ALLEGIANT BANCORP INC/MO/
Form 10-Q
August 14, 2003

UNITED STATES SECURITY 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: June 30, 2003

Commission File Number: 000-10849

ALLEGIANT BANCORP, INC.

(Exact name of registrant as specified in its charter)

MISSOURI	**43-1262037**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

10401 CLAYTON ROAD
ST. LOUIS, MO 63131

(Address of principal executive offices)
(Zip Code)

(314) 692-8800

(Registrants 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. [X] Yes [ ] No

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

Title of Class	Number of shares outstanding as of August 1, 2003
Common Stock, $0.01 par value	17,431,641

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Allegiant Bancorp, Inc.
Condensed Consolidated Balance Sheets (Unaudited)

	June 30, 2003 (Unaudited)	December 31, 2002	June 30, 2002 (Unaudited)
	(Dollars in thousands)		
ASSETS:			
Cash and due from banks	$ 56,158	$ 41,890	$ 41,963
Federal funds sold and other investments	45,713	5,241	9,902
Investment securities:			
Available-for-sale (at estimated market value)	384,479	438,049	435,408
Held-to-maturity (estimated market value of $12,103, $17,300 and $19,209, respectively)	11,791	17,033	19,040
Loans, net of allowance for loan losses of $20,016, $19,567 and $18,314, respectively	1,705,216	1,683,342	1,492,950
Loans held for sale	24,583	40,666	45,611
Premises and equipment	44,077	47,663	47,084
Accrued interest and other assets	71,634	72,416	72,259
Cost in excess of fair value of net assets acquired	53,940	58,016	56,182
Total assets	$ 2,397,591	$ 2,404,316	$ 2,220,399
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Deposits:	$ 222,114	$ 215,529	$ 175,233
Non-interest bearing	1,313,477	1,350,417	1,262,661
Interest bearing	210,278	202,086	164,976
Certificates of deposit over $100,000			
Total deposits	1,745,869	1,768,032	1,602,870
	105,308	94,882	83,586
Short-term borrowings	282,531	304,853	305,784
Federal Home Loan Bank advances			
Guaranteed preferred beneficial interest	57,250	57,250	57,250
in subordinated debentures	12,619	12,057	16,592
Accrued expenses and other liabilities			
Total liabilities	2,203,577	2,237,074	2,066,082
Shareholders' equity:			
Common Stock, $0.01 par value - authorized 20,000,000 shares; issued 18,372,328 shares,			

16,146,804 shares and 15,847,511 shares, respectively	184	161	162
Capital surplus	155,018	119,933	115,326
Retained earnings	54,273	44,614	35,639
Accumulated other comprehensive income	2,439	2,534	3,190
Treasury stock, at cost, 974,150 shares	(17,900)	-	-
Total shareholders' equity	194,014	167,242	154,317
Total liabilities and shareholders' equity	$ 2,397,591	$ 2,404,316	$ 2,220,399

See Notes to Condensed Consolidated Financial Statements.

Allegiant Bancorp, Inc.
Condensed Consolidated Statements Of Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(In thousands, except share and per share data)			
Interest income:				
Interest and fees on loans	$ 26,162	$ 25,538	$ 51,832	$ 50,644
Investment securities	3,260	5,274	7,381	10,345
Federal funds sold and overnight investments	77	63	127	119
Total interest income	29,499	30,875	59,340	61,108
Interest expense:				
Deposits	8,062	9,611	16,868	20,258
Short-term borrowings	1,073	1,098	2,304	1,746
Federal Home Loan Bank advances	2,068	2,490	4,161	4,955
Guaranteed preferred beneficial interests in subordinated debentures	1,372	1,372	2,743	2,743
Total interest expense	12,575	14,571	26,076	29,702
Net interest income	16,924	16,304	33,264	31,406
Provision for loan losses	1,675	2,000	3,335	3,500
Net interest income after provision for loan losses	15,249	14,304	29,929	27,906
Non-interest income:				

Service charges on deposits	1,728	1,769	3,434	3,396
Net gain on sale of securities	1,358	1,683	3,082	1,692
Other income	3,569	2,511	7,160	4,936
Total non-interest income	6,655	5,963	13,676	10,024
Non-interest expense:				
Salaries and employee benefits	6,421	6,166	13,547	11,770
Occupancy and furniture and equipment	1,868	1,796	3,790	3,424
Other operating expenses	4,705	3,923	9,142	7,383
Total non-interest expense	12,994	11,885	26,479	22,577
Income before income taxes	8,910	8,382	17,126	15,353
Provision for income taxes	2,831	2,984	5,494	5,007
Net income	$ 6,079	$ 5,398	$ 11,632	$ 10,346
Per share data:				
Earning per share:				
Basic	$ 0.36	$ 0.34	$ 0.70	$ 0.67
Diluted	0.35	0.34	0.69	0.65
Weighted average common shares outstanding:				
Basic	17,050,649	15,698,542	16,618,639	15,538,832
Diluted	17,378,810	16,088,947	16,944,132	15,882,188

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 Income Gain (Loss)	Treasury Stock	Total Shareholders' Equity	Comprehensive Income
				(In thousands)			
Balance	$ 161	$ 119,933	$ 44,614	$ 2,534	$ -	$ 167,242	
December 31, 2002	-	-	11,632	-	-	11,632	$ 11,632
Net income							
Change in net unrealized	-	-	-	(95)	-	(95)	(95)
losses on	-	-	-	-	-	-	$ 11,537

available-for-sale securities,	23	34,432	-	-	-	34,455	========
net of tax	-	653	-	-	-	653	
Comprehensive	-	-	-	-	(17,900)	(17,900)	
income	-	-	(1,973)	-	-	(1,973)	
Issuance of common stock	$ 184	$ 155,018	$ 54,273	$ 2,439	$(17,900)	$ 194,014	
Amortization of restricted stock							
Repurchase of common stock							
Dividends ($0.09) per share							
Balance June 30, 2003							

See Notes to Condensed Consolidated Financial Statements.

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Allegiant Bancorp, Inc.
Consolidated Statements Of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2003	2002
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	$ 11,632	$ 10,346
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,972	2,175
Provision for loan losses	3,335	3,500
Net gain on sale of fixed assets	(23)	(67)
Net realized gains on securities available-for-sale	(3,082)	(1,692)
Other changes in assets and liabilities:		
Accrued interest receivable and other assets	(821)	(4,518)
Accrued expenses and other liabilities	1,829	(1,736)
Cash provided by operating activities	15,842	8,008
INVESTING ACTIVITIES:		
Decrease in cash resulting from sale of divested subsidiary	(14,870)	-
Adjustment to cash received in acquisition of branches	-	(312)

Proceeds from maturities of securities held-to-maturity	1,911	5,559
Proceeds from maturities of securities available-for-sale	180,821	69,854
Proceeds from sales of securities available-for-sale	150,844	81,638
Purchase of investment securities available-for-sale	(319,980)	(140,432)
Loans made to customers, net of repayments	(51,879)	(79,711)
Purchase of bank-owned life insurance	-	(1,237)
Additions to premises and equipment	(1,826)	(710)
Cash used in investing activities	(54,979)	(65,351)
FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	71,706	(84,745)
Net increase (decrease) in short-term borrowings	(9,589)	120,533
Repayment of long-term debt	(722)	(381)
Proceeds from issuance of common stock	34,455	4,097
Payment of dividends	(1,973)	(1,930)
Cash provided by financing activities	93,877	37,574
Net increase (decrease) in cash and cash equivalents	54,740	(19,769)
Cash and cash equivalents, beginning of period	47,131	71,634
Cash and cash equivalents, end of period	$ 101,871	$ 51,865

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 it is made clear that it means only Allegiant. Also, sometimes we refer to our bank subsidiary, Allegiant Bank, as the "bank."

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- and six-month periods ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

The balance sheet at December 31, 2002 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, 2002.

Comprehensive Income

During the second quarter of 2003 and 2002, total comprehensive income amounted to $7.2 million and $9.5 million, respectively. Year-to-date comprehensive income for the first half of 2003 and 2002 was $11.5 million and $14.1 million, respectively.

Acquisitions and Divestitures

On July 11, 2003, we completed the acquisition of a branch office of Heartland Bank, a federal savings association, which reported deposits approximating $20 million. Under the terms of the purchase and assumption agreement, we acquired the Heartland branch facility and assumed its deposit liabilities, net of a deposit premium of 5.05%.

On March 31, 2003, we disposed of Bank of Ste. Genevieve, one of our two subsidiary banks, to First Banks, Inc. Bank of Ste. Genevieve operates two branches located outside of the St. Louis metropolitan area and reported total assets of approximately $114.6 million at the time of the disposition. First Banks acquired Bank of Ste. Genevieve in exchange for transferring to us 974,150 shares of our common stock held by First Banks. The net assets of Bank of Ste. Geneveive as of the closing were approximately $17.9 million which approximated the value of consideration we received. As a result, we did not recognize any gain or loss as a result of the transaction. First Banks held approximately 7.4% of our outstanding common stock prior to the sale and held approximately 1.5% of our common stock upon completion of the sale.

On October 1, 2002, we completed the acquisition of Investment Counselors, Incorporated, a privately held investment advisory firm located in St. Louis, Missouri. Under the terms of the agreement, we exchanged 194,610 shares of our common stock for all of the common shares of Investment Counselors. We recorded goodwill and other identifiable intangibles of $2.7 million and $0.5 million, respectively. The other identifiable intangibles are being amortized over an estimated average life of approximately 14 years. This acquisition was consistent with our strategy of focusing on the growth of non-interest income and has allowed us to offer a more comprehensive selection of wealth management products and services. At June 30, 2003, Investment Counselors' assets under management totaled $399.0 million.

Recently Issued Accounting Standards

In January 2003 the Financial Accounting Standards Board issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46). In accordance with FIN 46, business enterprises that represent the primary beneficiary of another entity by retaining a controlling interest in that entity's assets, liabilities and results of operations must consolidate that entity in its financial statements. Prior to the issuance of FIN 46, consolidation generally occurred when and enterprise controlled another entity through voting interests. The consolidation provisions of FIN 46 are effective for variable interest entities acquired after January 31, 2003 and for the year ended December 31, 2004 for entities acquired before January 31, 2003. If applicable, transition rules allow the restatement of financial statements or prospective application with a cumulative effect adjustment.

The Company has determined that the provisions of FIN 46 may require de-consolidation of subsidiary trusts which issue guaranteed preferred beneficial interests in subordinated debentures (Trust Preferred Securities). Prior to

the adoption of FIN 46, the Company consolidated the trusts and the balance sheet included the guaranteed beneficial interests in the subordinated debentures of the trusts. At the adoption of FIN 46, the trusts may be de-consolidated and the junior subordinated debentures of the Company owned by the trusts would be disclosed. A portion of the Trust Preferred Securities currently qualify as tier 1 capital of the Company for regulatory purposes. The banking regulatory agencies have not issued any guidance which would change the capital treatment for the Trust Preferred Securities based on the adoption of FIN 46. With respect to other interests in entities subject to FIN 46, the adoption of FIN 46 is not expected to have a material impact on the Company's financial statements.

In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, *Guarantor's Accounting and Disclosure for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). FIN 45 requires certain guarantees to be recorded at fair value and applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes related to an underlying asset, liability or equity security of the guaranteed party. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified subsequent to December 31, 2002. FIN 45 also expands the disclosures to be made by guarantors, effective as of December 31, 2002, to include the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee and the current amount of the liability, if any, for the guarantor's obligation under the guarantee.

At June 30, 2003, the maximum amount of future payments that the company could potentially be required to make under guarantees for standby letters of credit was $18.5 million. Standby letters of credit are conditional commitments issued by our bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support contractual obligations of our customers. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The fair values of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counterparties drawing on such financial instruments and the present creditworthiness of such counterparties.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*, which provides transition guidance from accounting under APB Opinion No. 25, *Accounting for Stock Issued to Employees,* to SFAS No. 123, *Accounting for Stock-Based Compensation*, which provides for a fair value method of accounting, if a company elects. We have elected to continue to account for stock-based employee compensation under APB Opinion No. 25. Accordingly, no stock option based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of the grant. The following table illustrates the effect on net income and earnings per share if the company applied the fair value recognition provisions of SFAS No. 123 to stock option based employee compensation.

	Six Months Ended June 30,	
	2003	2002
	(In thousands, except per share data)	
Net income, as reported	$ 11,632	$ 10,346
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	422	-
Deduct: Total stock-based employee compensation expense determined under fair value based method		

for all awards, net of related tax effects	(997)	(497)
Pro forma net income	$ 11,057	$ 9,849
Earnings per share:		
Basic - as reported	$ 0.70	$ 0.67
Basic - pro forma	0.67	0.63
Diluted - as reported	0.69	0.65
Diluted - pro forma	0.65	0.62

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

This report includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions, including, among other things:

* the results of our efforts to implement our business strategy, including our Project 2004 cost control initiative;

* adverse changes in the bank's loan portfolio and the resulting credit risk-related losses and expenses;

* our ability to manage our growth, including the successful expansion of the customer support, administrative infrastructure and internal management systems necessary to manage that growth;

* our ability to attract core deposits;

* adverse changes in the economy of our market area that could increase credit-related losses and expenses;

* adverse changes in real estate market conditions that could negatively affect credit risk; the consequences of continued bank acquisitions and mergers in our market area, resulting in fewer but much larger and financially stronger competitors, which could increase competition for financial services to our detriment;

* fluctuations in interest rates and market prices, which could negatively affect net interest margins, asset valuations and expense expectations;

* changes in regulatory requirements of federal and state agencies applicable to bank holding companies and our present and future bank subsidiaries;

* changes in accounting principles;

* general economic conditions; and

* other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission.

We undertake no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the events discussed in any forward-looking statements in this report might not occur.

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 our estimate of 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 wealth management 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 the largest publicly held bank holding company headquartered in the St. Louis metropolitan area. Our principal subsidiary, Allegiant Bank, offers full-service banking and personal trust services to individuals, businesses and municipalities in our market area. These services include commercial real estate, commercial business and consumer loans, checking, savings and time deposit accounts, wealth management and other fiduciary services, as well as other financial services, including mortgage banking, securities brokerage and insurance products. As of June 30, 2003, we reported, on a consolidated basis, total assets of $2.4 billion, loans of $1.7 billion and shareholders' equity of $194.0 million.

Our primary goal has been to expand our branch network in the St. Louis market while increasing our earnings per share. Since our inception in 1989, we have grown through a combination of internal growth and acquisitions. We have sought to maximize our internal growth opportunities by positioning Allegiant as one of the leading St. Louis community banks.

We have supplemented our internal growth with several acquisitions within our market area. Since 2000, we have completed a number of significant acquisitions, including: Equality Bancorp, Inc., a community-based thrift holding company with total assets of approximately $300.4 million, in November 2000; Southside Bancshares Corp., a community-based bank holding company with total assets of approximately $804.9 million, in September 2001; and five branches from Guardian Savings Bank with total deposits of $109.3 million, in December 2001. Most recently, in July 2003, we further supplemented our deposit base when we completed the acquisition of a branch office of Heartland Bank which reported deposits of approximately $20 million. Additionally, in order to diversify our operations and sources of income, in October 2002, we acquired Investment Counselors, Incorporated, an investment advisory firm with approximately $331.9 million of assets under management.

Consistent with our focus on establishing and maintaining a strong presence in the most attractive areas in the St. Louis market, on March 31, 2003, we disposed of Bank of Ste. Genevieve, one of our two subsidiary banks, to

First Banks, Inc. Bank of Ste. Genevieve operates two branches located outside of the St. Louis metropolitan area and reported total assets of $114.6 million at the time of the disposition. First Banks acquired Bank of Ste. Genevieve in exchange for transferring to us 974,150 shares of our common stock held by First Banks. The net assets of Bank of Ste. Genevieve as of the closing were approximately $17.9 million, which approximated the value of consideration we received. As a result, we did not recognize any gain or loss as a result of the transaction. First Banks held approximately 7.4% of our outstanding common stock prior to the sale and held approximately 1.5% of our common stock upon completion of the sale.

In order to improve the profitability of our banking operations, over the past several years we have reduced the number of residential mortgages that we hold in our portfolio and have increased the amount of commercial loans. Although typically higher yielding, commercial business loans generally involve a higher degree of risk than our other types of loans. Since the beginning of 1998, and in part as a result of opportunities that resulted from the consolidation of the St. Louis banking market, we have hired 23 commercial lending professionals, including a senior credit officer, who average more than 15 years of commercial lending experience in the St. Louis metropolitan area. As these local loan officers have joined our banking team, we have benefited from their existing customer relationships, as well as their local banking expertise. In addition, we have implemented a company-wide cost control initiative intended to enhance efficiencies throughout our organization that we refer to as "Project 2004" and we consolidated our banking operations into one primary subsidiary, Allegiant Bank, during 2002. These steps taken since the beginning of 1998 have improved our efficiency, return on average assets, return on average equity and earnings per share.

The St. Louis metropolitan area is the 18th largest metropolitan market in the United States with a population of approximately 2.6 million. The St. Louis area is home to 15 Fortune 1000 companies, including Anheuser-Busch Companies, Inc., Emerson Electric Co. and The May Department Stores Company. Over the past several years, a number of financial institutions in our market area have been acquired by larger regional or national out-of-town financial institutions. These acquisitions have included: Marshall & Ilsley Corporation's 2002 acquisition of Mississippi Valley Bancshares, Inc., Firstar Corporation's (now operating as U.S. Bancorp) 1999 acquisition of Mercantile Bancorporation Inc., Union Planters Corporation's 1998 acquisition of Magna Group, Inc. and NationsBank Corporation's (now operating as Bank of America Corporation) 1997 acquisition of Boatmen's Bancshares, Inc. We believe we have capitalized on opportunities created by this market consolidation and have built a strong, customer-friendly, community-focused banking franchise.

We focus on serving customers with banking needs that no longer can be adequately served by smaller local institutions but who still desire the personalized service that larger, out-of-state institutions do not effectively provide. Our community banking focus and streamlined management and decision-making procedures allow us to respond quickly to the needs of our individual and business customers and to tailor products and services to meet their needs.

We seek to effectively meet the convenience and needs of customers through our extensive branch network that provides our customers at least one branch located within a 20-minute drive from all principal sectors of the St. Louis metropolitan area. Our 37 branches and 59 ATMs throughout the St. Louis metropolitan area also serve to increase recognition of the Allegiant name. In addition, we have sought to further enhance our name recognition by serving as the official bank of the St. Louis Rams football team since July 2000.

Project 2004

In August 2002, we announced the launch of Project 2004. The mission of Project 2004 is to improve our operating platform by leveraging our acquisition expertise internally. We are approaching this project as if we had acquired our own operations and have evaluated our systems and strategies in order to enhance our delivery of products and services to customers, to improve operating efficiencies and to provide increased revenue. Based on our evaluations, we have undertaken improvement initiatives, several of which have been completed.

Of our major initiatives, we expect to realize increases in incremental revenue, beginning in the second half of 2003, at a rate of more than $750,000 annually from improvements in our retail banking sales training, measurement and tracking, and of up to $1.0 million annually from the implementation of a specialized marketing plan for our 11 smallest branches by deposit size. Our new sales measurement and tracking systems will improve management's ability to identify products and practices that are most profitable to us and focus our sales efforts on those products and practices. Our new training will improve our employees' ability to offer products to new and existing customers and to implement our most profitable practices. Our specialized marketing plan includes mail programs and special promotions directed to current and prospective customers in an effort to increase deposits at our smaller branches.

In addition, in 2003 we will implement a new fee structure, operating procedures and electronic processing systems from which we expect to realize improvements in operating efficiencies and incremental revenue at a rate of up to $1.0 million annually. Operating efficiencies we expect to achieve include more efficient branch staffing, implementation of an automated credit scoring system for consumer lending and streamlining a variety of backroom functions such as loan document imaging. We expect to achieve increases in incremental revenue through fees on new customer services, including an overdraft protection program for electronic transactions. However, we cannot assure you that we will be able to realize all of the estimated revenues or efficiencies from our Project 2004 initiatives.

Results of Operations

Net income for the three months ended June 30, 2003 was $6.1 million, a 13% increase over the $5.4 million earned in the second quarter of 2002. Basic earnings per share were $0.36 for the second quarter of 2003 compared to $0.34 for the second quarter of 2002. Diluted earnings per share increased 2.9% to $0.35 for the second quarter of 2003 compared to $0.34 for the second quarter of 2002. Diluted earnings per share reflected the impact of 2.1 million shares of common stock, issued in our secondary public stock offering in April 2003, partially offset by 974,150 shares of treasury stock acquired in connection with the divestiture of Bank Ste. Genevieve in March 2003. The annualized return on average assets was 1.02% for the second quarter of 2003 and 0.99% for the second quarter of 2002. The return on average equity on an annualized basis was 12.72% for the second quarter of 2003 compared to 14.50% for the second quarter of 2002.

Net income for the six-month period ended June 30, 2003 was $11.6 million, a 12% increase over the $10.3 million earned in the six-month period ended June 30, 2002. Basic earnings per share were $0.70 and $0.67, respectively, for the six-month periods ended June 30, 2003 and 2002. Diluted earnings per share were $0.69 and $0.65, respectively, for the six-month periods ended June 30, 2003 and 2002. The annualized return on average assets for the first six months of 2003 was 0.98%, compared to the 0.95% annualized return on average assets reported for the first six months of 2002. The return on average equity on an annualized basis was 12.89% for the first six months of 2003 compared to 14.23% for the first six months of 2002.

As a result of recent accounting pronouncements, we 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 non-cash charge that increases our operating expenses. Intangible asset amortization included as an operating expense totaled $228,000 and $271,000 for the three-month periods ended June 30, 2003 and 2002, respectively. Intangible asset amortization included as an operating expense totaled $507,000 and $541,000 for the six-month periods ended June 30, 2003 and 2002, respectively.

Total assets at June 30, 2003 were $2.4 billion, an increase of $177.2 million, or 8%, from June 30, 2002, due largely to a $214.0 million, or 14%, increase in loans. Total loans and deposits increased to $1.7 billion at June 30, 2003, reflecting a 14% and 9%, respectively, increase from June 30, 2002. While total assets, loans and deposits reflected noteworthy increases at June 30, 2003, these growth rates were reduced by the March 31, 2003 divestiture of

Bank of Ste. Genevieve, which at the time of disposition reported assets, loans and deposits of approximately $114.6 million, $43.5 million and $93.9 million, respectively.

At June 30, 2003, shareholders' equity totaled $194.0 million, an increase of 26% from June 30, 2002. On April 14, 2003 we completed a secondary public offering and issued 2.1 million shares of common stock at a public offering price of $16.50 per share. Net proceeds from the offering totaled $31.9 million. We contributed substantially all of the net proceeds to Allegiant Bank to strengthen the bank's capital position, to support the bank's anticipated loan growth and for other general corporate purposes. The bank has used a portion of the capital contributed to reduce short-term indebtedness, which may be reborrowed, if necessary, to fund loan growth. We will use the remaining proceeds that were not contributed to the bank for general corporate and working capital purposes.

Net Interest Income. Net interest income for the three months ended June 30, 2003 was $16.9 million, a 4% increase compared to the $16.3 million reported for the second quarter of 2002. The increase in net interest income was primarily attributable to a $182.7 million, or 9%, increase in average earning assets, due largely to a $221.9 million, or 15%, increase in average loans, as loan growth in our market remained strong. As a result of lower prevailing market rates, interest income decreased $1.4 million from the second quarter of 2002 which was offset by a $2.0 million decrease in interest expense. The decrease in interest expense was the result of a 58 basis point decline in the average interest rate paid on interest bearing liabilities partially offset by a $102.3 million increase in average interest bearing liabilities.

Interest expense on deposits decreased $1.5 million from the second quarter of 2002. This decrease reflected a 54 basis point decline in the average rate paid on deposits from 2.68% in the second quarter of 2002 to 2.14% for the comparable period in 2003 which was partially offset by average deposit growth of 5%.

Interest expense on other interest bearing liabilities decreased $447,000 in the second quarter of 2003 compared to the second quarter of 2002 as average short- and long-term borrowings decreased $28.8 million during the period, respectively. The average rate paid on short-term borrowings increased 26 basis points while the rate paid on long-term borrowings decreased 169 basis points in the second quarter of 2003 compared to the second quarter of 2002.

Net interest income for the six months ended June 30, 2003 was $33.3 million, a 6% increase compared to the $31.4 million reported for the six months ended June 30, 2002. The increase in net interest income was primarily attributable to a $206.6 million, or 10.5%, increase in average earning assets, due largely to a $221.3 million, or 14.8%, increase in average loans. Interest income decreased $1.8 million from the first six months of 2002 which was offset by a $3.6 million decrease in interest expense. The decrease in interest expense was the result of a 62 basis point decline in the average interest rate paid on interest bearing liabilities partially offset by a $158.1 million increase in average interest bearing liabilities.

Our net interest margin in the second quarter of 2003 was 3.12% compared to 3.00% during the first quarter of 2003 and decreased 16 basis points from the second quarter of 2002. For the first six months of 2003, the net interest margin was 3.07% compared to 3.21% for the corresponding period of 2002. Compared to the year-ago periods, the margin was negatively affected in the first quarter of 2003 as we reinvested the proceeds of certain securities transactions into temporary short-term investments. We expect our net interest margin to be slightly lower in the next quarter given the recent Federal Reserve interest rate cut. However, we do expect a stable to improving margin toward the end of 2003, as the impact of our response to this rate cut begins to take effect and we continue to reposition our investment securities portfolio as a means to fund anticipated loan growth. The net interest spread was 2.87% in the second quarter of 2003 compared to 3.06% in the second quarter of 2002 as the earning assets yield declined 77 basis points while the overall interest rate paid on interest bearing liabilities decreased 58 basis points. For the first six months of 2003, the net interest spread was 2.85% compared to 2.99% for the first six months of 2002 as the earning

assets yield declined 76 basis points while the overall interest rate paid on interest bearing liabilities decreased 62 basis points.

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 Interest Rates

	Three Months Ended June 30,					
	2003			2002		
	Average Balance	Int Earned /Paid	Yield/ Rate	Average Balance	Int Earned /Paid	Yield/ Rate
	(Dollars in thousands)					
Assets:						
Interest earning assets:						
Loans (1) (3)	$ 1,734,676	$ 26,162	6.05%	$ 1,512,765	$ 25,538	6.77%
Taxable investment securities	375,873	2,934	3.13	438,155	4,908	4.49
Non-taxable investment securities (2)	31,829	326	4.11	34,887	366	4.21
Federal funds sold and other investments	34,269	77	0.90	8,149	63	3.10
Total interest earning assets	2,176,647	29,499	5.44	1,993,956	30,875	6.21
Non-interest earning assets						
Cash and due from banks	47,920			35,372		
Premises and equipment	44,163			47,368		
Other assets	125,564			129,174		
Allowance for loan losses	(19,484)			(17,430)		
Total assets	$ 2,374,810			$ 2,188,440		
Liabilities and shareholders' equity:						
Interest bearing liabilities:						
Money market and NOW accounts	$ 401,384	$ 1,033	1.03%	$ 420,983	$ 1,747	1.66%
Savings deposits	206,628	690	1.34	203,649	1,019	2.01
Certificates of deposit	560,175	3,749	2.68	568,737	4,460	3.15
Certificates of deposit over $100,000	207,807	1,349	2.60	160,489	1,379	3.45
IRA certificates	75,892	845	4.47	84,839	1,006	4.76
Brokered deposits	60,330	396	2.63	-	-	-
Total interest bearing deposits	1,512,216	8,062	2.14	1,438,697	9,611	2.68
Federal funds purchased						

repurchase agreements and other short-term borrowings	147,298	1,073	2.92	165,485	1,098	2.66
Other borrowings	242,066	2,068	3.43	195,068	2,490	5.12
Guaranteed preferred beneficial interests in subordinated debentures	57,250	1,372	9.61	57,250	1,372	9.61
Total interest bearing liabilities	1,958,830	12,575	2.57	1,856,500	14,571	3.15
Non-interest bearing liabilities and equity:	210,241			168,914		
Demand deposits	14,538			14,136		
Other liabilities	191,201			148,890		
Shareholders' equity						
Total liabilities and shareholders' equity	$ 2,374,810			$ 2,188,440		
Net interest income		$ 16,924			$ 16,304	
Net interest spread			2.87%			3.06%
Net interest margin			3.12			3.28

(1) Average balances include non-accrual loans.
(2) Presented at actual yield rather than tax-equivalent yield.
(3) Interest income includes loan origination fees.

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 Interest Rates

	Six Months Ended June 30,					
	2003			2002		
	Average Balance	Int Earned /Paid	Yield/ Rate	Average Balance	Int Earned /Paid	Yield/ Rate
	(Dollars in thousands)					
Assets:						
Interest earning assets:						
Loans (1) (3)	$1,717,876	$51,832	6.08%	$1,496,567	$50,644	6.82%
Taxable investment securities	410,973	6,678	3.28	432,787	9,611	4.48
Non-taxable investment securities (2)	33,953	703	4.18	35,331	734	4.19
Federal funds sold and other investments	19,854	127	1.29	11,336	119	2.12
Total interest earning assets	2,182,656	59,340	5.48	1,976,021	61,108	6.24

Non-interest earning assets						
Cash and due from banks	46,247			38,763		
Premises and equipment	46,053			47,752		
Other assets	129,796			127,536		
Allowance for loan losses	(19,196)			(18,052)		
Total assets	$2,385,556			$2,172,020		
Liabilities and shareholders' equity:						
Interest bearing liabilities:						
Money market and NOW accounts	$ 417,171	$ 2,260	1.09%	$ 420,351	$ 3,440	1.65%
Savings deposits	217,054	1,535	1.43	203,606	2,538	2.51
Certificates of deposit	568,334	7,762	2.75	578,854	9,096	3.17
Certificates of deposit over $100,000	209,152	2,754	2.66	171,172	3,083	3.63
IRA certificates	79,338	1,767	4.49	88,787	2,101	4.77
Brokered deposits	60,349	790	2.64	-	-	-
Total interest bearing deposits	1,551,398	16,868	2.19	1,462,770	20,258	2.79
Federal funds purchased repurchase agreements and other short-term borrowings	193,021	2,304	2.41	126,249	1,746	2.79
Other borrowings	197,909	4,161	4.24	195,255	4,955	5.12
Guaranteed preferred beneficial interests in subordinated debentures	57,250	2,743	9.66	57,250	2,743	9.66
Total interest bearing liabilities	1,999,578	26,076	2.63	1,841,524	29,702	3.25
Non-interest bearing liabilities and equity:	191,877			169,420		
Demand deposits	13,688			15,622		
Other liabilities	180,413			145,454		
Shareholders' equity						
Total liabilities and shareholders' equity	$2,385,556			$2,172,020		
Net interest income		$33,264			$31,406	
Net interest spread			2.85%			2.99%
Net interest margin			3.07			3.21

(1) Average balances include non-accrual loans.
(2) Presented at actual yield rather than tax-equivalent yield.
(3) Interest income includes loan origination fees.

The following table sets forth for the periods indicated the changes in interest income and interest expense which were attributable to change in average volume and changes in average rates. Volume variances are computed using the change in volume multiplied by the previous year's rate. Rate variances are computed using the change in rate multiplied by the previous year's volume.

Rate/Volume Analysis

	Quarter Ended June 30, 2003 Compared to the Quarter Ended June 30, 2002			Six Months Ended June 30, 2003 Compared to the Six Months Ended June 30, 2002		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(In thousands)					
Interest earned on:						
Loans	$ 3,494	$ (2,870)	$ 624	$ 7,020	$ (5,832)	$ 1,188
Taxable investment securities	(631)	(1,343)	(1,974)	(465)	(2,468)	(2,933)
Non-taxable investment securities	(32)	(8)	(40)	(29)	(2)	(31)
Federal funds sold and other investments	85	(71)	14	67	(59)	(8)
Total interest income	2,916	(4,292)	(1,376)	6,593	(8,361)	(1,768)
Interest paid on:						
Money market/NOW accounts	(78)	(636)	(714)	(23)	(1,157)	(1,180)
Savings deposits	15	(344)	(329)	154	(1,157)	(1,003)
Certificates of deposit	(61)	(650)	(711)	(155)	(1,179)	(1,334)
Certificates of deposit over $100,000	355	(385)	(30)	598	(927)	(329)
IRA Certificates	(102)	(59)	(161)	(215)	(119)	(334)
Brokered deposits	396	-	396	790	-	790
Federal funds purchased, repurchase agreements and other short-term borrowings	(127)	102	(25)	822	(264)	558
Other borrowings	516	(938)	(422)	69	(863)	(794)
Guaranteed preferred beneficial interests in subordinated debentures	-	-	-	-	-	-
Total interest expense	914	(2,910)	(1,996)	2,040	(5,666)	(3,626)
Net interest income	$ 2,002	$ (1,382)	$ 620	$ 4,553	$ (2,695)	$ 1,858

Note: 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 amount of the changes in each.

Non-interest Income. Non-interest income for the three months ended June 30, 2003 totaled $6.7 million representing an increase of 12% from $6.0 million in the second quarter of 2002. The growth in non-interest income

was attributable to a 58% increase in mortgage banking revenues as loan originations were at record levels, coupled with an increase of 113% in fee income from our wealth management business reflecting the acquisition of Investment Counselors, Incorporated in the fourth quarter of 2002, partially offset by a decrease of 19% in securities gains. For the first six months, non-interest income increased 36% to $13.7 million from the first six months of 2002, reflecting increases in mortgage banking revenues, wealth management fees and securities gains of 75%, 80% and 82%, respectively.

For the quarter ended June 30, 2003, mortgage banking revenue increased $565,000 to $1.5 million compared to $969,000 for the quarter ended June 30, 2002 as lower interest rates facilitated increased mortgage refinancings. For the first six months of 2003, mortgage banking revenues increased $1.4 million to $3.1 million. Wealth management fees totaled $1.0 million for the quarter ended June 30, 2003, an increase of $552,000, or 113.3%, from the second quarter of 2002. For the first six months of 2003, wealth management fees totaled $2.0 million compared to $1.1 million for the first six months of 2002. The increase in wealth management fees reflected the October 1, 2002 acquisition of Investment Counselors, Incorporated coupled with an increase in market values of managed assets on which most fees are based. Our assets under administration totaled $399.0 million at June 30, 2003 compared to $385.1 million at June 30, 2002.

Service charge income for the three-month period ended June 30, 2003 was relatively flat compared to the second quarter of 2002 and was up modestly from the first quarter of 2003. Service charge income for the six-month period ended June 30, 2003 increased $38,000 or 1%, compared to the six-month period ended June 30, 2002. Gains on the sales of securities totaled $1.4 million for the quarter ended June 30, 2003 and $3.1 million for the first six months. Securities gains recognized in 2003 reflected a continuation of our strategy to increase the duration of our securities portfolio in response to changes in market interest rates and to provide a funding source for loan growth.

Non-interest Expense. For the three months ended June 30, 2003, non-interest expense totaled $13.0 million, an increase of $1.1 million, or 9%, from the second quarter of 2002. For the first six months of 2003, non-interest expense totaled $26.5 million compared to $22.6 million for the first six months of 2002. The increased expense primarily reflected the ongoing expenses related to the acquisition of Investment Counselors, Incorporated in the fourth quarter of 2002, increased professional fees associated with the roll-out of our Project 2004 profit improvement and cost containment initiative, higher insurance expense and increased foreclosed property costs. In addition, non-interest expense reflected increased expense associated with the Company's investment in a community reinvestment fund, higher commissions expense related to mortgage banking activities and a severance charge recognized in the first quarter of 2003.

Salaries and employee benefits totaled $6.4 million for the three months ended June 30, 2003 compared to $6.2 million for the three months ended June 30, 2002. For the first six months of 2003, salaries and employee benefits totaled $13.6 million compared to $11.8 million for the corresponding period of 2002. Salary expense for the second quarter and first six months of 2003 reflected ongoing salary costs associated with the acquisition of Investment Counselors, Incorporated, higher health care costs and compensation expense related to restricted stock plans. The increase in salaries and employee benefits was also attributable to a severance charge recognized in the first quarter of 2003 reflecting the cost containment efforts from our Project 2004 initiatives. We had 522 full time equivalent employees at June 30, 2003 compared to 543 full-time equivalent employees at June 30, 2002.

Occupancy and equipment related expenses increased $72,000 and $366,000, respectively, for the three-month and six-month periods ended June 30, 2003 compared to the corresponding periods of 2002. These increases were primarily due to the centralization of our new wealth management division under one location which has enabled us to more effectively serve our customers and the relocation of our headquarters facility.

Our efficiency ratio was 55.1% for the quarter ended June 30, 2003 compared to 57.7% in the first quarter of 2003 and 53.4% for the second quarter of 2002. We anticipate continued improvement in our efficiency ratio over the balance of the year as benefits from our Project 2004 initiative are realized.

Income Taxes. Income taxes for the six months ended June 30, 2003 increased to $5.5 million from $5.0 million in 2002. The effective tax rate for the first six months of 2003 was 32.1% compared to 32.6% for the first six months of 2002. The Company's effective tax rate is lower than the statutory rate primarily due to tax-exempt interest and utilization of tax credits, partially offset by intangible amortization and other nondeductible expenses.

Securities Portfolio. Our securities portfolio consists of securities classified as held-to-maturity and available-for-sale. We designate these securities at the time of purchase into one of these two categories. At June 30, 2003, held-to-maturity securities amounted to $11.8 million representing those securities we intend to hold to maturity. Securities designated as available-for-sale totaled $384.5 million representing securities which we may sell to meet liquidity needs or in response to significant changes in interest rates or prepayment patterns.

For purposes of this discussion, held-to-maturity and available-for-sale securities are described as the securities portfolio. At June 30, 2003, the securities portfolio totaled $396.3 million, a decrease of $58.8 million from December 31, 2002 which was primarily attributable to the disposition of the securities portfolio associated with the divestiture of Bank of Ste. Genevieve. We maintain a conventional short-term laddered portfolio investment strategy to provide adequate liquidity while minimizing interest rate risk.

The carrying values of the securities portfolio at the dates indicated were as follows:

INVESTMENT SECURITIES PORTFOLIO

	June 30, 2003	December 31, 2002	June 30, 2002
		(In thousands)	
U.S. government and agency securities	$ 168,177	$ 192,454	$ 147,933
State and municipal securities	34,858	39,962	38,107
Mortgage-backed securities	159,739	188,242	234,607
Federal Home Loan Bank stock	15,132	17,734	17,734
Other securities	18,364	16,690	16,067
Total investment securities	$ 396,270	$ 455,082	$ 454,448

Loans. Loans historically have been the primary component of earning assets. At June 30, 2003, loans totaled $1.7 billion, an increase of 14% from June 30, 2002 and were up 1% from December 31, 2002. While total loans reflected increases from June 30, 2002 and December 31, 2002, loan growth comparisons were constrained by the March 31, 2003 divestiture of Bank of Ste. Genevieve, which at the time of disposition reported total loans of $43.5 million. Substantially all of these loans were originated in our market area. At June 30, 2003, we had no foreign loans and only a minimal amount of participations purchased.

Multi-family and commercial real estate mortgage loans increased $99.9 million from December 31, 2002. The increase in these loans reflected our efforts to grow our commercial real estate loan portfolio, including loans originated by our expanded commercial lending staff. Multi-family and commercial real estate mortgage loans comprised 46.2% of the portfolio at June 30, 2003 compared to 41.0% at year-end 2002. Commercial loans declined

slightly from December 31, 2002 primarily due to a few large pay-downs in the first quarter of 2003 coupled with the disposition of the loan portfolio associated with the sale of Bank of Ste. Genevieve. Loan growth in our market remains strong and full year growth is expected to be in line with historical growth trends. Consumer loans increased $3.6 million, or 5.6%, from December 31, 2002 and will be an area of focus in 2003 as we expand our emphasis in the retail sector.

The following table summarizes the composition of our loan portfolio at the dates indicated:

LENDING AND CREDIT MANAGEMENT

	June 30, 2003		December 31, 2002		June 30, 2002	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)					
Commercial, financial, agricultural, municipal and industrial development	$ 269,377	15.6%	$ 314,703	18.4%	$ 272,486	18.0%
Real estate - construction	269,075	15.6	277,018	16.3	192,277	12.7
Real estate - mortgage:						
One- to four-family	323,556	18.8	352,136	20.7	314,145	20.8
residential	797,346	46.2	697,430	41.0	665,825	44.1
Multi-family and	66,791	3.9	63,231	3.7	68,158	4.5
commercial	(913)	(0.1)	(1,609)	(0.1)	(1,627)	(0.1)
Consumer and other						
Less unearned income	$1,725,232	100.0%	$1,702,909	100.0%	$1,511,264	100.0%
Total loans (1)						

(1) We had no outstanding foreign loans at the dates reported.

Asset Quality. Non-performing assets consist of the following: non-accrual loans on which the ultimate collectibility of the full amount of interest is uncertain; loans which have been renegotiated to provide for a reduction or deferral of interest or principal because of a deterioration in the financial condition of the borrower; loans past due 90 days or more as to principal or interest; and other real estate owned. Non-performing assets totaled $21.7 million at June 30, 2003 compared to $15.6 million at June 30, 2002 and $16.3 million at December 31, 2002. At June 30, 2003, non-performing assets represented 0.90% of total assets compared to 0.68% at December 31, 2002 and 0.70% at June 30, 2002. The increase from December 31, 2002 was primarily related to one loan totaling approximately $3.7 million and classified as past due 90 days with regards to principal balance pending resolution of bankruptcy proceedings. The borrower continues to make interest payments on a timely basis. We believe this loan is well secured and we do not anticipate any loss. Non-accrual loans totaled $12.4 million at June 30, 2003 compared to $12.9 million at December 31, 2002 and $13.5 million at June 30, 2002. At June 30, 2003, approximately 62% or $7.7 million of our non-accrual loans were comprised of three relationships. We continue to work aggressively to collect all non-performing assets.

We continually analyze our loan portfolio to identify potential risk elements. The loan portfolio is reviewed by lending management and our internal loan review staff. Various regulatory agencies also periodically review, as an integral part of their examination process, our allowance for loan losses. We believe that our allowance for loan losses

at June 30, 2003 was adequate to absorb potential losses inherent in the loan portfolio.

The following table summarizes, for the periods presented, non-performing assets by category:

Risk Elements - Non-Accrual, Past Due And Restructured Loans

	June 30 2003	December 31, 2002	June 30, 2002
	(Dollars in thousands)		
Commercial, financial, agricultural, municipal and industrial development:			
Past due 90 days or more	$ 2,198	$ 674	$ 1,036
Non-accrual	5,486	4,521	5,421
Restructured terms	-	40	52
Real estate - construction:			
Past due 90 days or more	195	540	-
Non-accrual	3,347	287	92
Restructured terms	-	-	-
Real estate - mortgage:			
One- to four-family residential:			
Past due 90 days or more	849	820	674
Non-accrual	3,010	3,608	1,392
Restructured terms	-	324	-
Multi-family and commercial:			
Past due 90 days or more	3,820	151	-
Non-accrual	431	4,205	6,186
Restructured terms	-	-	-
Consumer and other, net of unearned income:			
Past due 90 days or more	184	152	87
Non-accrual	165	317	413
Restructured terms	-	-	-
Total non-performing loans	19,685	15,639	15,353
Other real estate	1,985	611	224
Total non-performing assets	$ 21,670	$ 16,250	$ 15,577
Ratios:			
Non-performing loans to total loans	1.14%	0.92%	1.01%
Non-performing assets to total assets	0.90	0.68	0.70
Non-performing loans to shareholders' equity	10.15	9.35	9.99
Allowance for loan losses to total loans	1.16	1.15	1.21
Allowance for loan losses to non-performing loans	101.68	125.12	119.29

Allowance for Loan Losses. The provision for loan losses totaled $1.7 million for the second quarter of 2003 compared to $2.0 million for the second quarter of 2002. For the first six months of 2003, the provision for loan losses totaled $3.3 million compared to $3.5 million for the first six months of 2002. Net charge-offs were $2.1 million for the first six months of 2003 compared to $4.1 million for the first six months of 2002. Annualized net charge-offs for the first six months of 2003 represented 0.25% of average loans, compared to 0.55% for the first six months of 2002 and 0.51% for the full year 2002. For the first six months of 2003, the provision for loan losses exceeded net charge-offs by $1.2 million.

The allowance for loan losses increased to $20.0 million at June 30, 2003 compared to $19.6 million at December 31, 2002 and to $18.3 million at June 30, 2002. As a percentage of loans outstanding, the allowance represented 1.16% of loans outstanding at June 30, 2003 compared to 1.15% at December 31, 2002 and 1.21% at June 30, 2002. Our allowance for loan losses as a percentage of loans has decreased from June 30, 2002 as a result of action taken in 2002 to resolve problem credits and in light of our assessment of credit risk within the remaining portfolio. Net charge-offs in the first six months of 2003 totaled $2.1 million compared to $4.1 million in the first six months of 2002. Net charge-offs in the first six months of 2003 were primarily isolated within two relationships that comprised approximately 68% of total net charge-offs and we believe that they are not reflective of an overall deterioration in credit quality or underwriting standards. At June 30, 2003, our allowance for loan losses represented 102% of non-performing loans compared to 119% at June 30, 2002 and 125% at December 31, 2002. Non-performing loans to total loans were 1.14% at June 30, 2003 compared to 0.92% at December 31, 2002 and 1.01% at June 30, 2002.

Our allowance for loan losses, among other things, is based on management's evaluation of the anticipated impact on the loan portfolio of current economic conditions, changes in the character and size of the loan portfolio, evaluation of potential problem loans identified based on existing circumstances known to management and recent loan loss experience. In analyzing our allowance for loan losses, additional weight has been given to the increased risks associated with the commercial and commercial real estate portfolio. Specific allowances have been increased on certain commercial and commercial real estate loans based on individual reviews of these loans and our estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and collection options available to us.

The allowance for loan losses is provided at a level considered adequate to provide for potential loan losses. We continually monitor the quality of our loan portfolio to ensure timely charge-off of problem loans and to determine the adequacy of the level of the allowance for loan losses. As mentioned previously, three loans comprised $7.7 million, or 62%, of our non-accrual loans. We believe that our allowance was adequate to absorb losses inherent in the loan portfolio as of June 30, 2003.

The following table summarizes, for the periods indicated, activity in the allowance for loan losses, including amounts of loans charged off, amounts of recoveries and additions to the allowance charged to operating expense.

Summary of Loan Loss Information and Related Information

	Six Months Ended June 30,	
	2003	2002
	(In thousands)	

Allowance for loan losses (beginning of period)	$ 19,567	$ 18,905
Loans charged off:		
Commercial, financial, agricultural, municipal and industrial development	(812)	(1,065)
Real estate - construction	(203)	(1,127)
Real estate - mortgage:		
One- to four-family residential	(1,214)	(640)
Multi-family and commercial	(244)	(1,892)
Consumer and other	(182)	(382)
Total loans charged off	(2,655)	(5,106)
Recoveries of loans previously charged off:		
Commercial, financial, agricultural, municipal and industrial development	411	929
Real estate - construction	-	-
Real estate - mortgage:		
One- to four-family residential	39	44
Multi-family and commercial	-	4
Consumer and other	75	38
Total recoveries	525	1,015
Net loans charged off	(2,130)	(4,091)
Divested subsidiary balance	(756)	-
Provision for loan losses	3,335	3,500
Allowance for loan losses (end of period)	$ 20,016	$ 18,314
Loans:		
Average	$1,717,876	$1,496,567
End of period	1,725,232	1,511,264
Ratios:		
Annualized net charge-offs to average loans	0.25%	0.55%
Net charge-offs to provision for loan losses	63.86	116.89
Annualized provision for loan losses to average loans	0.39	0.23
Allowance for loan loss to total loans	1.16	1.21

Deposits. Total deposits increased to $1.7 million at June 30, 2003, an increase of 8.9% from June 30, 2002 and a decrease of 1.3% from December 31, 2002. While total deposits reflected an increase from June 30, 2002, deposit comparisons from December 31, 2002 were constrained by the March 31, 2003 divestiture of Bank of Ste. Genevieve. The increase in deposits from June 30, 2002 was primarily the result of internal growth from deposit promotions, as we offered several certificate of deposit promotions which were utilized to fund a portion of our loan growth. In addition, we also issued approximately $60 million of brokered certificates of deposit in the second half of

2002 with maturity dates ranging from one to two years as another means to fund loan growth. Non-interest bearing demand accounts increased $46.9 million, or 26.8% from June 30, 2002, as a result of efforts to grow commercial demand deposit balances. On July 11, 2003, we supplemented our deposit base when we completed the acquisition of a branch office of Heartland Bank, a federal savings association which reported deposits approximating $20 million. Under terms of the purchase and assumption agreement, we acquired the Heartland branch facility and assumed its deposit liabilities, net of a deposit premium of 5.05%

The following table summarizes deposits as of the dates indicated:

Deposit Liability Composition

	June 30, 2003		December 31, 2002		June 30, 2002	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)					
Demand deposits	$ 222,114	12.7%	$ 215,529	12.2%	$ 175,233	10.9%
NOW accounts	131,047	7.5	132,883	7.5	127,219	7.9
Money market accounts	273,802	15.7	275,378	15.6	287,250	17.9
Savings deposits	206,379	11.8	228,397	12.9	208,070	13.0
Certificates of deposit	565,780	32.4	570,915	32.3	555,621	34.7
Certificates of deposit over	210,278	12.0	202,086	11.4	164,976	10.3
$100,000	76,123	4.4	82,600	4.7	84,501	5.3
IRA certificates	60,346	3.5	60,244	3.4	-	-
Brokered deposits over						
$100,000	$ 1,745,869	100.0%	$ 1,768,032	100.0%	$ 1,602,870	100.0%
Total deposits						

Liquidity Management and Capital Resources

Liquidity Management. Long-term liquidity is a function of the core deposit base and an adequate capital base. We are committed to growth of our core deposit base and maintenance of our capital base. The growth of the deposit base is internally generated through product pricing and product development. In addition, we periodically raise funds through brokered certificates of deposit. Both of these elements, in addition to deposits assumed in acquisitions in recent years, contributed to developing and maintaining our long-term liquidity. Our capital position has been maintained through earnings retention and raising of capital. See "Capital Resources."

Short-term liquidity needs arise from continuous fluctuations in the flow of funds on both sides of the balance sheet resulting from growth and seasonal and cyclical customer demands. The securities portfolio provides stable long-term earnings and is a primary source of liquidity. The designation of securities as available-for-sale and held-to-maturity does not impact the portfolio as a source of liquidity due to the ability to transact repurchase agreements using those securities.

Net cash flows provided by operating activities totaled $15.8 million in the first half of 2003, and $8.0 million in the first half of 2002. The critical elements of our net operating cash flows include net income, provision for loan losses and depreciation and amortization.

Net cash used in investing activities totaled $55.0 million in the first half of 2003 and $65.4 million in the first half of 2002. Critical elements of these activities are loans and investment securities. Our loan portfolio growth in 2003 was primarily due to internal growth. Our average securities portfolio, as a percentage of average earning assets, was 20.4% for the first half of 2003 compared to 23.7% for the first half of 2002.

Net cash flows provided by financing activities totaled $93.9 million in the first half of 2003 and $37.6 million in the first half of 2002. The critical elements of our financing activities are Federal Home Loan Bank borrowings, deposits, short-term borrowings and guaranteed preferred beneficial interest in subordinated debentures (trust preferred securities).

We anticipate continued loan demand in our market area as the banking industry continues to consolidate. We have utilized, and expect to continue to utilize, Federal Home Loan Bank borrowings to fund a portion of future loan growth. We have a $319.0 million secured credit facility with the Federal Home Loan Bank, under which $282.5 million and $304.9 million was outstanding at June 30, 2003 and December 31, 2002, respectively. We continue to utilize Federal Home Loan Bank borrowings to fund loan growth while systematically building our deposit base. We anticipate similar use of the Federal Home Loan Bank credit facility in the foreseeable future.

Average short-term borrowings increased to $193.0 million for the first six months of 2003 from $126.2 million for the first six months of 2002. This increase reflected our strategy of utilizing Federal Home Loan Bank borrowings, as well as federal funds purchased for short periods of time, to fund loan growth while continuing to systematically build our deposit base. We experienced strong loan demand in 2002 and anticipate the continuation of this demand during 2003.

The levels of our assets and deposits remained relatively the same from December 31, 2002, and increased from June 30, 2002. At June 30, 2003, our assets totaled $2.4 billion, an 8% increase from June 30, 2002. Total loans and deposits both increased to $1.7 billion at June 30, 2003, reflecting a 14% and 9% increase from June 30, 2002, respectively. While total assets, loans and deposits reflected noteworthy increases from June 30, 2002, these growth rates were decreased by the March 31, 2003 divestiture of Bank of Ste. Genevieve, which at the time of disposition reported assets, loans and deposits of approximately $114.6 million, $43.5 million and $93.9 million, respectively. We strive to grow our core deposits while utilizing the Federal Home Loan Bank borrowings, federal funds purchased and brokered certificates of deposit as necessary to balance liquidity and cost effectiveness. We closely monitor our level of liquidity in view of expected future needs.

Capital Resources. Total shareholders' equity was $194.0 million at June 30, 2003, an increase of 26% from June 30, 2002 reflecting the 2.1 million shares issued in connection with our secondary public offering partially offset by the cost of 974,150 shares of treasury stock acquired in connection with the divestiture of Bank of Ste. Genevieve. On April 14, 2003, we completed a secondary public offering and issued 2.1 million shares of common stock at a public offering price of $16.50 per share. Net proceeds from the offering totaled $31.9 million. We contributed substantially all of the net proceeds to our wholly-owned subsidiary bank, Allegiant Bank, to strengthen the bank's capital position, to support the bank's anticipated loan growth and for other general corporate purposes. The bank has used a portion of the capital contributed to temporarily reduce short-term indebtedness, which may be reborrowed, if necessary, to fund loan growth. We will use the remaining proceeds that were not contributed to the bank for general corporate and working capital purposes. On March 31, 2003, we divested Bank of Ste. Genevieve in exchange for approximately 974,150 shares of our common stock pursuant to our agreement with First Banks, Inc. As a result, we held treasury stock totaling $17.9 million at June 30, 2003.

Our capital requirements historically have been financed through offerings of debt and equity securities, retained earnings and borrowings from a commercial bank. Our subsidiary bank also utilizes its borrowing capacity with the Federal Home Loan Bank. The principal amount of our term loan was $33.5 million as of June 30, 2003, and

matures on September 26, 2003 at which time we expect to renew the balance of the loan.

From time to time, we have issued brokered certificates of deposit in order to fund loan growth and meet other liquidity needs. At June 30, 2003, we had brokered certificates of deposit totaling $60.3 million. We may use brokered deposits in the future as a source of liquidity.

Dividends paid during the second quarter of 2003 were $0.09 per share, an increase of 38% compared to the $0.065 per share paid in July 2002 for the second quarter of 2002. Our dividend payout ratio was 17.0% in the first six months of 2003. On May 13, 2003, we announced that our Board of Directors voted to increase the quarterly dividend by $0.02 per share to $0.09 per share. The increased dividend was payable July 15, 2003 to stockholders of record on July 1, 2003. We generally declare and pay cash dividends quarterly. Because substantially all of the funds available for the payment of cash dividends are derived from Allegiant Bank, future cash dividends will depend primarily upon the bank's earnings, financial condition and need for funds, as well as government policies and regulations applicable to the bank and us.

We also analyze our capital and the capital position of our bank in terms of regulatory risked-based capital guidelines. This analysis of capital is dependent upon a number of factors including asset quality, earnings strength, liquidity, economic conditions and combinations thereof. The Federal Reserve Board has issued standards for measuring capital adequacy for bank holding companies. These standards are designed to provide risk-responsive capital guidelines and to incorporate a consistent framework for use by financial institutions. Our management believes that, as of June 30, 2003, we and our subsidiaries exceeded all capital adequacy requirements. We will seek to maintain a strong equity base while executing our controlled expansion plans.

As of June 30, 2003, December 31, 2002 and June 30, 2002, Allegiant's and Allegiant Bank's capital ratios were as follows:

	June 30, 2003		December 31, 2002		June 30, 2002	
	Allegiant	Allegiant Bank	Allegiant	Allegiant Bank	Allegiant	Allegiant Bank
Total capital (to risk-weighted assets)	11.41%	12.25%	9.97%	10.63%	10.26%	10.74%
Tier 1 capital (to risk-weighted assets)	10.34	11.17	8.75	9.56	8.72	9.63
Tier 1 capital (to average assets)	8.39	9.06	7.07	7.78	6.79	7.71

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes from the information provided in our Annual Report on Form 10-K for the year ended December 31, 2002.

Item 4. Controls and Procedures

As of June 30, 2003, 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. 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 as of June 30, 2003. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to June 30, 2003.

PART II. OTHER INFORMATION

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

Our 2003 annual meeting of shareholders was held on May 8, 2003. Of 16,206,015 shares issued, outstanding and eligible to be voted at the meeting, holders of 12,896,509 shares, constituting a quorum, were represented in person or by proxy at the meeting. One matter was submitted to a vote of the security holders at the meeting.

1. Election of Directors. The election of five Class III director nominees to our board of directors, each to continue in office until the year 2006, and the election of one Class II director nominee to our board of directors, to continue in office until the year 2005. Our Articles of Incorporation, as amended, allow cumulative voting in all director elections and all shareholders were accordingly allowed to cumulate their votes for directors if they so desired. Upon tabulation of the votes cast, it was determined that all six director nominees had been elected. The voting results are set forth below:

Class III Director Nominees

Name	For	Against	Withheld
Leon A. Felman	11,821,499.3935	0	1,075,010.3548
Douglas P. Helein	11,639,259.3198	0	1,257,250.4285
Michael R. Hogan	12,562,789.3935	0	333,720.3548
C. Virginia Kirkpatrick	11,978,504.4050	0	918,005.3433
Marvin S. Wool	12,533,623.3935	0	362,886.3548

Class II Director Nominee

Name	For	Against	Withheld
Nancy C. Pechloff	11,765,695.5767	24,794.555	132,350.1716

Because we have a staggered board, the terms of office of the following named Class I and Class II directors continued after the meeting:

Class I (to continue in office until 2004)
Kevin R. Farrell
Richard C. Fellhauer
Thomas M. Teschner
Robert E. Wallace, Jr.
Lee S. Wielansky

Class II (to continue in office until 2005)
Robert L. Chambers
Leland B. Curtis
Shaun R. Hayes
John L. Weiss

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits: See Exhibit Index attached hereto.

b) Reports on Form 8-K:

On April 2, 2003, we filed a current report on Form 8-K to report the completion of the sale of our wholly owned subsidiary Bank of Ste. Genevieve to First Banks, Inc. pursuant to the Agreement and Plan of Exchange, dated as of September 17, 2002, between us and First Banks.

On April 18, 2003, we filed a current report on Form 8-K to furnish a press release under Item 9 and Item 12 of Form 8-K announcing our preliminary results of operations for the quarter ended March 31, 2003.

On May 9, 2003, we filed a current report on Form 8-K to furnish a press release under Item 9 concerning the damage suffered by two of our bank branches located in De Soto, Missouri on May 6, 2003, due to severe weather.

On May 14, 2003, we filed a current report on Form 8-K to furnish a press release under Item 9 announcing an increase in our quarterly dividend.

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. The undersigned signs this report in his dual capacities as a duly authorized officer of the registrant and also as the registrant's Chief Financial Officer.

ALLEGIANT BANCORP, INC.

By: /s/ Jeffrey S. Schatz
Jeffrey S. Schatz, Executive Vice President
and Chief Financial Officer
(Principal Financial and Accounting Officer)

August 14, 2003

EXHIBIT INDEX

Exhibit No.	Description
11.1	Computation of Earnings Per Share
99.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.3	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
99.4	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