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

As filed with the Securities and Exchange Commission on November 14, 2003

UNITED STATES SECURITY AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended: September 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

(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. [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 November 1, 2003
Common Stock, $0.01 par value	17,494,192

Allegiant Bancorp, Inc.
Form 10Q

INDEX	Page

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2003 (Unaudited)	December 31, 2002	September 30, 2002 (Unaudited)
	(Dollars in thousands)		
ASSETS:			
Cash and due from banks	$ 78,918	$ 41,890	$ 53,883
Federal funds sold and other investments	25,685	5,241	12,481
Investment securities:			
Available-for-sale (at estimated market value)	362,933	438,049	411,369
Held-to-maturity (estimated market value of			
$11,096, $17,300 and $18,708, respectively)	10,899	17,033	17,657
Loans, net of allowance for loan losses of			
$21,039, $19,567 and $18,460, respectively	1,783,075	1,683,342	1,615,416
Loans held for sale	25,527	40,666	20,982
Premises and equipment	43,973	47,663	47,087
Accrued interest and other assets	72,780	72,416	73,662
Cost in excess of fair value of net assets	55,088	58,016	56,170
acquired	-----------------	-----------------	-----------------
	$ 2,458,878	$ 2,404,316	$ 2,308,707
Total assets	=========	=========	=========
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Deposits:	$ 213,351	$ 215,529	$ 207,588
Non-interest bearing	1,346,114	1,350,417	1,330,583
Interest bearing	202,961	202,086	162,388
Certificates of deposit over $100,000	-----------------	-----------------	-----------------
	1,762,426	1,768,032	1,700,559
Total deposits	-----------------	-----------------	-----------------
	149,472	94,882	72,230
Short-term borrowings	282,040	304,853	305,814
Federal Home Loan Bank advances			
Guaranteed preferred beneficial interest	57,250	57,250	57,250
in subordinated debentures	11,792	12,057	12,408
Accrued expenses and other liabilities	-----------------	-----------------	-----------------
	2,262,980	2,237,074	2,148,261
Total liabilities	-----------------	-----------------	-----------------
Shareholders' equity:			
Common Stock, $0.01 par value - authorized			
30,000,000 shares; issued 18,453,621 shares,			

16,146,804 shares and 15,889,500 shares, respectively	185	161	163
Capital surplus	155,683	119,933	116,070
Retained earnings	59,091	44,614	39,942
Accumulated other comprehensive income	(1,161)	2,534	4,271
Treasury stock, at cost, 974,150 shares	(17,900)	-	-
	----------------	----------------	----------------
Total shareholders' equity	195,898	167,242	160,446
	----------------	----------------	----------------
Total liabilities and shareholders' equity	$ 2,458,878	$ 2,404,316	$ 2,308,707
	=========	=========	=========

See Notes to Condensed Consolidated Financial Statements.

1

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(In thousands, except share and per share data)			
Interest income:				
Interest and fees on loans	$ 26,651	$ 26,761	$ 78,483	$ 77,405
Investment securities	2,716	4,652	10,097	14,997
Federal funds sold and overnight investments	40	44	167	164
	-------------	-------------	-------------	-------------
Total interest income	29,407	31,457	88,747	92,566
	-------------	-------------	-------------	-------------
Interest expense:				
Deposits	7,567	9,205	24,435	29,464
Short-term borrowings	773	1,482	3,077	3,228
Federal Home Loan Bank advances	2,278	2,262	6,439	7,217
Guaranteed preferred beneficial interests in subordinated debentures	1,372	1,372	4,115	4,115
	-------------	-------------	-------------	-------------
	11,990	14,321	38,066	44,024
	-------------	-------------	-------------	-------------
Total interest expense				
Net interest income	17,417	17,136	50,681	48,542
Provision for loan losses	2,355	2,010	5,690	5,510
	-------------	-------------	-------------	-------------
Net interest income after provision for loan losses	15,062	15,126	44,991	43,032
	-------------	-------------	-------------	-------------

Non-interest income:				
Service charges on deposits	1,822	1,744	5,256	5,131
Net gain on sale of securities	1,296	235	4,378	1,927
Other income	3,514	3,204	10,675	8,149
	-------------	-------------	-------------	-------------
Total non-interest income	6,632	5,183	20,309	15,207
	-------------	-------------	-------------	-------------
Non-interest expense:				
Salaries and employee benefits	5,949	6,320	19,496	18,091
Occupancy and furniture and equipment	2,068	1,876	5,858	5,300
Other operating expenses	4,593	3,847	13,736	11,230
	-------------	-------------	-------------	-------------
Total non-interest expense	12,610	12,043	39,090	34,621
	-------------	-------------	-------------	-------------
Income before income taxes	9,084	8,266	26,210	23,618
Provision for income taxes	2,844	2,933	8,338	7,939
	-------------	-------------	-------------	-------------
Net income	$ 6,240	$ 5,333	$ 17,872	$ 15,679
	=======	=======	=======	=======
Per share data:				
Earning per share:				
Basic	$ 0.36	$ 0.33	$ 1.06	$ 1.00
Diluted	0.35	0.33	1.04	0.98
Weighted average common shares outstanding:				
Basic	17,441,290	15,881,743	16,892,856	15,653,136
Diluted	17,848,729	16,254,171	17,245,664	16,006,182

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) (In thousands)	Treasury Stock	Total Shareholders' Equity	Comprehensive Income
Balance December 31, 2002	$ 161	$ 119,933	$ 44,614	$ 2,534	$ -	$ 167,242	
Net income	-	-	17,872	-	-	17,872	$ 17,872
Change in net	-	-	-	(3,695)	-	(3,695)	(3,695)

unrealized							--------------
losses on	-	-	-	-	-	-	$ 14,177
available-for-							========
sale securities,	24	35,070	-	-	-	35,094	
net of tax							
	-	680	-	-	-	680	
Comprehensive							
income	-	-	-	-	(17,900)	(17,900)	
	-	-	(3,395)	-	-	(3,395)	
Issuance of	-----------	------------	-----------	---------------	-----------	----------------	
common stock	$ 185	$ 155,683	$ 59,091	$ (1,161)	$(17,900)	$ 195,898	
Amortization of	======	=======	=======	=========	=======	==========	
restricted stock							
Repurchase of common stock							
Dividends ($0.25) per share							
Balance September 30, 2003							

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2003	2002
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	$ 17,872	$ 15,679
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,199	3,297
Provision for loan losses	5,690	5,510
Net gain on sale of fixed assets	(32)	(67)
Net realized gains on securities available-for-sale	(4,378)	(1,927)
Net gain on sale of mortgage loans	-	(601)
Other changes in assets and liabilities:		
Accrued interest receivable and other assets	411	(5,985)
Accrued expenses and other liabilities	970	(5,920)
	---------------	--------------
Cash provided by operating activities	24,732	9,986

INVESTING ACTIVITIES:		
Decrease in cash resulting from sale of divested subsidiary	(14,870)	-
Net cash received in acquisition of acquired branch	19,260	-
Adjustment to cash received in acquisition of branches	-	(571)
Proceeds from maturities of securities held-to-maturity	2,803	6,942
Proceeds from maturities of securities available-for-sale	278,507	144,920
Proceeds from sales of securities available-for-sale	279,948	106,638
Purchase of investment securities available-for-sale	(529,454)	(214,564)
Loans made to customers, net of repayments	(133,017)	(194,644)
Proceeds from sale of mortgage loans	-	15,687
Purchase of bank-owned life insurance	(427)	(1,752)
Additions to premises and equipment	(2,687)	(1,564)
Cash used in investing activities	(99,937)	(138,908)
FINANCING ACTIVITIES:		
Net increase in deposits	67,616	12,944
Net increase in short-term borrowings	33,577	109,157
Repayment of long-term debt	(215)	(331)
Proceeds from issuance of common stock	35,094	4,842
Payment of dividends	(3,395)	(2,960)
Cash provided by financing activities	132,677	123,652
Net increase (decrease) in cash and cash equivalents	57,472	(5,270)
Cash and cash equivalents, beginning of period	47,131	71,634
Cash and cash equivalents, end of period	$ 104,603	$ 66,364
NON-CASH TRANSACTION:		
Common stock of divested subsidiary exchanged for common stock of Allegiant Bancorp, Inc.	$ 17,900	-

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 nine-month periods ended September 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 third quarter of 2003 and 2002, total comprehensive income amounted to $7.0 million and $6.4 million, respectively. Year-to-date comprehensive income for the first nine months of 2003 and 2002 was $14.2 million and $20.5 million, respectively.

Acquisitions and Divestiture

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 at that date. 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. Genevieve as of the closing were approximately $17.9 million which approximated the value of consideration we received. Accordingly, 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 September 30, 2003, Investment Counselors' assets under management totaled $417.7 million.

Recently Issued Accounting Standards

In January 2003 the Financial Accounting Standards Board (FASB) 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 an 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, 2003 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 issued 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 May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 modifies the accounting for certain financial instruments that issuers previously could account for as equity. Under SFAS 150, those instruments with characteristics of both liabilities and equity must be classified as liabilities in statements of financial position, with the corresponding payments to holders of the instruments recognized as a component of interest expense. The adoption of this standard had no impact on the financial position or results of operations of the Company as the Company's Trust Preferred Securities (referred to as "guaranteed preferred beneficial interests in subordinated debentures") were previously classified as liabilities within the statement of financial position.

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 September 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 $17.6 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.

	Nine Months Ended September 30,	
	2003	2002
	(In thousands, except per share data)	
Net income, as reported	$ 17,872	$ 15,679
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	442	-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,226)	(759)
	----------------	--------------
Pro forma net income	$ 17,088	$ 14,920
	=========	========
Earnings per share:		
Basic - as reported	$ 1.06	$ 1.00
Basic - pro forma	1.01	0.95
Diluted - as reported	1.04	0.98
Diluted - pro forma	0.99	0.93

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 September 30, 2003, we reported, on a consolidated basis, total assets of $2.5 billion, loans of $1.8 billion and shareholders' equity of $195.9 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 at that date. Additionally, in order to diversify our operations and sources of income, in October 2002, we acquired Investment Counselors, Incorporated, an investment advisory firm which then had 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. Accordingly, 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 initiative, one of the goals of which is 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, Express Scripts 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 36 full service banking locations and 62 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 have approached 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. 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. 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 September 30, 2003 was $6.2 million, a 17.0% increase over the $5.3 million earned in the third quarter of 2002. Basic earnings per share were $0.36 for the third quarter of 2003 compared to $0.33 for the third quarter of 2002. Diluted earnings per share increased 6.1% to $0.35 for the third quarter of 2003 compared to $0.33 for the third 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 of Ste. Genevieve in March 2003. The annualized return on average assets was 1.03% for the third quarter of 2003 and 0.94% for the third quarter of 2002. The return on average equity on an annualized basis was 12.91% for the third quarter of 2003 compared to 13.50% for the third quarter of 2002.

Net income for the nine-month period ended September 30, 2003 was $17.9 million, a 14.0% increase over the $15.7 million earned in the nine-month period ended September 30, 2002. Basic earnings per share were $1.06 and $1.00, respectively, for the nine-month periods ended September 30, 2003 and 2002. Diluted earnings per share were $1.04 and $0.98, respectively, for the nine-month periods ended September 30, 2003 and 2002. The annualized return on average assets for the first nine months of 2003 was 1.00%, compared to the 0.95% annualized return on average assets reported for the first nine months of 2002. The return on average equity on an annualized basis was 12.89% for the first nine months of 2003 compared to 13.95% for the first nine months of 2002.

As a result of accounting changes, we discontinued the amortization of goodwill in 2002 and will periodically determine whether the carrying value of our goodwill is impaired. 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 $239,000 and $271,000 for the three-month periods ended September 30, 2003 and 2002, respectively. Intangible asset amortization included as an operating expense totaled $746,000 and $812,000 for the nine-month periods ended September 30, 2003 and 2002, respectively.

Total assets at September 30, 2003 were $2.5 billion, an increase of $150.2 million, or 6.5%, from September 30, 2002, due largely to a $170.2 million, or 10.4%, increase in loans. Total loans and deposits increased to $1.8 billion at September 30, 2003, reflecting a 10.4% and 3.6%, respectively, increase from September 30, 2002. While total assets, loans and deposits reflected noteworthy increases from September 30, 2002, 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 September 30, 2003, shareholders' equity totaled $195.9 million, an increase of 22.1% from September 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 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 September 30, 2003 was $17.4 million, a 1.6% increase compared to the $17.1 million reported for the third quarter of 2002. The increase in net interest income was primarily attributable to a $157.3 million, or 7.6%, increase in average earning assets, due largely to a $205.3 million, or 12.7%, increase in average loans, as loan growth in our market remained strong. As a result of lower prevailing market rates, interest income decreased $2.1 million from the third quarter of 2002 which was offset by a $2.3 million decrease in interest expense. The decrease in interest expense was the result of a 61 basis point decline in the average interest rate paid on interest bearing liabilities partially offset by a $99.0 million increase in average interest bearing liabilities.

Interest expense on deposits decreased $1.6 million from the third quarter of 2002. This decrease reflected a 57 basis point decline in the average rate paid on deposits from 2.53% in the third quarter of 2002 to 1.96% for the comparable period in 2003 which was partially offset by average deposit growth of 7%.

12

Interest expense on other interest bearing liabilities decreased $693,000 in the third quarter of 2003 compared to the third quarter of 2002 as average short- and long-term borrowings decreased $14.1 million during the period. The average rate paid on short-term borrowings decreased 61 basis points while the rate paid on long-term borrowings decreased 167 basis points in the third quarter of 2003 compared to the third quarter of 2002.

Net interest income for the nine months ended September 30, 2003 was $50.7 million, a 4.4% increase compared to the $48.5 million reported for the nine months ended September 30, 2002. The increase in net interest income was primarily attributable to a $186.3 million, or 9.3%, increase in average earning assets, due largely to a $217.3 million, or 14.2%, increase in average loans. Interest income decreased $3.8 million from the first nine months of 2002 which was more than offset by a $6.0 million decrease in interest expense. The decrease in interest expense was the result of a 61 basis point decline in the average interest rate paid on interest bearing liabilities partially offset by a $135,000 increase in average interest bearing liabilities.

Our net interest margin in the third quarter of 2003 was 3.12% compared to 3.30% during the third quarter of 2002. For the first nine months of 2003, the net interest margin was 3.09% compared to 3.24% for the corresponding period of 2002. Despite the interest rate decline resulting from the Federal Reserve's rate cut near the end of the second quarter of 2003, our net interest margin for the third quarter of 2003 was 3.12%, unchanged from the second quarter of this year. Contributing to this stability was lower costs of funds resulting from maturing higher cost deposits, disciplined loan pricing and a reduction in the premium amortization from mortgage-related securities. 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 do expect a stable to improving net interest margin in the fourth quarter of 2003, as the impact of our response to the Federal Reserve rate cut continues 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 2.89% in the third quarter of 2003 compared to 3.08% in the third quarter of 2002 as the earning assets yield declined 80 basis points while the overall interest rate paid on interest bearing liabilities decreased 61 basis points. For the first nine months of 2003, the net interest spread was 2.87% compared to 3.02% for the first nine months of 2002 as the earning assets yield declined 76 basis points while the overall interest rate paid on interest bearing liabilities decreased 61 basis points.

13

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 September 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	$ 1,821,676	$ 26,651	5.80%	$ 1,616,353	$ 26,761	6.57%
	351,879	2,376	2.68	405,488	4,279	4.19
(1) (2)	34,120	340	3.95	35,726	373	4.14
Taxable investment securities						
Non-taxable investment securities (3)	10,181	40	1.56	3,022	44	5.78
	----------------	-----------		----------------	-----------	
Federal funds sold and other investments	2,217,856	29,407	5.26	2,060,589	31,457	6.06
	----------------	-----------		----------------	-----------	
Total interest earning assets						
Non-interest earning assets						
Cash and due from banks	64,679			52,592		
Premises and equipment	44,262			47,181		
Other assets	127,535			127,948		
Allowance for loan losses	(20,357)			(18,010)		
	----------------			----------------		
Total assets	$ 2,433,795			$ 2,270,300		
	=========			=========		
Liabilities and shareholders' equity:						
Interest bearing liabilities:	$ 408,308	$ 794	0.77%	$ 410,253	$ 1,577	1.53%
Money market and NOW	209,779	647	1.22	218,685	1,138	2.06
accounts	557,842	3,572	2.54	557,491	4,151	2.95
Savings deposits	206,126	1,302	2.51	161,351	1,267	3.12
Certificates of deposit	76,164	836	4.35	83,849	982	4.65
Certificates of deposit over	71,736	416	2.30	13,432	90	2.66
$100,000	----------------	-----------		----------------	-----------	
IRA certificates	1,529,955	7,567	1.96	1,445,061	9,205	2.53
Brokered deposits	----------------	-----------		----------------	-----------	
Total interest bearing deposits						
Federal funds purchased, repurchase agreements and other short-term borrowings	156,440	773	1.96	228,370	1,482	2.57
Other borrowings	260,474	2,278	3.47	174,432	2,262	5.14
Guaranteed preferred beneficial interests in subordinated	57,250	1,372	9.51	57,250	1,372	9.51
debentures	----------------	-----------		----------------	-----------	
	2,004,119	11,990	2.37	1,905,113	14,321	2.98
Total interest bearing liabilities	----------------	-----------		----------------	-----------	
Non-interest bearing liabilities and						

equity:	222,476			191,569		
Demand deposits	13,903			15,610		
Other liabilities	193,297			158,008		
Shareholders' equity	---------------			---------------		
Total liabilities and	$ 2,433,795			$ 2,270,300		
shareholders'	=========			=========		
equity						
Net interest income		$ 17,417			$ 17,136	
		=======			=======	
Net interest spread			2.89%			3.08%
Net interest margin			3.12			3.30

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

14

The following table sets forth the condensed average balance sheets for the year-to-date 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

	Nine Months Ended September 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	$1,748,690	$78,483	6.00%	$1,531,416	$77,405	6.76%
	389,253	9,054	3.11	425,366	13,890	4.37
(1) (2)	33,928	1,043	4.11	35,398	1,107	4.18
Taxable investment securities						
Non-taxable investment securities (3)	18,025	167	1.24	11,395	164	1.92
	---------------	------------		---------------	------------	
Federal funds sold and other investments	2,189,896	88,747	5.42	2,003,575	92,566	6.18
	---------------	------------		---------------	------------	
Total interest earning assets						
Non-interest earning assets						
Cash and due from banks	48,711			38,448		
Premises and equipment	45,539			47,605		
Other assets	128,435			127,205		

Allowance for loan losses	(19,539)			(18,009)		
	----------------			----------------		
Total assets	$2,393,042			$2,198,824		
	========			========		
Liabilities and shareholders' equity:						
Interest bearing liabilities:	$ 415,022	$ 3,054	0.98%	$ 419,062	$ 5,017	1.60%
Money market and NOW	214,136	2,182	1.36	208,176	3,676	2.36
accounts	565,500	11,334	2.68	568,570	13,248	3.12
Savings deposits	208,534	4,056	2.60	168,034	4,349	3.46
Certificates of deposit	78,303	2,603	4.44	87,123	3,084	4.73
Certificates of deposit over	61,639	1,206	2.62	4,489	90	2.68
$100,000	--------------	------------		--------------	------------	
IRA certificates	1,543,134	24,435	2.12	1,455,454	29,464	2.71
Brokered deposits	--------------	------------		--------------	------------	
Total interest bearing deposits						
Federal funds purchased, repurchase agreements and						
other short-term borrowings	177,085	3,077	2.32	158,701	3,228	2.72
Other borrowings	218,969	6,439	3.93	189,851	7,217	5.08
Guaranteed preferred beneficial						
interests in subordinated	57,250	4,115	9.61	57,250	4,115	9.61
debentures	--------------	------------		--------------	------------	
	1,996,438	38,066	2.55	1,861,256	44,024	3.16
Total interest bearing	--------------	------------		--------------	------------	
liabilities						
Non-interest bearing liabilities and						
equity:	198,101			172,201		
Demand deposits	13,658			15,521		
Other liabilities	184,845			149,846		
Shareholders' equity	--------------			--------------		
Total liabilities and	$2,393,042			$2,198,824		
shareholders'	=========			=========		
equity						
Net interest income		$50,681			$48,542	
		======			======	
Net interest spread			2.87%			3.02%
Net interest margin			3.09			3.24

(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 September 30, 2003 Compared to the Quarter Ended September 30, 2002			Nine Months Ended September 30, 2003 Compared to the Nine Months Ended September 30, 2002		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(In thousands)					
Interest earned on:						
Loans	$ 3,206	$ (3,316)	$ (110)	$ 10,313	$ (9,235)	$ 1,078
Taxable investment securities	(512)	(1,391)	(1,903)	(1,101)	(3,735)	(4,836)
Non-taxable investment securities	(16)	(17)	(33)	(46)	(18)	(64)
Federal funds sold and other investments	47	(51)	(4)	73	(70)	3
Total interest income	2,725	(4,775)	(2,050)	9,239	(13,058)	(3,819)
Interest paid on:						
Money market/NOW accounts	(8)	(775)	(783)	(49)	(1,914)	(1,963)
Savings deposits	(46)	(445)	(491)	102	(1,596)	(1,494)
Certificates of deposit	48	(627)	(579)	(77)	(1,837)	(1,914)
Certificates of deposit over $100,000	312	(277)	35	920	(1,213)	(293)
IRA Certificates	(86)	(60)	(146)	(299)	(182)	(481)
Brokered deposits	326	-	326	1,123	(7)	1,116
Federal funds purchased, repurchase agreements and other short-term borrowings	(404)	(305)	(709)	352	(503)	(151)
Other borrowings	896	(880)	16	1,005	(1,783)	(778)
Guaranteed preferred beneficial interests in subordinated debentures	-	-	-	-	-	-
Total interest expense	1,038	(3,369)	(2,331)	3,077	(9,035)	(5,958)
	$ 1,687	$ (1,406)	$ 281	$ 6,162	$ (4,023)	$ 2,139

Net interest income						

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.

16

Non-interest Income. Non-interest income for the three months ended September 30, 2003 totaled $6.6 million representing an increase of 28.0% from $5.2 million in the third quarter of 2002. The growth in non-interest income was attributable to higher fee income from our wealth management business coupled with an increase in securities gains of $1.1 million, partially offset by slightly lower mortgage banking revenues. Wealth management fees increased 128.4% from the third quarter of 2002 reflecting the acquisition of Investment Counselors, Incorporated in the fourth quarter of 2002. Our assets under administration totaled $855.9 million at September 30, 2003, compared to $763.2 million at September 30, 2002. Mortgage banking revenues totaled $1.5 million in the third quarter of 2003 compared to $1.6 million in the third quarter of 2002. Mortgage banking revenues in the third quarter of 2002 included a $600,000 gain on the sale of a pool of mortgage loans acquired in the Southside Bancshares acquisition in September 2001. Mortgage banking revenues are expected to decline from recent levels as the current rise in mortgage interest rates has reduced refinancing activities from recent record levels. Service charge income on deposits increased 4.5% from the third quarter of 2002 due in part to enhanced customer relationship reporting capabilities.

For the nine months ended September 30, 2003, non-interest income increased 33.6% to $20.3 million from the first nine months of 2002, reflecting increases in mortgage banking revenues, wealth management fees and securities gains of 36%, 100% and 127%, respectively. Gains on the sale of securities totaled $4.4 million for the first nine months of 2003 compared to $1.9 million for the corresponding period of 2002. 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. Excluding securities gains, non-interest income increased 20.0% for the first nine months of 2003, compared to the corresponding period of the prior year.

Non-interest Expense. For the three months ended September 30, 2003, non-interest expense totaled $12.6 million, an increase of $567,000, or 4.7%, from the third quarter of 2002. This increase was primarily attributable to an $803,000 increase in foreclosed property costs, which was partially offset by a decrease of $371,000 or 5.9%, in salaries and employee benefits. The increase in foreclosed property costs was primarily due to write downs and operating expenses related to two hotel properties.

For the nine-month period ended September 30, 2003, non-interest expense totaled $39.1 million compared to $34.6 million for the nine-month period ended September 30, 2002. The increase in year-to-date non-interest 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.

17

Salaries and employee benefits totaled $5.9 million for the three months ended September 30, 2003, a decrease of $371,000 or 5.9% from the three months ended September 30, 2002. This decrease was primarily attributable to reduced staffing levels and lower incentive based compensation. For the first nine months of 2003, salaries and employee benefits totaled $19.5 million compared to $18.1 million for the corresponding period of 2002. Salary expense for the third quarter and first nine 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 year-to-date 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 516 full-time equivalent employees at September 30, 2003 compared to 534 full-time equivalent employees at September 30, 2002.

Occupancy and equipment related expenses increased $192,000 and $558,000, respectively, for the three-month and nine-month periods ended September 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 52.4% for the quarter ended September 30, 2003 compared to 55.1% in the second quarter of 2003 and 54.0% for the third 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 nine months ended September 30, 2003 increased to $8.3 million from $7.9 million in 2002. The effective tax rate for the first nine months of 2003 was 31.8% compared to 33.6% for the first nine 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 nondeductible expenses.

18

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 September 30, 2003, held-to-maturity securities amounted to $10.9 million representing those securities we intend to hold to maturity. Securities designated as available-for-sale totaled $362.9 million representing securities which we may sell to meet liquidity needs or in response to significant changes in interest rates or prepayment patterns. At September 30, 2003, the unrealized loss in the available for sale securities portfolio totaled $1.8 million compared to an unrealized gain of $6.6 million at September 30, 2002.

For purposes of this discussion, held-to-maturity and available-for-sale securities are described as the securities portfolio. At September 30, 2003, the securities portfolio totaled $373.8 million, a decrease of $81.3 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

	September 30, 2003	December 31, 2002 (In thousands)	September 30, 2002
U.S. government and agency securities	$ 153,884	$ 192,454	$ 145,043
State and municipal securities	36,009	39,962	38,528
Mortgage-backed securities	147,973	188,242	210,982
Federal Home Loan Bank stock	17,419	17,734	17,734
Other securities	18,547	16,690	16,739
Total investment securities	$ 373,832	$ 455,082	$ 429,026

	========	========	========

Loans. Loans historically have been the primary component of earning assets. At September 30, 2003, loans totaled $1.8 billion, an increase of 10.4% from September 30, 2002 and 5.9% from December 31, 2002. While total loans reflected increases from September 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 September 30, 2003, we had no foreign loans and only a minimal amount of participations purchased.

Multi-family and commercial real estate mortgage loans increased $172.4 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 48.2% of the portfolio at September 30, 2003 compared to 41.0% at year-end 2002. Commercial loans declined 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 $7.8 million, or 12.3%, from December 31, 2002 and will be an area of focus over the balance of this year and into 2004 as we expand our emphasis in the retail sector. We believe we have the infrastructure in place in our market to achieve strong growth in direct consumer lending and recently hired a senior consumer lending head to develop and implement this strategy.

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

Lending And Credit Management

	September 30, 2003		December 31, 2002		September 30, 2002	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)					
Commercial, financial, agricultural, municipal and industrial development	$ 259,898	14.5%	$ 314,703	18.4%	$ 312,021	19.1%
Real estate - construction	274,828	15.2	277,018	16.3	245,200	15.0
Real estate - mortgage:						
One- to four-family	329,525	18.3	352,136	20.7	329,273	20.2
residential	869,820	48.2	697,430	41.0	682,843	41.8
Multi-family and	71,015	3.9	63,231	3.7	66,098	4.0
commercial	(972)	(0.1)	(1,609)	(0.1)	(1,559)	(0.1)
Consumer and other	----------------	--------	----------------	--------	----------------	--------
Less unearned income	$1,804,114	100.0%	$1,702,909	100.0%	$1,633,876	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 $17.6 million at September 30, 2003 compared to $15.4 million at September 30, 2002 and $16.3 million at December 31, 2002 and $21.7 million at June 30, 2003. At September 30, 2003, non-performing assets represented 0.72% of total assets compared to 0.68% at December 31, 2002 and 0.67% at September 30, 2002 and decreased from 0.90% at June 30, 2003. The decrease from June 30, 2003, primarily related to one loan totaling approximately $3.7 million that was previously classified as past due 90 days with regard to principal balance pending resolution of bankruptcy proceedings. The proceedings were completed in the third quarter of 2003 resulting in the loan returning to performing status as all contractual principal and interest payment obligations were current. Non-accrual loans totaled $14.4 million at September 30, 2003 compared to $12.9 million at December 31, 2002 and $13.8 million at September 30, 2002. At September 30, 2003, approximately 61% or $8.8 million of our non-accrual loans were comprised of four 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 September 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

	September 30 2003	December 31, 2002	September 30, 2002
	(Dollars in thousands)		
Commercial, financial, agricultural, municipal and industrial development:			
Past due 90 days or more	$ 291	$ 674	$ 177
Non-accrual	8,274	4,521	5,812
Restructured terms	-	40	51
Real estate - construction:			
Past due 90 days or more	158	540	100
Non-accrual	2,983	287	312
Restructured terms	-	-	-
Real estate - mortgage:			
One- to four-family residential:			
Past due 90 days or more	1,063	820	120
Non-accrual	2,423	3,608	3,389
Restructured terms	-	324	-
Multi-family and commercial:			
Past due 90 days or more	342	151	-

Non-accrual	540	4,205	4,050
Restructured terms	-	-	-
Consumer and other, net of unearned income:			
Past due 90 days or more	203	152	93
Non-accrual	222	317	264
Restructured terms	-	-	-
	------------	------------	------------
Total non-performing loans	16,499	15,639	14,368
Other real estate	1,144	611	1,082
	------------	-------------	------------
Total non-performing assets	$ 17,643	$ 16,250	$ 15,450
	=======	=======	=======
Ratios:			
Non-performing loans to total loans	0.91%	0.92%	0.88%
Non-performing assets to total assets	0.72	0.68	0.67
Non-performing loans to shareholders' equity	8.42	9.35	8.96
Allowance for loan losses to total loans	1.17	1.15	1.13
Allowance for loan losses to non-performing loans	127.52	125.12	128.48

22

Allowance for Loan Losses. The provision for loan losses totaled $2.4 million for the third quarter of 2003 compared to $2.0 million for the third quarter of 2002. For the first nine months of 2003 the provision for loan losses totaled $5.7 million compared to $5.5 million for the first nine months of 2002. Net charge-offs were $3.5 million for the first nine months of 2003 compared to $6.0 million for the first nine months of 2002. Annualized net charge-offs for the first nine months of 2003 represented 0.26% of average loans, compared to 0.52% for the first nine months of 2002 and 0.51% for the full year 2002. Net charge-offs in the first nine months of 2003 were primarily isolated within four relationships that comprised approximately 62% of total net charge-offs and we believe they are not reflective of any overall deterioration in credit quality or underwriting standards. For the first nine months of 2003, the provision for loan losses exceeded net charge-offs by $2.2 million.

The allowance for loan losses increased to $21.0 million at September 30, 2003 compared to $19.6 million at December 31, 2002 and to $18.5 million at September 30, 2002. As a percentage of loans outstanding, the allowance represented 1.17% of loans outstanding at September 30, 2003 compared to 1.15% at December 31, 2002 and 1.13% at September 30, 2002. Net charge-offs in the first nine months of 2003 totaled $3.5 million compared to $6.0 million in the first nine months of 2002. At September 30, 2003, our allowance for loan losses represented 128% of non-performing loans, equal to the ratio at September 30, 2002 and compared to 125% at December 31, 2002. Non-performing loans to total loans were 0.91% at September 30, 2003 compared to 0.92% at December 31, 2002 and 0.88% at September 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, four relationships comprised $8.8 million, or 61%, of our non-accrual loans September 30, 2003. We believe that our allowance was adequate to absorb losses inherent in the loan portfolio as of that date.

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

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
	(In thousands)	
Allowance for loan losses (beginning of period)	$ 19,567	$ 18,905
Loans charged off:		
Commercial, financial, agricultural, municipal and industrial development	(1,794)	(1,634)
Real estate - construction	(287)	(1,154)
Real estate - mortgage:		
One- to four-family residential	(1,411)	(1,106)
Multi-family and commercial	(244)	(2,742)
Consumer and other	(347)	(414)
Total loans charged off	(4,083)	(7,050)
Recoveries of loans previously charged off:		
Commercial, financial, agricultural, municipal and industrial development	424	969
Real estate - construction	2	-
Real estate - mortgage:		
One- to four-family residential	39	53
Multi-family and commercial	4	4
Consumer and other	152	69
Total recoveries	621	1,095
Net loans charged off	(3,462)	(5,955)
Divested subsidiary balance	(756)	-
Provision for loan losses	5,690	5,510
Allowance for loan losses (end of period)	$ 21,039	$ 18,460

	========	========
Loans:		
Average	$1,748,690	$1,531,416
End of period	1,804,114	1,633,876
Ratios:		
Annualized net charge-offs to average loans	0.26%	0.52%
Net charge-offs to provision for loan losses	60.84	108.08
Annualized provision for loan losses to average loans	0.43	0.48
Allowance for loan loss to total loans	1.17	1.13

Deposits. Total deposits increased to $1.8 billion at September 30, 2003, an increase of 3.6% from September 30, 2002 and were relatively flat when compared to December 31, 2002. While total deposits reflected an increase from September 30, 2002, deposit comparisons from December 31, 2002 were affected by the March 31, 2003 divestiture of Bank of Ste. Genevieve. The increase in deposits from September 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, brokered certificates of deposits increased $35.0 million from September 30, 2002 as an alternative low cost means to fund loan growth. Non-interest bearing demand accounts increased $5.8 million, or 2.8%, from September 30, 2002, as a result of efforts to grow commercial demand deposit balances as part of our relationship expansion effort. 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 at that date. 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

	September 30, 2003		December 31, 2002		September 30, 2002	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)					
Demand deposits	$ 213,351	12.1%	$ 215,529	12.2%	$ 207,588	12.2%
NOW accounts	135,331	7.7	132,883	7.5	124,946	7.3
Money market accounts	270,924	15.4	275,378	15.6	273,244	16.1
Savings deposits	213,859	12.1	228,397	12.9	222,169	13.1
Certificates of deposit	554,804	31.5	570,915	32.3	565,985	33.3
Certificates of deposit over	202,961	11.5	202,086	11.4	162,388	9.6
$100,000	75,920	4.3	82,600	4.7	84,239	4.9
IRA certificates	95,276	5.4	60,244	3.4	60,000	3.5
Brokered deposits over	---------------	--------	---------------	--------	---------------	--------
$100,000	$ 1,762,426	100.0%	$ 1,768,032	100.0%	$ 1,700,559	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 $24.7 million in the first nine months of 2003, and $9.9 million in the first nine months 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 $99.9 million in the first nine months of 2003 and $138.9 million in the first nine months 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 19.3% for the first nine months of 2003 compared to 23.0% for the first nine months of 2002.

Net cash flows provided by financing activities totaled $132.7 million in the first nine months of 2003 and $123.7 million in the first nine months 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 $428.8 million secured credit facility with the Federal Home Loan Bank, under which $282.0 million and $304.9 million was outstanding at September 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 $177.1 million for the first nine months of 2003 from $158.7 million for the first nine 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.

The levels of our assets and deposits remained relatively the same from December 31, 2002, and increased from September 30, 2002. At September 30, 2003, our assets totaled $2.5 billion, a 6.5% increase from September 30,

2002. Total loans and deposits both increased to $1.8 billion at September 30, 2003, reflecting a 10% and 4%, respectively, increase from September 30, 2002. While total assets, loans and deposits reflected noteworthy increases from September 30, 2002, these growth rates were constrained 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 $195.9 million at September 30, 2003, an increase of 22.1% from September 30, 2002 reflecting the shares issued in connection with our secondary public offering, partially offset by the cost 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 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 September 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 $32.0 million as of September 30, 2003.

From time to time, we have issued brokered certificates of deposit in order to fund loan growth and meet other liquidity needs. At September 30, 2003, we had brokered certificates of deposit totaling $95.3 million. We may use brokered deposits in the future as a source of liquidity.

Dividends paid during the third quarter of 2003 were $0.09 per share, an increase of 38% compared to the $0.065 per share for the third quarter of 2002. Our dividend payout ratio was 19.0% in the first nine months of 2003. We generally declare and pay cash dividends quarterly. On October 13, 2003, the Company declared a regular quarterly dividend of $0.09 per share, which is payable January 15, 2004 to shareholders of record as of January 1, 2004. At the same time, the Company also announced its Board of Directors voted to increase the regular quarterly dividend by $0.02 per share, to $0.11 per share. The increased dividend will be effective for the first dividend declared in 2004, which will be payable April 15, 2004 to shareholders of record April 1, 2004. 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 September 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 September 30, 2003, December 31, 2002 and September 30, 2002, Allegiant's and Allegiant Bank's capital ratios were as follows:

	September 30, 2003		December 31, 2002		September 30, 2002	
	Allegiant	Allegiant Bank	Allegiant	Allegiant Bank	Allegiant	Allegiant Bank
Total capital (to risk-weighted assets)	11.19%	12.08%	9.97%	10.63%	9.87%	10.33%
Tier 1 capital (to risk-weighted assets)	10.12	11.01	8.75	9.56	8.51	9.28
Tier 1 capital (to average assets)	8.35	9.11	7.07	7.78	6.82	7.58

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 September 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 for the period covered by this report (pursuant to Exchange Act Rule 13a-15). 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 for the period covered by this report (pursuant to Exchange Act Rule 13a-15). In the quarter ended September 30, 2003, there have been no significant changes in the Company's internal controls over financial reporting or in other factors that materially affected or that are reasonably likely to materially affect internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits: See Exhibit Index attached hereto.

b) Reports on Form 8-K: None.

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.

November 14, 2003	ALLEGIANT BANCORP, INC. By: /s/ Jeffrey S. Schatz Jeffrey S. Schatz, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

30

EXHIBIT INDEX

Exhibit No.	Description
11.1	Computation of Earnings Per Share
31.1	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
31.2	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
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

31