	22
Abstract and title fees	89	122
Other	92	68
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Total noninterest income	853	1,028
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NONINTEREST EXPENSE		
Salaries and employee benefits	1,153	1,022
Net occupancy expense	66	48
Equipment expense	214	163
Data processing fees	108	105
Professional fees	112	73
Foreclosed assets expense, net	18	36
Marketing expense	90	62
Amortization of loan servicing rights	166	204
Recovery of impairment of loan servicing rights	(91)	(53)
Other expenses	261	217

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Total noninterest expense	2,097	1,877
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INCOME BEFORE INCOME TAX	487	726
Income tax expense	163	267
	-------	-------
NET INCOME	$ 324	$ 459
	=======	=======
BASIC EARNINGS PER SHARE	$ 0.14	$ 0.20
	=======	=======
DILUTED EARNINGS PER SHARE	$ 0.13	$ 0.19
	=======	=======

See notes to condensed consolidated financial statements.

FIRST BANCTRUST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of dollars)
(unaudited)

SIX MONTHS ENDED JUNE 30	2004	2003

OPERATING ACTIVITIES		
Net income	$ 550	$ 971
Items not requiring (providing) cash		
Depreciation and amortization	140	137
Provision for loan losses	262	333
Investment securities amortization, net	132	272
Amortization of loan servicing rights	321	467
Recovery of impairment of loan servicing rights	(118)	(138)
Deferred income taxes	--	(12)
Net realized gains on available-for-sale securities	(37)	--
Net loss on sales of foreclosed assets	4	22
Net loss on sale of premises and equipment	6	--
Net gains on loan sales	(156)	(421)
Loans originated for sale	(8,675)	(27,825)
Proceeds from sales of loans originated for sale	8,417	27,328
Federal Home Loan Bank stock dividends	(125)	(107)
Compensation expense related to employee stock ownership plan	194	141
Compensation expense related to incentive plan	55	55
Changes in		
Interest receivable	637	656
Cash surrender value of life insurance	(32)	(87)
Other assets	(120)	(178)
Interest payable	14	43
Other liabilities	(23)	(322)
Net cash provided by operating activities	1,446	1,335
INVESTING ACTIVITIES		
Purchases of available-for-sale securities	(11,993)	(57,010)
Proceeds from maturities of available-for-sale securities	17,876	44,015
Proceeds from sales of available-for-sale securities	135	--
Net change in loans	(5,146)	151
Proceeds from sales of foreclosed assets	209	292
Proceeds from sales of premises and equipment	10	--
Purchases of premises and equipment	(81)	(157)
Net cash provided (used) by investing activities	1,010	(12,709)

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FINANCING ACTIVITIES		
Net increase (decrease) in demand deposits, money market, NOW and savings deposits	$ (660)	$ 5,992
Net decrease in certificates of deposit	(3,562)	(241)
Proceeds from the issuance of Federal Home Loan Bank advances	--	18,000
Repayment of Federal Home Loan Bank advances and other debt	--	(9,001)
Pass through payments received on loans sold	(127)	127
Net increases in advances by borrowers for taxes and insurance	37	261
Dividends paid	(275)	(196)
Purchase of treasury stock	--	(1,581)
Net cash provided (used) by financing activities	(4,587)	13,361

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,131)	1,987
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,294	10,453
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,163	$ 12,440
SUPPLEMENTAL CASH FLOWS INFORMATION		
Real estate acquired in settlement of loans	$ 275	$ 262
Interest paid	$ 2,174	$ 2,291
Income tax paid	$ 0	$ 875

See notes to condensed consolidated financial statements.

FIRST BANCTRUST CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
(table dollar amounts in thousands of dollars-except share data)

Note 1 - Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-QSB. Accordingly, certain disclosures required by accounting principles generally accepted in the United States of America are not included herein. These interim statements should be read in conjunction with the audited consolidated financial statements and notes thereto, included in the Company's Form 10-KSB filed with the Securities and Exchange Commission.

Interim statements are subject to possible adjustments in connection with the annual audit of the Company for the year ended December 31, 2004. In the opinion of management of the Company, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial position and consolidated results of operations for the periods presented. The results of operations for the three and six months ended June 30, 2004 are not necessarily indicative of the results to be expected for the full year.

The Company has a stock-based employee compensation plan, which is described more fully in the Notes to Financial Statements included in the December 31, 2003 Annual Report to shareholders. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the grant date. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	J
Net income, as reported	$ 324	$ 459	$ 550	
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	(33)	(16)	(66)	
Pro forma net income	$ 291	$ 443	$ 484	
EARNINGS PER SHARE:				
Basic - as reported	$ 0.14	$ 0.20	$ 0.24	
Basic - pro forma	$ 0.13	$ 0.19	$ 0.21	
Diluted - as reported	$ 0.13	$ 0.19	$ 0.23	
Diluted - pro forma	$ 0.12	$ 0.18	$ 0.20	

Note 2 - Employee Stock Ownership Plan

The Bank has an Employee Stock Ownership Plan ("ESOP") for the benefit of its employees. The ESOP purchased required shares in the open market with funds borrowed from the Company. The ESOP expense was $98,000 and $76,000 for the three-month periods ended June 30, 2004 and 2003 and $194,000 and $141,000 for the six-month periods ended June 30, 2004 and 2003.

Shares purchased by the ESOP are held in a suspense account and are allocated to ESOP participants based on a pro rata basis as debt service payments are made to the Company. The loan is secured by the shares purchased with the proceeds and will be repaid by the ESOP with funds from the Company's discretionary contributions to the ESOP and earnings on ESOP assets. Principal payments are scheduled to occur over an eight-year period.

Note 3 - Earnings per Share

Basic earnings per share have been computed based upon the weighted average common shares outstanding for the three month and six month periods ended June 30, 2004 and 2003. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

Earnings per share were computed as follows:

	Income	Weighted Average Shares	Per Share Amount
FOR THE SIX MONTHS ENDED JUNE 30, 2004:			
Basic Earnings Per Share:			
Income available to common stockholders	$ 550	2,254,770	$ 0.24
Effect of Dilutive Securities:			
Unearned recognition and retention plan shares		106,596	
Stock Options		52,099	
Diluted Earnings per Share:			
Income available to common stockholders and assumed conversions	$ 550	2,413,465	$ 0.23
FOR THE SIX MONTHS ENDED JUNE 30, 2003:			
Basic Earnings Per Share:			
Income available to common stockholders	$ 971	2,324,460	$ 0.42
Effect of Dilutive Securities:			
Unearned recognition and retention plan shares		112,894	
Stock Options		6,066	
Diluted Earnings per Share:			
Income available to common stockholders and assumed conversions	$ 971	2,443,420	$ 0.40
FOR THE THREE MONTHS ENDED JUNE 30, 2004:			
Basic Earnings Per Share:			
Income available to common stockholders	$ 324	2,260,285	$ 0.14
Effect of Dilutive Securities:			
Unearned recognition and retention plan shares		105,085	
Stock Options		59,059	
Diluted Earnings per Share:			
Income available to common stockholders and assumed conversions	$ 324	2,424,429	$ 0.13
FOR THE THREE MONTHS ENDED JUNE 30, 2003:			
Basic Earnings Per Share:			
Income available to common stockholders	$ 459	2,276,206	$ 0.20
Effect of Dilutive Securities:			
Unearned recognition and retention plan shares		113,252	
Stock options		12,132	
Diluted Earnings per Share:			
Income available to common stockholders and assumed conversions	$ 459	2,401,590	$ 0.19

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Note 4 - Comprehensive Income (Loss)

Comprehensive income (loss) for the three month and six month periods ended June 30, 2004 and 2003 is listed as follows:

	SIX MONTHS ENDED J	
	2004	20
Net Income	$ 550	$
Other Comprehensive Income (Loss)		
Unrealized depreciation on available-for-sale securities	(1,144)	
Less: Reclassification adjustment for realized gains included in net income	24	
	(1,168)	
Comprehensive Income (Loss)	$ (618)	$

	THREE MONTHS ENDED	
	2004	2
Net Income	$ 324	$
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities	(1,704)	
Comprehensive Income (Loss)	$(1,380)	$

Note 5 - Stock Split

On April 19, 2004, the Board of Directors of the Company approved a two for one stock split of the Company's common stock payable as a 100% stock dividend on

May 21, 2004 to shareholders of record on April 30, 2004. Prior period financial information has been adjusted to reflect the stock split.

Note 6 - Authorized Share Repurchase Program

On May 15, 2003, the Board of Directors authorized the open-market stock repurchases of up to 5%, or 124,544 of the Company's outstanding stock over the one-year period ending May 15, 2004, as, in the opinion of management, market conditions warrant. None of the 124,544 shares of the Company's outstanding stock were purchased before the repurchase resolution expired. On May 13, 2004, the Board of Directors authorized the open-market stock repurchases of up to 100,000 shares of the Company's outstanding stock over the one-year period ending May 13, 2005. Previously, the Company had completed four other repurchase programs for stock repurchases of 541,300 shares. As of August 12, 2004, the Company owned a cumulative total of 541,300 shares in treasury stock.

Note 7 - Recent Accounting Pronouncements

In March 2004, the SEC issued Staff Accounting Bulletin No. 105 (SAB 105), Application of Accounting Principles to Loan Commitments. Current accounting guidance requires the commitment to originate mortgage loans to be held for sale be recognized on the balance sheet at fair value from inception through expiration or funding. SAB 105 requires that the fair-value measurement include only differences between the guaranteed interest rate in the loan commitment and a market interest rate, excluding any expected future cash flows related to the customer relationship or loan servicing. SAB 105 is effective for commitments to originate mortgage loans to be held for sale that are entered into after March 31, 2004. The adoption of this bulletin did not have a material impact on the consolidated financial position on results of operations of the Company.

In March 2004, the FASB's Emerging Issues Task Force reached a consensus on EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. The guidance prescribes a three-step model for determining whether an investment is other-than-temporarily impaired and requires disclosures about unrealized losses on investments. The accounting guidance is effective for reporting periods beginning after June 15, 2004, while the disclosure requirements are effective for annual reporting periods ending after June 15, 2004. The adoption of this EITF did not have a material impact on the consolidated financial position or results of operations of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 as amended, and is including this statement for purposes of these 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 wholly-owned subsidiaries include, but are not limited to, changes in: interest rates; general economic conditions; legislative/regulatory provisions; monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board; the quality of composition of the loan or investment portfolios; demand for loan products; deposit flows; competition; demand for financial services in the Company's market area; 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 statement. 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.

The following discussion compares the financial condition of First BancTrust Corporation (Company), First Bank & Trust, s.b. (Bank), First Charter Service Corporation, ECS Service Corporation, and the Bank's wholly owned subsidiary, Community Finance Center, Inc. at June 30, 2004 to its financial condition at December 31, 2003 and the results of operations for the three-month and six-month periods ending June 30, 2004 to the same periods in 2003. Application was made and approved in 2003 by regulators to establish a new banking facility in Savoy, Illinois in Champaign County. Operations began in a temporary facility in late September, 2003 with the purchase of $3.2 million in deposits from another area financial institution. Permanent facilities are under construction in a prime commercial area, which should be completed in August 2004. This discussion should be read in conjunction with the interim financial statements and notes included herein.

FINANCIAL CONDITION

Total assets of the Company decreased by $5.0 million or 2.2%, to $221.2 million at June 30, 2004 from $226.2 million at December 31, 2003. The decrease in assets was primarily due to decreases in available-for-sale securities of $8.1 million, cash and cash equivalents of $2.1 million, and interest receivable of $637,000, offset by an increase in loans, net of allowance for loan losses

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of $4.6 million, loans held for sale of $328,000, and deferred income taxes of $811,000. The decrease in assets primarily funded a decrease in deposits.

The Company's cash and due from banks decreased by $2.2 million or 33.0% to $4.4 million at June 30, 2004 from $6.6 million at December 31, 2003. This decrease was slightly offset by an increase in interest-bearing demand deposits of $41,000 or 1.1% to $3.8 million at June 30, 2004 compared to $3.7 million at December 31, 2003. The net decrease in cash and cash equivalents of $2.1 million was primarily a result of an increase in loans and a decrease in deposits.

Available-for-sale investment securities amounted to $85.7 million at June 30, 2004 compared to $93.7 million at December 31, 2003, an $8.0 million decrease. The decrease primarily resulted from investment calls and maturities of $17.9 million, primarily in mortgage-backed securities and Federal Home Loan Bank ("FHLB") agency bonds, and a decrease in market value of $2.0 million, partially offset by investment purchases of $12.0 million.

Loans held for sale increased by $328,000 from $453,000 at December 31, 2003 to $781,000 at June 30, 2004, an increase of 72.4%. The 1-4 family refinancings have slowed significantly compared to last year, due to slightly rising interest rates compared to last year's historic low interest rates. During the first six months of 2004, residential loans originated for resale into the secondary market totaled $8.7 million compared to $27.8 million in the first six months of 2003. Loans held for sale at June 30, 2004 consisted entirely of single-family residential loans.

The Company's net loan portfolio increased by $4.6 million or 4.3% to $111.0 million at June 30, 2004 from $106.4 million at December 31, 2003. Gross loans increased by $4.7 million while the allowance for loan losses increased by $76,000. Farmland loans increased by $2.0 million and agricultural production loans increased by $2.9 million while nonfarm nonresidential real estate loans increased by $407,000 and commercial loans increased by $493,000. Loans secured by 1-4 family residences decreased by $817,000 and second mortgages on 1-4 family residences decreased by $129,000, although home equity loans increased by $900,000. Consumer loans decreased $330,000 and construction loans decreased by $391,000.

At June 30, 2004 the allowance for loan losses was $2.2 million or 1.94% of the total loan portfolio compared to $2.1 million, or 1.96% at December 31, 2003. During the first six months of 2004, the Company charged off $238,000 of loan losses, of which $82,000 were consumer loans, $70,000 related to three commercial loans, $59,000 pertained to eight 1-4 family residential loans, $13,000 was a loss from a commercial real estate loan and $14,000 related to one agricultural production loan. The chargeoffs of $238,000 were partially offset by $53,000 in recoveries. The Company's nonperforming loans and troubled debt restructurings as a percentage of total loans decreased slightly from 2.35% or $2.5 million at December 31, 2003 compared to 2.27% or $2.6 million at June 30, 2004. This slight percentage decrease was primarily a result of reduced delinquencies 90 days and over from $1.1 million at December 31, 2003 compared to $911,000 at June 30, 2004. The Company's troubled debt restructurings of $1.7 million at June 30, 2004 consists primarily of restructured commercial and agricultural loans. Included in the $1.7 million of troubled debt restructurings are restructured agricultural loans of $1.1 million which are 90% guaranteed for $947,000 by the Farmers Home Administration, thereby limiting the Company's exposure on those loans. Management reviews the adequacy of the allowance

for loan losses quarterly, and believes that its allowance is adequate; however, the Company cannot assure that future chargeoffs and/or provisions will not be necessary.

Net foreclosed assets held for sale, totaling $157,000 at June 30, 2004 increased $62,000, compared to $95,000 at December 31, 2003. As of June 30, 2004 the Company had three real estate properties totaling $87,000 consisting of three single-family residential properties and other repossessed assets of $70,000. Foreclosed assets are carried at lower of cost or net realizable value.

Interest receivable declined by $637,000 or 28.5% from $2.2 million to $1.6 million primarily due to annual payments received on agricultural loans. Federal Home Loan Bank stock increased by $125,000 due to the receipt of dividends in the form of stock. Deferred income taxes increased by $811,000 from $37,000 at December 31, 2003 to $848,000 at June 30, 2004 due to an adjustment for the deferred tax effect of the decrease in market valuation of available for sale investment securities.

Loan servicing rights declined by $117,000 from $964,000 at December 31, 2003 to $847,000 at June 30, 2004. Gross loan servicing rights decreased by $235,000 from $1.2 million at December 31, 2003 to $996,000 at June 30, 2004 due to amortization of loan servicing rights of $321,000 offset by newly capitalized assets of $86,000. The valuation allowance decreased from $267,000 at December 31, 2003 to $149,000 at June 30, 2004, due to an $118,000 recovery of a previous impairment as a result of current valuations.

The Company's total deposits totaled $158.8 million at June 30, 2004 compared to $163.0 million at December 31, 2003, a decrease of $4.2 million. The 2.6% decrease in total deposits was due to a $295,000 decrease in non-interest bearing deposits, and a $3.9 million decrease in interest bearing deposits. The decrease in interest bearing deposits was a result of a decrease of $1.5 million in interest-bearing checking accounts, and a $3.6 million decrease in certificates of deposit, partially offset by a $914,000 increase in savings accounts. The decline in interest-bearing deposits was primarily due to the maturing of some significant certificates of deposit, as well as decreases in municipal accounts to fund capital projects.

Federal Home Loan Bank advances and other debt remained constant at $35.5 million at December 31, 2003 and June 30, 2004. The total average rate of all advances was 4.04% as of June 30, 2004.

Stockholders' equity at June 30, 2004 was $25.7 million compared to $26.4 million at December 31, 2003, a decrease of $644,000. Retained earnings increased by the amount of net income or $550,000, partially offset by $275,000 in dividends declared and paid. Accumulated comprehensive income decreased by $1.2 million due to a decrease in the fair value of securities available for sale, net of tax.

RESULTS OF OPERATIONS

COMPARISON OF SIX MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

Net income for the six months ended June 30, 2004 decreased by $421,000 or 43.4% from $971,000 for the six months ended June 30, 2003 to $550,000 for the six months ended June 30, 2004. The decrease in net income is primarily due to decreases in net interest income and noninterest income, and an increase in noninterest expense, partially offset by decreases in the provision for loan losses and income tax expense.

Net interest income decreased $46,000 or 1.3% from $3.7 million for the six months ended June 30, 2003 to $3.6 million for the six months ended June 30, 2004. The primary reason for the decrease in net interest income was a decrease in interest and dividend income of $192,000 partially offset by a decrease of $146,000 in interest expense. The Company's net interest margin was 3.47% and 3.82% during the six months ended June 30, 2004 and 2003, respectively. The net interest margin decreased as a result of a decrease in interest rates on interest-bearing assets, partially offset by a decrease in interest rates on interest-bearing liabilities.

Total interest and dividend income decreased by $192,000 or 3.2% from $6.0 million for the six months ended June 30, 2003 to $5.8 million for the six months ended June 30, 2004. The decrease was primarily due to a decrease in loan interest income partially offset by increased interest income on securities available for sale. The decrease of $366,000 in loan interest income was primarily due to a decrease in the average loan rate of 92 basis points, partially offset by an increase in average loans. Interest and dividend income from available for sale securities increased by $172,000 primarily due to an increase in the average balance of available for sale investments, partially offset by a decrease in average interest rate of 24 basis points.

Interest expense declined by $146,000 or 6.3% from $2.3 million for the six months ended June 30, 2003 to $2.2 million for the six months ended June 30, 2004. This decline was primarily due to a decrease of $192,000 in interest on deposits, partially offset by $46,000 increase in interest on Federal Home Loan Bank advances. The $192,000 decrease in interest expense on deposits was primarily due to a decrease of 50 basis points in the average interest rate on deposits, partially offset by an increase in the average balance of deposits. The $46,000 increase in interest on Federal Home Loan Bank advances was due to an increase in the average balance, partially offset by a reduction in interest rate of 6 basis points.

For the six months ended June 30, 2004 and 2003 the provision for losses on loans was $262,000 and $333,000, respectively. The provision for the six months ended June 30, 2004 was based on the Company's analysis of the allowance for loan losses. Management meets on a quarterly basis to review the adequacy of the allowance for loan losses by classifying loans in compliance with regulatory classifications. Classified loans are individually reviewed to arrive at specific reserve levels for those loans. Once the specific portion for each loan is calculated, management calculates a historical portion for each category based on a combination of loss history, current economic conditions, and trends in the portfolio. While the Company cannot assure that future chargeoffs and/or provisions will not be necessary, the Company's management believes that, as of June 30, 2004, its allowance for loan losses was adequate.

Noninterest income decreased $318,000 or 16.6% from $1.9 million for the six months ended June 30, 2003 to $1.6 million for the six months ended June 30, 2004. The decrease was primarily a result of decreases in net gains on loan sales and other service fees and charges, and abstracting income, partially offset by an increase in net realized gains on sales of available for sale securities and increased customer service fees. Net gains on loan sales decreased by $265,000 from $421,000 for the six months ended June 30, 2003 to $156,000 for the six months ended June 30, 2004. This decline occurred as loan sales decreased from $27.3 million loans sold in the first six months of 2003 to $8.4 million loans sold in the first six months of 2004. Loan refinancings have slowed significantly compared to last year, due to slightly rising interest rates compared to last year's historic low interest rates. Other service charges and fees decreased by $85,000 from $446,000 for the six months ended June 30, 2003 to $361,000 for the six months ended June 30, 2004 primarily due to a decrease in fees associated with residential loans sold into the secondary market resulting from the reduced loan volume. Abstracting and title fees also declined by $55,000 from $227,000 for the six months ended June 30, 2003 to $172,000 for the six months ended June 30, 2004, due to the high level of refinancing activity in 2003. Customer service fees increased by $53,000 from $366,000 for the six months ended June 30, 2003 to 419,000 for the six months ended June 30, 2004, primarily a result of increased non-sufficient funds and overdraft fees associated with checking accounts. Net realized gains on sales of available for sale securities of $37,000 for the six months ended June 30, 2004 resulted from the sale of equity securities.

Total noninterest expenses were $4.1 million for the six months ended June 30, 2004 as compared to $3.8 million for the six months ended June 30, 2003. The primary reason for the $347,000 increase was an increase in salaries and employee benefits of $271,000, an increase in other expenses of $47,000 and an increase in net occupancy expense of $38,000 partially offset by a reduction of $146,000 in amortization of loan servicing rights. Salaries and employee benefits increased by $271,000 from $2.1 million for the six months ended June 30, 2003 to $2.3 million for the six months ended June 30, 2004. The salary increase was $147,000 which was primarily due to normal pay increases and the addition of six full-time employees and three part-time employees. The majority of the employee additions are a result of the branch expansion into Savoy. The increase in employee benefits of $124,000 was primarily due to increased health insurance expense and increased Employee Stock Ownership Plan ("ESOP") expense. Health insurance expense was $221,000 for the six months ended June 30, 2004 compared to $173,000 for the six months ended June 30, 2003, a $48,000 increase as a result a higher premiums. ESOP expense increased by $53,000 due to a higher average share price. The monthly expense for the ESOP is determined by the average share price in the open market for the month, and as the monthly average share price increases, the ESOP expense increases accordingly.

Net occupancy expense increased by $38,000 from $102,000 for the six months ended June 30, 2003 compared to $140,000 for the six months ended June 30, 2004 primarily due to the branch expansion into Savoy. Professional fees increased by $80,000 from $148,000 for the six months ended June 30, 2003 to $228,000 for the same period in 2004. The increase was primarily a result of higher legal fees in 2004, primarily related to the expansion into Savoy, and increased consulting fees, primarily from the retention of an investors relations consulting firm. Amortization of loan servicing rights decreased from $467,000 for the six months ended June 30,

2003 to $321,000 for the six months ended June 30, 2004, as a result of a decrease in loan prepayments. Other expenses increased by $47,000 from $451,000 for the six months ended June 30, 2003 to $498,000 for the six months ended June 30, 2004. The primary reason for this increase is an increase in office supplies expense, an increase in supervision fees from the Bank's primary regulator and an increase in insurance expense due to higher premiums.

Income tax expense was $283,000 for the six months ended June 30, 2004 as compared to $502,000 for the six months ended June 30, 2003. The decrease of $219,000 in income tax expense was due to a decrease in income before taxes of $640,000. The effective tax rates were 33.97% and 34.08%, respectively, for the six months ended June 30, 2004 and 2003.

COMPARISON OF THREE MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

Net income for the three months ended June 30, 2004 decreased by $135,000 or 29.4% from $459,000 for the three months ended June 30, 2003 to $324,000 for the three months ended June 30, 2004. The decrease in net income is primarily due to a decrease in noninterest income, and an increase in noninterest expense, partially offset by an increase in net interest income and decreases in the provision for loan losses and income tax expense.

Net interest income increased $99,000 or 5.7% from $1.7 million for the three months ended June 30, 2003 to $1.8 million for the three months ended June 30, 2004. The primary reason for the increase in net interest income was a decrease of $108,000 in interest expense, partially offset by a slight decrease of $9,000 in interest and dividend income. The Company's net interest margin was 3.47% and 3.51% during the three months ended June 30, 2004 and 2003, respectively. The net interest margin decreased slightly as a result of an increase in the average interest earning assets.

Total interest and dividend income decreased slightly by $9,000 from $2.92 million for the three months ended June 30, 2003 to $2.91 million for the three months ended June 30, 2004. The decrease was primarily due to a decrease in loan interest income partially offset by increased interest income on securities available for sale. The decrease of $113,000 in loan interest income was primarily due to a decrease in the average loan rate of 85 basis points, partially offset by an increase in average loans. Interest and dividend income from available for sale securities increased by $105,000 primarily due to an increase in the average balance of available for sale investments.

Interest expense declined by $108,000 or 9.2% from $1.2 million for the three months ended June 30, 2003 to $1.1 million for the three months ended June 30, 2004. This decline was primarily due to a decrease of $106,000 in interest on deposits. The $106,000 decrease in interest expense on deposits was primarily due to a decrease of 48 basis points in the average interest rate on deposits, partially offset by an increase in the average balance of deposits. For the three months ended June 30, 2004 and 2003 the provision for losses on loans was $112,000 and $169,000, respectively. The provision for the three months ended June 30, 2004 was based on the Company's analysis of the allowance for loan losses.

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Noninterest income decreased $175,000 or 17.0% from $1.0 million for the three months ended June 30, 2003 to $853,000 for the three months ended June 30, 2004. The decrease was primarily a result of decreases in net gains on loan sales and other service fees and charges, and a decrease in abstracting income, partially offset by increased customer service fees. Net gains on loan sales decreased by $159,000 from $255,000 for the three months ended June 30, 2003 to $96,000 for the three months ended June 30, 2004. This decline occurred as loan sales decreased from $16.0 million loans sold in the second quarter 2003 to $5.3 million loans sold in the second quarter 2004. Loan refinancings have slowed significantly compared to last year, due to slightly rising interest rates compared to last year's historic low interest rates. Other service charges and fees decreased by $42,000 from $234,000 for the three months ended June 30, 2003 to $192,000 for the three months ended June 30, 2004 primarily due to a decrease in fees associated with residential loans sold into the secondary market resulting from the reduced loan volume. Abstracting and title fees also declined by $33,000 from $122,000 for the three months ended June 30, 2003 to $89,000 for the three months ended June 30, 2004, due to the high level of refinancing activity in 2003.

Total noninterest expenses were $2.1 million for the three months ended June 30, 2004 as compared to $1.9 million for the three months ended June 30, 2003. The primary reason for the $220,000 increase was an increase in salaries and employee benefits of $131,000, an increase in equipment expense of $51,000, an increase in professional fees of $39,000, and an increase of $44,000 in other expenses, partially offset by an increase in the recovery of a previously identified impairment of loan servicing rights of $38,000, and by a reduction of $38,000 in amortization of loan servicing rights. Salaries and employee benefits increased by $131,000 from $1.0 million for the three months ended June 30, 2003 to $1.2 million for the three months ended June 30, 2004. The salary increase was $53,000 which was primarily due to normal pay increases and the addition of six full-time employees and three part-time employees. The majority of the employee additions are a result of the branch expansion into Savoy. The increase in employee benefits of $78,000 was primarily due to increased health insurance expense, increased employment taxes, and increased Employee Stock Ownership Plan ("ESOP") expense. Health insurance expense was $122,000 for the three months ended June 30, 2004 compared to $94,000 for the three months ended June 30, 2003, a $29,000 increase as a result a higher premiums. Employment taxes increased by $15,000 as a result of the increased salaries expense. ESOP expense increased due to a higher average share price.

Equipment expense increased by $51,000 from $163,000 for the three months ended June 30, 2003 to $214,000 for the three months ended June 30, 2004, due to increased maintenance expense on equipment and software systems. Professional fees increased by $39,000 from $73,000 for the three months ended June 30, 2003 to $112,000 for the same period in 2004. The increase was primarily a result of increased consulting fees, primarily from the retention of an investors relations consulting firm. Amortization of loan servicing rights decreased from $204,000 for the three months ended June 30, 2003 to $166,000 for the three months ended June 30, 2004, as a result of a decrease in loan prepayments. The recovery of impairment of loan servicing rights was $53,000 for the three months ended June 30, 2003 compared to $91,000 for the three months ended June 30, 2004. The amount of the recovery or impairment is determined by comparing the book value of the loan servicing rights to an independent valuation based on a discounted cash flow methodology, utilizing current prepayment speeds and discount rates.

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Other expenses increased by $44,000 from $217,000 for the three months ended June 30, 2003 to $261,000 for the three months ended June 30, 2004, primarily due to increased supervision fees from the Bank's primary regulator, an increase in insurance expense due to higher premiums, and increased franchise taxes.

Income tax expense was $163,000 for the three months ended June 30, 2004 as compared to $267,000 for the three months ended June 30, 2003. The decrease of $104,000 in income tax expense was due to a decrease in income before taxes of $239,000. The effective tax rates were 33.5% and 36.8%, respectively, for the three months ended June 30, 2004 and 2003.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. Actual results could differ from those estimates under different assumptions and conditions. Management believes that its critical accounting policies and significant estimates include determining the allowance for loan losses, the valuation of loan servicing rights, and the valuation of foreclosed real estate.

Allowance for loan losses

The allowance for loan losses is a significant estimate that can and does change based on management's assumptions about specific borrowers and current general economic and business conditions, among other factors. Management reviews the adequacy of the allowance for loan losses on at least a quarterly basis. The evaluation by management includes consideration of past loss experience, changes in the composition of the loan portfolio, the current condition and amount of loans outstanding, identified problem loans and the probability of collecting all amounts due.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. A worsening or protracted economic decline would increase the likelihood of additional losses due to credit and market risk and could create the need for additional loss reserves.

Loan Servicing Rights

The Company recognizes the rights to service loans as separate assets in the consolidated balance sheet. The total cost of loans when sold is allocated between loans and loan servicing rights based on the relative fair values of each. Loan servicing rights are subsequently carried at the lower of the initial carrying value, adjusted for amortization, or fair value. Loan servicing rights are evaluated for impairment based on the fair value of those rights. Factors included in the calculation of fair value of the loan servicing rights include estimating the present value of future net cash flows, market loan prepayment speeds for similar loans, discount rates, servicing costs, and other economic factors. Servicing rights are amortized over the estimated period of net servicing revenue. It is likely that these economic factors will change over the life of the loan

servicing rights, resulting in different valuations of the loan servicing rights. The differing valuations will affect the carrying value of the loan servicing rights on the consolidated balance sheet as well as the income recorded from loan servicing in the income statement. As of June 30, 2004 and December 31, 2003, mortgage servicing rights had carrying values of $847,000 and $964,000, respectively.

Foreclosed Assets Held for Sale

Foreclosed assets held for sale are carried at the lower of cost or fair value less estimated selling costs. Management estimates the fair value of the properties based on current appraisal information. Fair value estimates are particularly susceptible to significant changes in the economic environment, market conditions, and the real estate market. A worsening or protracted economic decline would increase the likelihood of a decline in property values and could create the need to write down the properties through current operations.

LIQUIDITY

At June 30, 2004, the Company had outstanding commitments to originate $3.6 million in loans, and $6.8 million available to be drawn upon for open-end lines of credit. For more information on the outstanding commitments, see the discussion below the caption "Off-Balance Sheet Arrangements". As of June 30, 2004, the total amount of certificates scheduled to mature in the following 12 months was $40.7 million. The Company believes that it has adequate resources to fund all of its commitments. The Company's most liquid assets are cash and cash equivalents. The level of cash and cash equivalents is dependent on the Company's operating, financing, lending and investing activities during any given period. The level of cash and cash equivalents at June 30, 2004 was $8.2 million. The Company's future short-term requirements for cash are not expected to significantly change. In the event that the Company should require funds beyond its capability to generate them internally, additional sources of funds are available such as Federal Home Loan Bank advances.

OFF-BALANCE SHEET ARRANGEMENTS

At June 30, 2004, the Company had outstanding commitments to originate loans of $3.6 million. The commitments extended over varying periods of time with the majority being disbursed within a one-year period. Loan commitments at fixed rates of interest amounted to $2.7 million, with the remainder at floating rates. In addition, the Company had outstanding unused lines of credit to borrowers aggregating $4.0 million for commercial lines of credit, and $2.8 million for consumer lines of credit. Outstanding commitments for letters of credit at June 30, 2004 totaled $182,000. Since these commitments have fixed expiration dates, and some will expire without being drawn upon, the total commitment level may not necessarily represent future cash requirements.

The following table presents additional information about our unfunded commitments as of June 30, 2004, which by their terms have contractual maturity dates subsequent to June 30, 2004:

	Next 12 Months	13-36 Months	37-60 Months	More than 60 Months	Totals
UNFUNDED COMMITMENTS:					
Letters of credit	$ 182	$ --	$ --	$ --	$ 182
Lines of credit	4,515	433	118	1,687	6,753
Totals	$4,697	$ 433	$ 118	$1,687	$6,935

CAPITAL RESOURCES

The Bank is subject to capital-to-asset requirements in accordance with Federal bank regulations. The following table summarizes the Bank's regulatory capital requirements, versus actual capital as of June 30, 2004:

JUNE 30, 2004	ACTUAL		REQUIRED FOR ADEQUATE CAPITAL		T CA
	Amount	%	Amount	%	Amou
	(Dollars in thousands)				
Total capital (to risk-weighted assets)	$25,690	22.25	$ 9,235	8.0	$11,5
Tier 1 capital (to risk-weighted assets)	24,238	21.00	4,618	4.0	6,9
Tier 1 capital (to average assets)	24,238	10.80	8,977	4.0	11,2

The Company's consolidated capital-to-asset requirements and actual capital as of June 30, 2004 are summarized in the following table:

JUNE 30, 2004	ACTUAL		REQUIRED FOR ADEQUATE CAPITAL		T CA
	Amount	%	Amount	%	Amou
			(Dollars in thousands)		
Total capital (to risk-weighted assets)	$27,913	23.91	$9,340	8.0	--
Tier 1 capital (to risk-weighted assets)	26,445	22.65	4,670	4.0	--
Tier 1 capital (to average assets)	26,445	11.71	9,036	4.0	--

ITEM 3. CONTROLS AND PROCEDURES

The Company carried out an evaluation as of June 30, 2004, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls during the quarter ended June 30, 2004.

Disclosure controls and procedures are the controls and other procedures of the Company that are designed to ensure that the information required to be disclosed by the Company in its reports filed or submitted under the Securities Exchange Act of 1934, as amended (Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in its reports filed under the Exchange Act is accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company and subsidiary are also subject to claims and lawsuits which arise primarily in the ordinary course of business, such as claims to enforce liens and claims involving the making and servicing of real property loans and other issues. It is the opinion of management that the disposition or ultimate determination of such possible claims or lawsuits will not have a material adverse effect on the consolidated financial position of the Company.

ITEM 2. CHANGES IN SECURITIES AND ISSUER PURCHASES OF EQUITY SECURITIES

(e) The following table provides information about purchases of the Company's common stock by the Company during the quarter ended June 30, 2004.

ISSUER PURCHASES OF EQUITY SECURITIES

PERIOD	(a) TOTAL NUMBER OF SHARES PURCHASED	(b) AVERAGE PRICE PAID PER SHARE	(c) TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	(d) MAXIMUM OF SHARES T YET BE PURC UNDER THE P PROGRAMS
04/01/04 - 04/30/04	---	---	---	62,2
05/01/04 - 05/31/04	---	---	---	100,
06/01/04 - 06/30/04	---	---	---	100,
Total	---	---	---	100,

(1) Our board of directors approved the repurchase by us of 5%, or 62,272 shares pursuant to the Program. The expiration date of this Program was May 15, 2004. None of these shares were repurchased. On May 13, 2004 our board of directors approved the repurchase by us of 100,000 shares over the one-year period ending May 13, 2005. None of these shares have been repurchased.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

a. The Company's Annual Meeting of Shareholders was held on April 19, 2004.

b. Not applicable.

c. At such meeting, there were 1,250,225 shares of Common Stock entitled to be voted. The shareholders approved the following matters:

1. The election of the following individuals as Directors:

	Votes For	Votes Withheld	Term

Terry T. Hutchison	1,142,937	16,862	3 years
John W. Welborn	1,115,448	44,351	3 years

The directors whose terms continued after the meeting were Vick N. Bowyer, David W. Dick, Terry J. Howard, James D. Motley, and Joseph R. Schroeder.

2. The ratification of BKD, LLP as independent auditor of the Company for the fiscal year ending December 31, 2004, as reflected by 1,029,029 votes for, 93,560 votes against and 37,210 abstentions.

d. Not applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1 Certification of Terry J. Howard required by Rule 13a-14(a).

31.2 Certification of Ellen M. Litteral required by Rule 13a-14(a).

32.1 Certification of Terry J. Howard, Chief Executive Officer pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

32.2 Certification of Ellen M. Litteral, Chief Financial Officer pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

(b) The Company filed a Current Report on Form 8-K on May 10, 2004 under Regulation FD to report certain financial information for the quarter ended March 31, 2004. The Company filed a Current Report on Form 8-K on April 23, 2004 related to the announcement of a two-for-one stock split on May 21, 2004 to shareholders of record as of April 30, 2004.

SIGNATURES

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

FIRST BANCTRUST CORPORATION

Date: August 12, 2004	/s/ Terry J. Howard --------------------------------------- Terry J. Howard President and Chief Executive Officer
Date: August 12, 2004	/s/ Ellen M. Litteral --------------------------------------- Ellen M. Litteral Treasurer and Chief Financial Officer