ALLEGIANT BANCORP INC/MO/
Form 10-Q
November 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended SEPTEMBER 30, 2002

Commission file number 0-10849

ALLEGIANT BANCORP, INC.
(Exact name of registrant as specified in its charter)

MISSOURI	43-1262037
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2122 KRATKY ROAD
ST. LOUIS, MISSOURI 63114
(Address of principal executive offices) (Zip Code)

(314) 692-8200
(Registrant's telephone number, including area code)

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

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

Title of class	Number of shares outstanding as of November 1, 2002
Common stock, $0.01 par value	16,105,140

ALLEGIANT BANCORP, INC.
FORM 10-Q

INDEX

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALLEGIANT BANCORP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2002 (Unaudited)	December 31, 2001
	(Dollars in thousand	
ASSETS:		
Cash and due from banks	$ 53,883	$ 56,992
Federal funds sold and other investments	12,481	14,642
Investment securities:		
Available-for-sale (at estimated market value)	411,369	439,038
Held-to-maturity (estimated market value of $18,708, $24,532 and $28,854, respectively)	17,657	24,599
Loans, net of allowance for loan losses of $18,460, $18,905 and $19,692, respectively	1,615,416	1,400,891
Loans held for sale	20,982	61,459
Premises and equipment	47,087	47,941
Accrued interest and other assets	73,662	68,506
Cost in excess of fair value of net assets acquired	56,170	56,411
Total assets	$ 2,308,707	$ 2,170,479
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Deposits:		
Non-interest bearing	$ 207,588	$ 201,216
Interest bearing	1,330,583	1,291,351
Certificates of deposit over $100,000	162,388	195,048
Total deposits	1,700,559	1,687,615
Short-term borrowings	72,230	73,027
Federal Home Loan Bank advances	305,814	196,191
Guaranteed preferred beneficial interests in subordinated debentures	57,250	57,250
Accrued expenses and other liabilities	12,408	18,328
Total liabilities	2,148,261	2,032,411
Shareholders' equity:		
Common Stock, $0.01 par value - authorized 20,000,000 shares; issued 15,889,500 shares, 15,209,566 shares and 14,881,581 shares, respectively	163	157
Capital surplus	116,070	111,234
Retained earnings	39,942	27,223
Accumulated other comprehensive income (loss)	4,271	(546)
Total shareholders' equity	160,446	138,068
Total liabilities and shareholders' equity	$ 2,308,707	$ 2,170,479

See Notes to Condensed Consolidated Financial Statements.

ALLEGIANT BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	
	(In thousands, except share a		
Interest income:			
Interest and fees on loans........................	$ 26,761	$ 18,723	$
Investment securities.............................	4,652	2,920	
Federal funds sold and overnight investments.......	44	52	
Total interest income...........................	31,457	21,695	
Interest expense:			
Deposits..	9,205	9,433	
Short-term borrowings.............................	1,482	1,500	
Federal Home Loan Bank advances...................	2,262	1,224	
Guaranteed preferred beneficial interests in subordinated debentures.........................	1,372	442	
Total interest expense..........................	14,321	12,599	
Net interest income.................................	17,136	9,096	
Provision for loan losses...........................	2,010	2,000	
Net interest income after provision for loan losses..................................	15,126	7,096	
Other income:			
Service charges on deposits.......................	1,744	986	
Net gain on sale of securities....................	235	1,810	
Other income......................................	3,204	1,408	
Total other income..............................	5,183	4,204	
Other expenses:			
Salaries and employee benefits....................	6,320	3,940	
Occupancy and furniture and equipment.............	1,876	1,022	
Other operating expenses..........................	3,847	2,147	
Total other expenses............................	12,043	7,109	
Income before income taxes..........................	8,266	4,191	
Provision for income taxes..........................	2,933	1,294	
Net income......................................	$ 5,333	$ 2,897	$

Per share data:			
Earnings per share:			
Basic..	$ 0.33	$ 0.32	$
Diluted......................................	0.33	0.32	
Weighted average common shares outstanding:			
Basic..	15,881,743	8,995,753	1
Diluted......................................	16,254,171	9,141,781	1

See Notes to Condensed Consolidated Financial Statements.

ALLEGIANT BANCORP, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Shar E
			(In thousands)		
Balance December 31, 2001......	$ 157	$ 111,234	$ 27,223	$ (546)	$
Net income....................	-	-	15,679	-	
Change in net unrealized gains (losses) on available-for-sale securities............	-	-	-	4,817	
Comprehensive income..........	-	-	-	-	
Issuance of common stock.......	6	4,836	-	-	
Dividends.....................	-	-	(2,960)	-	
Balance September 30, 2002.....	$ 163	$ 116,070	$ 39,942	$ 4,271	$

Reclassification adjustments:	
Unrealized gains on available-for-sale securities	$ 6,744
Less:	
Reclassification adjustment for gains realized included in net income....	1,927
Net unrealized gains on available-for-sale securities.................	$ 4,817

See Notes to Condensed Consolidated Financial Statements.

ALLEGIANT BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months September 2002 (In thousa
OPERATING ACTIVITIES:	
Net income	$ 15,679
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	3,297
Provision for loan losses	5,510
Net gain on sale of fixed assets	(67)
Net realized gains on securities available-for-sale	(1,927)
Net gain on sale of mortgage loans	(601)
Other changes in assets and liabilities:	
Accrued interest receivable and other assets	(5,985)
Accrued expenses and other liabilities	(5,920)
Cash provided by operating activities	9,986
INVESTING ACTIVITIES:	
Merger-related recapitalization related to the acquisition of Equality Bancorp, Inc. and Southside Bancshares Corp	-
Adjustment to cash received in acquisition of branches	(571)
Proceeds from maturities of securities held-to-maturity	6,942
Proceeds from maturities of securities available-for-sale	144,920
Proceeds from sales of securities available-for-sale	106,638
Purchase of investment securities available-for-sale	(214,564)
Loans made to customers, net of repayments	(194,644)
Proceeds from sale of mortgage loans	15,687
Purchase of bank-owned life insurance	(1,752)
Additions to premises and equipment	(1,564)
Cash used in investing activities	(138,908)
FINANCING ACTIVITIES:	
Net increase in deposits	12,944
Net increase in short-term borrowings	109,157
Increase in long-term debt	-
Repayment of long-term debt	(331)
Proceeds from issuance of guaranteed preferred beneficial interest in subordinated debentures	-
Proceeds from issuance of common stock	4,842

Payment of dividends	(2,960)
Cash provided by financing activities	123,652
Net (decrease) increase in cash and cash equivalents	(5,270)
Cash and cash equivalents, beginning of period	71,634
Cash and cash equivalents, end of period	$ 66,364

See Notes to Condensed Consolidated Financial Statements.

ALLEGIANT BANCORP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Allegiant Bancorp, Inc. and its subsidiaries. The terms "Allegiant," "company," "we," "our," and "corporation" as used in this report refer to Allegiant Bancorp, Inc. and its subsidiaries as a consolidated entity, except where we clearly indicate that it means only Allegiant Bancorp, Inc. Also, sometimes we refer to Allegiant Bank, Bank of Ste. Genevieve and State Bank of Jefferson County, our bank subsidiaries, as the "banks."

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and nine-month periods ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

The balance sheet at December 31, 2001 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2001.

Comprehensive Income

During the third quarter of 2002 and 2001, total comprehensive income amounted to $6.4 million and $2.9 million, respectively. Year-to-date comprehensive income for the first nine months of 2002 and 2001 was $20.5 million and $9.6 million, respectively.

Acquisitions

On September 28, 2001, we acquired Southside Bancshares Corp. ("Southside"). Before the acquisition, Southside was a bank holding company with four subsidiary banks in and around St. Louis, Missouri, which at closing reported consolidated total assets of approximately $804.9 million. Under the terms of the agreement, one-half of the Southside shares were converted into the right to receive cash in the amount of $14 per share and the other half into the right to receive 1.39 shares of Allegiant stock per share. Under the terms of the agreement, we exchanged a total of approximately 5.9 million shares of Allegiant common stock plus $59 million in cash for all of the outstanding common stock of Southside. The issuance of Allegiant shares and cash to the former Southside shareholders was completed on November 2, 2001. We financed the cash portion of the purchase price through the issuance of trust preferred securities and bank borrowings. We accounted for the acquisition under the purchase method and recorded goodwill and a core deposit intangible of $33.6 million and $11.0 million, respectively. The core deposit intangible is being amortized over an estimated

useful life of ten years and none of this amortization is expected to be deductible for tax purposes. During October 2001 and May 2002, respectively, we merged Southside National Bank and the Bank of St Charles County, two of the four subsidiary banks acquired from Southside, into Allegiant Bank. In October 2002, we also merged the State Bank of Jefferson County, a subsidiary bank acquired from Southside, into Allegiant Bank.

On December 12, 2001, we acquired five St. Louis County branches from Guardian Savings Bank ("Guardian") which is headquartered in Houston, Texas. In addition to the branch facilities, we assumed $109.3 million in related deposit liabilities. As a result of the Guardian branch acquisition, we recorded $2.2 million of goodwill. The acquisitions of Southside and the Guardian branches significantly enhanced the scale of our banking business and positioned us for further growth and to compete effectively by offering personalized banking products and services in the St. Louis community.

On September 18, 2002, we announced the signing of a definitive exchange agreement that provides for First Banks to acquire Allegiant's wholly-owned banking subsidiary, Bank of Ste. Genevieve (BSG). Under the terms of the agreement, First Banks will acquire BSG in exchange for approximately 974,150 shares of Allegiant common stock that is currently held by First Banks. As a part of our Project 2004 initiative, this transaction will increase Allegiant's focus on the higher growth St. Louis metropolitan area, reduce the number of outstanding shares without decreasing our float and is expected to be immediately accretive to our earnings per share. The transaction, which is subject to regulatory approvals, is expected to be completed in the first quarter of 2003.

On October 1, 2002, we completed the acquisition of Investment Counselors, Incorporated ("Investment Counselors"), a privately held investment advisory firm located in St. Louis, Missouri. Under terms of the agreement, we exchanged approximately 195,000 shares of Allegiant common stock for all of the common shares of Investment Counselors. This acquisition is consistent with our strategy of focusing on the growth of non-interest income and will allow us to offer a more comprehensive selection of wealth management products and services. In addition to increasing Allegiant's assets under management to approximately $800 million, the Investment Counselors acquisition brought several individuals to Allegiant with significant management expertise in St. Louis. Investment Counselors has been serving institutional and high net worth individuals in the Midwest since 1968.

Recently Issued Accounting Standards

Effective January 1, 2002, the Company adopted Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. In accordance with this statement, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to impairment tests in accordance with the Statement. Other intangible assets will continue to be amortized over their estimated useful lives. During 2002, the Company is performing the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and has not yet determined what the effect of those tests will be on the future consolidated earnings and financial position of the Company. If for any future period we determine that there has been impairment in the carrying value of our goodwill balances, we will record a charge to our earnings, which could have a material adverse effect on our net income.

In the third quarter of 2002, Allegiant adopted SFAS 147, Acquisition of Certain Financial Institutions. As permitted by the new accounting standard issued on October 1, 2002, we reclassified previously recorded intangible assets associated with branch acquisitions to goodwill. As required by SFAS 147, we restated previously reported 2002 six-month earnings to reflect the non-amortization of goodwill related to our branch acquisitions. For the six months ended June 30, 2002, the impact related to implementation of SFAS 147 was an increase to net income of $345,000 and an increase in diluted earnings per share of $0.02 per share.

The adoption of SFAS 147 increased net income by $517,050 or $0.03 per diluted share for the nine months ended September 30, 2002 and is projected to increase full-year 2002 earnings by approximately $700,000, or $0.04 per diluted share.

Restatement

We also restated previously reported 2002 six-month earnings to recognize the impact of a $700,000 deferred loan fee which had not been accreted into income due to an accounting oversight during the three months ended March 31, 2002 and June 30, 2002 in accordance with SFAS 91, Accounting for Non-refundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases. For the six months ended June 30, 2002, the impact of this adjustment was to increase net income by $291,000 and diluted earnings per share by $0.02 per share.

The combined impact of SFAS 147 adoption and the deferred loan fee adjustment on the results for the six months ended June 30, 2002 was to reflect restated diluted earnings per share of $0.65 per share, compared to

$0.61 per share previously reported and restated net income of $10.3 million, compared to previously reported $9.7 million.

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

This report contains certain forward-looking statements with respect to the financial condition, results of operations and business of Allegiant and our subsidiaries. These forward-looking statements involve certain risks and uncertainties. For example, by accepting deposits at fixed rates, at different times and for different terms, and lending funds at fixed rates for fixed periods, we accept the risk that the cost of funds may rise and interest on loans and investment securities may be at a fixed rate. Similarly, the cost of funds may fall, but we may have committed by virtue of the term of a deposit to pay what becomes an above-market rate. Investments may decline in value in a rising interest rate environment. Loans have the risk that the borrower will not repay all funds in a timely manner, as well as the risk of total loss. Collateral may or may not have the value attributed to it. The loan loss reserve, while believed adequate, may prove inadequate if one or more large borrowers, or numerous smaller borrowers, or a combination of both, experience financial difficulty for individual, national or international reasons. Because the business of banking is highly regulated, decisions of governmental authorities, such as the rate of deposit insurance, can have a major effect on operating results. All of these uncertainties, as well as others, are present in a banking operation and we caution shareholders that management's view of the future on which it prices our products, evaluates collateral, sets loan loss reserves and estimates costs of operation and regulation may prove to be other than anticipated.

The profitability of our operations depends on our net interest income, provision for loan losses, non-interest income and non-interest expense. Net interest income is the difference between the income we receive on our loan and investment portfolios and our cost of funds, which consists of interest paid on deposits and borrowings. The provision for loan losses reflects the cost of credit risk in our loan portfolio. Non-interest income consists primarily of service charges on deposit accounts and fees for ancillary banking services and, to a lesser extent, revenues generated from our mortgage banking, securities brokerage, insurance brokerage and trust operations. Non-interest expense includes salaries and employee benefits, as well as occupancy, data processing, marketing, professional fees, insurance and other expenses. Under recently adopted accounting rules, we will be required to periodically evaluate the carrying values of our goodwill balances to determine whether the values have been impaired. If we determine that there has been an impairment, we will recognize a charge to our earnings, which could be material.

Our net interest income depends on the amounts and yields of interest-earning assets compared to the amounts and rates on interest bearing liabilities. Net interest income is sensitive to changes in market rates of interest and our asset/liability management procedures in managing those changes. The provision for loan losses is dependent on increases in the loan portfolio, management's assessment of the collectibility of the loan portfolio and loss experience, as well as economic and market factors.

OVERVIEW

We are a bank holding company headquartered in St. Louis, Missouri. Our bank subsidiaries, Allegiant Bank and Bank of Ste. Genevieve, offer full-service banking and personal trust services to individuals, commercial business and municipalities in the St. Louis metropolitan area. Our services include commercial, real estate and installment loans, checking, savings and time deposit accounts, personal trust and other fiduciary services and other financial services such as securities brokerage, insurance and safe deposit boxes. As of

September 30, 2002, we reported, on a consolidated basis, total assets of $2.3 billion, loans of $1.6 billion, deposits of $1.7 billion and shareholders' equity of $160.4 million.

Since our inception in 1989, we have grown through a combination of internal growth and acquisitions of other financial institutions. Our internal growth has been achieved by positioning Allegiant as one of the leading St. Louis community banking operations. We have supplemented our growth by acquiring 31 branch locations in our community from four different thrifts and another banking organization. Our primary goals have been to expand our branch network in the St. Louis market while increasing our earnings per share. We have also acquired a mortgage company and an asset management firm. In December 1998, we sold four branches located in more rural markets in northeast Missouri, in order to focus our operations exclusively in the St. Louis metropolitan area. In November 2000, we acquired Equality Bancorp, Inc. a community-based thrift holding company with seven branches in the St. Louis area and total assets of approximately $300.4 million. As a continuation of our acquisition and growth strategies, in September 2001, we acquired Southside Bancshares Corp., another community-based bank holding company serving the St. Louis area, with total assets of approximately $804.9 million. In addition, in December 2001, we acquired five St. Louis branch facilities from Guardian Savings Bank and assumed approximately $109.3 million in related deposit liabilities.

Since the beginning of 1998, we have focused on improving the profitability of our banking operations. As a result, we have reduced the amount of one- to four-family mortgages we hold in our loan portfolio and have increased our amount of higher yielding commercial loans. We have hired more than 20 banking professionals averaging more than 10 years of experience in the St. Louis metropolitan area to help grow our commercial loans and deposits. We have also implemented company-wide cost-control efforts to enhance efficiencies throughout our operations. These steps taken since the beginning of 1998 have improved our efficiency, return on average assets, return of average equity and earnings per share.

Our primary financial objectives are to continue to grow our loan portfolio while maintaining high asset quality, expand our core deposit base to provide a cost-effective and stable source of funding our loan portfolio and increase non-interest income while maintaining strong expense controls. We have sought to maintain high asset quality while managing growth both internally and by acquisition.

RESULTS OF OPERATIONS

Net income for the three months ended September 30, 2002 was $5.3 million, an 83% increase over the $2.9 million earned in the third quarter of 2001. Basic earnings per share were $0.33 for the third quarter of 2002 compared to $0.32 for the third quarter of 2001. Diluted earnings per share increased 3% to $0.33 for the third quarter of 2002 compared to $0.32 for the third quarter of 2001. The annualized return on average assets was 0.94% for both the third quarter of 2002 and 2001. The return on average equity on an annualized basis was 13.50% for the third quarter of 2002 compared to 13.22% for the third quarter of 2001.

Net income for the nine-month period ended September 30, 2002 was $15.7 million, a 90% increase over the $8.3 million earned in the nine-month period ended September 30, 2001. Basic earnings per share were $1.00 and $0.93, respectively, for the nine-month periods ended September 30, 2002 and 2001. Diluted earnings per share were $0.98 and $0.92, respectively, for the nine-month periods ended September 30, 2002 and 2001. The annualized return on average assets for the first nine months of 2002 was 0.95%, compared to the 0.94% annualized

return on average assets reported for the first nine months of 2001. The return on average equity on an annualized basis improved to 13.95% for the first nine months of 2002 compared to 13.19% for the first nine months of 2001.

As a result of newly effective accounting pronouncements, we have discontinued the amortization of goodwill in 2002 and will periodically determine whether the carrying value of our goodwill is impaired. As required by these pronouncements, we continue to amortize core deposit premiums and other identifiable intangibles as a noncash charge that increases our operating expenses. Intangible asset amortization included as an operating expense totaled $271,000 and $231,000 for the three-month periods ended September 30, 2002 and 2001, respectively. Intangible asset amortization included as an operating expense totaled $812,000 and $712,000 for the nine-month periods ended September 30, 2002 and 2001, respectively.

Total assets at September 30, 2002 were $2.3 billion, an increase of $181.1 million or 9% from September 30, 2001, due largely to a $203.4 million or 14% increase in loans. At September 30, 2002, total loans increased to $1.6 billion and total deposits increased to $1.7 billion.

Net Interest Income. Net interest income for the three months ended September 30, 2002 was $17.1 million, an 88% increase compared to the $9.1 million reported for the third quarter of 2001. The growth in net interest income was attributable to an increase of $913 million in average earning assets primarily from our September 2001 acquisition of Southside Bancshares Corp. The $9.8 million increase in interest income was partially offset by a $1.7 million increase in interest expense. The increase in interest expense was the result of an $855 million increase in average interest bearing liabilities, partially offset by a decrease of 178 basis points in the average interest rate paid between the periods.

The net interest margin for the third quarter of 2002 improved 16 basis points from the third quarter of 2001. The earning assets yield decreased 144 basis points while the overall interest rate paid on interest bearing liabilities decreased 178 basis points. The net interest spread increased 34 basis points comparing the third quarter of 2002 to the third quarter of 2001.

Interest expense on deposits decreased $228,000 and reflected a $625,000 increase in average interest bearing deposits that was offset by a decrease in the average rate paid on deposits from 4.56% in the third quarter of 2001 to 2.53% for the comparable period in 2002. The growth in our deposit base was primarily the result of the Southside acquisition, and was coupled with internal growth from deposit promotions and the purchase of $60 million of brokered deposits.

Interest expense on other interest bearing liabilities increased $1.9 million in the third quarter of 2002 compared to the third quarter of 2001 as average short- and long-term borrowings increased $194 million. The average rate paid on short-term borrowings decreased 210 basis points while the rate paid on long-term borrowings decreased 67 basis points in the third quarter of 2002 compared to the third quarter of 2001.

Net interest income for the nine months ended September 30, 2002 was $48.5 million, an increase of $21.7 million or 81% from the corresponding period of 2001. The increase was attributable to average earning assets growth of $917 million primarily from our September 2001 acquisition of Southside. The $26.9 million increase in interest income was partially offset by a $5.2 million increase in interest expense. The increase in interest expense was the result of an $868 million increase in average interest bearing liabilities partially offset by a 207 basis points decline in the average interest rate paid between the periods.

The net interest margin for the first nine months of 2002 decreased 6 basis points compared to the first nine months of 2001. The earning assets yield decreased 190 basis points while the overall interest rate paid on interest bearing liabilities decreased 207 basis points. The net interest spread increased 17 basis points comparing year-to-date 2002 to year-to-date 2001.

The following table sets forth the condensed average balance sheets for the quarterly periods reported. Also shown is the average yield on each category of interest-earning assets and the average rate paid on interest bearing liabilities for each of the periods reported.

DISTRIBUTION OF AVERAGE ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY AND INTERE

Three Months Ended Septem

	2002			
	Average Balance	Int. earned/ Paid	Yield/ Rate	Averag Balanc
			(Dollars in thousands	
Assets:				
Interest earning assets:				
Loans(1) (2)............................	$ 1,616,353	$ 26,761	6.57%	$ 945
Taxable investment securities............	405,488	4,279	4.19	191
Non-taxable investment securities(3)......	35,726	373	4.14	5
Federal funds sold and other investments............................	3,022	44	5.78	5
Total interest earning assets.........	2,060,589	31,457	6.06	1,147
Non-interest earning assets:				
Cash and due from banks..................	52,592			24
Premises and equipment...................	47,181			19
Other assets.............................	127,948			51
Allowance for loan losses................	(18,010)			(12
Total assets........................	$ 2,270,300			$ 1,230
Liabilities and shareholders' equity:				
Interest bearing liabilities:				
Money market and NOW accounts............	$ 410,253	$ 1,577	1.53%	$ 231
Savings deposits.........................	218,685	1,138	2.06	59
Certificates of deposit..................	570,923	4,241	2.95	370
Certificates of deposit over $100,000.....	161,351	1,267	3.12	112
IRA certificates.........................	83,849	982	4.65	46
Total interest bearing deposits.......	1,445,061	9,205	2.53	820
Federal funds purchased, repurchase agreements and other short-term borrowings............................	228,370	1,482	2.57	127
Other borrowings.........................	174,432	2,262	5.14	83
Guaranteed preferred beneficial interest in subordinated debentures.....	57,250	1,372	9.51	18
Total interest bearing liabilities....	1,905,113	14,321	2.98	1,049
Non-interest bearing liabilities and equity:				
Demand deposits..........................	191,569			86
Other liabilities........................	15,610			6
Shareholders' equity.....................	158,008			87
Total liabilities and shareholders' equity............................	$ 2,270,300			$ 1,230
Net interest income..................		$ 17,136		
Net interest spread..................			3.08%	
Net interest margin..................			3.30	