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FIRST BANCTRUST CORP
Form 10-K/A
January 14, 2008

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

FORM 10-K/A

(Amendment No. 1 to Form 10-k)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 000-32535

FIRST BANCTRUST CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

37-1406661
(IRS EMPLOYER
IDENTIFICATION NO.)

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

61944
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 217-465-6381

SECURITIES REGISTERED PURSUANT TO SECTION 12 (b) OF THE ACT:

NASDAQ CAPITAL MARKET
(NAME OF EXCHANGE ON WHICH REGISTERED)

COMMON STOCK
(PAR VALUE \$0.01 PER SHARE)
(TITLE OF CLASS)

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer,
as defined in Rule 405 of the Securities Act. Yes No X

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Indicate by check mark if the registrant is not required to file reports

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer X
--- --- ---

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X
--- ---

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$25,368,775 as of June 30, 2006.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 2,293,400 shares of common stock as of March 9, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K into which the document is incorporated:

- (1) Portions of the Annual Report to Stockholders for the fiscal year ended December 31, 2006 are incorporated by reference into Parts II and III.
- (2) Portions of the definitive proxy statement for the Annual Meeting of Stockholders, scheduled for April 23, 2007, are incorporated by reference into Part III.

INDEX

PAGE

Edgar Filing: FIRST BANCTRUST CORP - Form 10-K/A

PART I	
Item 1. Description of Business	1
Item 1A. Risk Factors	35
Item 1B. Unresolved Staff Comments	36
Item 2. Properties	36
Item 3. Legal Proceedings	36
Item 4. Submission of Matters to a Vote of Security Holders	36
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	37
Item 6. Selected Financial Data	38
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	38
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	38
Item 8. Financial Statements and Supplementary Data	39
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	39
Item 9A. Controls and Procedures	39
Item 9B. Other Information	40
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	40
Item 11. Executive Compensation	40
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	41
Item 13. Certain Relationships and Related Transactions, and Director Independence	41
Item 14. Principal Accountant Fees and Services	41
PART IV	
Item 15. Exhibits and Financial Statement Schedules	41
SIGNATURES	44

FORWARD-LOOKING STATEMENTS

In addition to historical information, this filing may include certain forward-looking statements based on current management expectations. The forward-looking statements are identifiable by the use of the terms "believes," "expects," "anticipates," "estimates," "intends," "consider," "plans," "seeks," and similar expressions. The Company's actual results could differ materially from those management expectations. Factors that could cause future results to vary from current management expectations include, but are not limited to, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the federal government, changes in tax policies, rates and regulations of federal, state, and local tax authorities, changes in interest rates, deposit flows, the cost of funds, demand for loan products, demand for financial services, competition, changes in the quality of competition, changes in the quality or composition of the Company's loan and investment portfolios, changes in accounting principles, policies, or guidelines, and other economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices.

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PART I

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A ("Form 10-K/A") to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, initially filed with the Securities and Exchange Commission ("SEC") on March 28, 2007, reflects a revision to page 43 of Exhibit 13 to the original Form 10-K, which Exhibit 13 is incorporated by reference into Part II, Item 8 of the Form 10-K. The EDGAR version of Exhibit 13 to the original Form 10-K as filed with the SEC inadvertently omitted the signature of BKD, LLP, the Company's independent accounting firm. We are filing this Form 10-K/A to correct this oversight.

This Form 10-K/A only amends Exhibit 13 and Part II, Item 8 thereby of the original filing. Although this Form 10-K/A contains all of the items required to be included in an Annual Report on Form 10-K, no other information in the original filing is amended hereby. In addition, pursuant to the rules of the SEC, Item 15 of Part IV has been amended to contain currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer, as required by sections 302 and 906 of the Sarbanes-Oxley Act of 2002. These updated certifications are attached to this Form 10-K/A as exhibits 31.1, 31.2, 32.1 and 32.2.

ITEM 1. DESCRIPTION OF BUSINESS

General

First BancTrust Corporation (the "Company") was incorporated in November 2000 under Delaware law. On April 18, 2001, the Company acquired all of the outstanding shares of common stock of First Bank & Trust, s.b. of Paris, Illinois, ("First Bank" or the "Bank") upon the Bank's conversion from an Illinois chartered mutual savings bank to an Illinois chartered stock savings bank (the "Conversion"). The Company purchased 100% of the outstanding capital stock of the Bank using 50% of the net proceeds from the Company's initial stock offering which was completed on April 18, 2001. The Company sold 3,041,750 shares of common stock in the initial offering at \$5 per share. The Company began trading on the Nasdaq Small Cap Market on April 19, 2001 under the symbol "FBTC". At December 31, 2006, the Company had consolidated total assets, liabilities and stockholders' equity of \$311.1 million, \$284.4 million, and \$26.7 million, respectively.

The Company's assets on an unconsolidated basis at December 31, 2006 consisted primarily of the investment in the Bank of \$31.1 million, investment in First Charter Service Corporation of \$74,000, investment in ECS Service Corporation doing business as Edgar County Title of \$332,000, and investment in FBTC Statutory Trust I of \$186,000, interest-bearing demand deposits of \$139,000, an Employee Stock Ownership Plan ("ESOP") loan to the Bank of \$396,000, available-for-sale securities of \$102,000, premises and equipment of \$152,000, cash surrender value of life insurance of \$68,000, and other assets of \$318,000. The Company originates loans and solicits deposits through the Bank, but otherwise conducts no significant business except through the Bank and the Company's other non-bank subsidiaries.

-1-

The Bank was founded in 1887, and continued as an Illinois mutual savings and loan, until January, 1990 when it was merged with First Federal Bank, a federal mutual savings bank. In June, 1995, the charter was converted to an Illinois

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mutual savings bank, and the name modified to First Bank & Trust, s.b. As previously stated, First Bank converted to an Illinois stock savings bank in April, 2001. The Bank conducts business out of its main office and finance center branch in Paris, Illinois, in Edgar County, and branch offices in Marshall and Martinsville, Illinois in Clark County, and Savoy, and Rantoul, Illinois in Champaign County. The primary market areas of Clark and Edgar counties are located in east central Illinois, just west of Terre Haute, Indiana, and are both rural counties where agriculture is responsible for a large share of the local economy. The Bank opened a satellite facility in May, 2006 in Martinsville, located approximately ten miles west of the Marshall branch. In September, 2003, the Bank began operations in a temporary facility in Savoy, Illinois, until the move into a permanent facility in August, 2004. The Savoy market area is immediately adjacent to the large urban markets of Champaign and Urbana, and shows strong demographic characteristics. The community has experienced higher than average population growth, resulting in new housing construction. The Savoy market is characterized by a younger population, due to its proximity to the University of Illinois in Champaign-Urbana. The majority of the labor force in this area is employed in managerial or professional occupations. In October, 2005, the Company acquired all of the outstanding common shares of Rantoul First Bank, SB, located in northern Champaign County. The transaction was accounted for as a purchase, and the entity merged into the Bank's operations at the date of acquisition. Rantoul is also adjacent to the Champaign-Urbana urban area, located approximately 15 miles north of Champaign-Urbana. In December, 2006, the Bank acquired a second Rantoul branch location and deposits from another financial institution.

As of December 31, 2006, the Bank had total assets of \$310.0 million, total liabilities of \$278.9 million, and total equity of \$31.1 million. Total assets grew by \$36.6 million, the majority from an increase in cash and cash equivalent, loans, and premises and equipment, which was primarily funded by an increase in deposits, and a reduction in investments. Net income of \$1.5 million in 2006, increased by \$118,000 or 8.5%, which was primarily attributable to increases in net interest income of \$576,000, and noninterest income of \$732,000, and a reduction in the provision for loan losses of \$280,000, partially offset by increases in noninterest expense of \$1.4 million and \$110,000 in income tax expense.

Business of the Company

The Company's principal business consists primarily of attracting deposits from the general public and using those funds to originate loans secured by one-to-four-family residential properties, commercial real estate loans, agricultural real estate loans, commercial and industrial loans, agricultural production finance loans, consumer loans and other loans. A substantial number of single family residential mortgage loans and agricultural loans have been sold into the secondary market, and the Company retains servicing rights to those loans. At December 31, 2006, the Company's loan portfolio including loans held for sale, totaled \$188.5 million. In addition, at December 31, 2006 the Company serviced \$88.5 million in loans (\$81.1 million of residential loans and \$7.4 million of agricultural loans). The Company also invests in U.S. government securities,

-2-

municipal securities, and mortgage-backed securities. At December 31, 2006, the Company's securities portfolio totaled \$69.3 million, of which \$64.5 million are designated as available for sale, and \$4.8 million are designated as held to maturity. The Company also had \$15.6 million invested in interest-bearing demand deposits at December 31, 2006.

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The Company's revenues are derived principally from interest on its mortgage, consumer, agriculture and commercial loans, interest on its securities, gains on loan sales, loan servicing fees, abstract and title fees, service charges on deposits, and other customer fees. The Company's primary sources of funds are deposits, loan repayments, sales of loans in the secondary market, purchases of federal funds, and advances (loans) from the Federal Home Loan Bank ("FHLB").

The Company's ability to earn a profit depends on net interest income, which is the difference between the interest income earned on interest-earning assets, such as mortgage, commercial and consumer loans, and the interest expense paid on interest-bearing liabilities, such as deposits and borrowings. The Company's profitability depends on its ability to manage assets and liabilities during periods of changing interest rates. To a lesser extent, the Company's profitability depends on the ability to continue to generate noninterest income from services provided to its customers.

Lending Activities

GENERAL. At December 31, 2006, the net loan portfolio before allowance for loan losses, of the Company totaled \$187.7 million, representing 60.3% of total assets at that date. One of the principal lending activities of the Company is the origination of one-to-four family (which are also known as single-family) residential loans. At December 31, 2006, single-family residential loans amounted to \$66.7 million or 35.4% of the total loan portfolio. Of this amount, \$9.0 million consisted of second mortgage or home equity loans. In addition, the Company originates commercial real estate loans, agricultural real estate loans, commercial and industrial loans, agricultural production finance loans, consumer loans and tax-exempt loans. On a limited basis, the Company offers multi-family loans and construction loans.

The types of loans the Company may originate are subject to federal and state laws and regulations. Interest rates charged on loans are affected principally by the demand for such loans and the supply of money available for lending purposes and the rates offered by competitors. These factors are, in turn, affected by general and economic conditions, the monetary policy of the federal government, including the Federal Reserve Board, legislative and tax policies, and governmental budgetary matters.

LOAN PORTFOLIO COMPOSITION. The following table sets forth the composition of the Company's loan portfolio by type of loan at the dates indicated.

-3-

	12/31/06	12/31/05	12/31/04	12/31/03	12/31/02
	Amount	Amount	Amount	Amount	Amount
	-----	-----	-----	-----	-----
Real estate loans:					
One-to-four family	\$ 66,665	\$ 51,823	\$ 37,568	\$ 36,513	\$ 39,635
Multi-family	3,417	695	716	266	300
Commercial	33,751	33,244	16,902	10,124	9,756
Construction	2,423	2,423	1,516	2,275	724
Agricultural loans	26,983	20,913	16,937	13,908	12,570
Commercial and industrial	7,360	7,886	6,411	6,417	6,045
Agricultural production finance	18,897	15,442	13,603	12,357	11,570
Consumer loans:					
Vehicle	21,793	21,305	20,801	21,035	21,968

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Consumer finance	877	872	800	823	1,005
Share	1,012	708	472	533	736
Other	3,857	3,531	3,099	3,169	2,875
Other loans	1,600	1,677	1,769	1,983	902
	-----	-----	-----	-----	-----
Total loans receivable	188,635	160,519	120,594	109,403	108,086
Less:					
Undisbursed portion of loans	87	164	17	23	328
Unearned discount and fees	882	808	829	845	614
Allowance for loan losses	2,222	2,662	2,300	2,124	1,962
	-----	-----	-----	-----	-----
Loans receivable, net	\$185,444	\$156,885	\$117,448	\$106,411	\$105,182
	=====	=====	=====	=====	=====

Loans held for sale, net of unrealized losses, at December 31, 2006 amounted to \$836,000, and are not included in the above table. These loans are single family dwellings committed for sale to the Federal Home Loan Mortgage Corporation and Illinois Housing Development Authority.

ORIGINATION OF LOANS. The lending activities of the Company are subject to the written underwriting standards and loan origination procedures established by the Board of Directors and management. Loan originations are obtained through a variety of procedures, including referrals from real estate brokers, builders and existing customers. The loan officers obtain financial data and credit information from the applicant, and, within their limits, make the decision to extend credit to the borrower. Loan processing personnel will order the appraisal on the property, and collect other necessary information to complete the loan documentation. Property valuations on loans over \$250,000 are performed by independent outside appraisers approved by the Executive Officers. A written evaluation is required for all real estate loans in the amount of less than \$250,000 by a qualified individual.

Under the real estate lending policy of the Company, a title opinion or a title insurance policy must be obtained for each real estate loan over \$5,000, as well as fire and extended casualty insurance. Flood insurance is required when the property is in a flood hazard area designated by the Department of Housing and Urban Development. The Company

-4-

generally does not require borrowers to advance funds to an escrow account for the payment of real estate taxes or hazard insurance premiums, although loans originated through specific programs such as Rural Development, Illinois Housing Development Authority or FHA/VA may require the use of escrow accounts.

The Company's loan approval process is intended to assess the borrower's ability to repay the loan, the viability of the loan and the adequacy of the collateral that will secure the loan. The Company's loan policy assigns aggregate lending limits to officers of the Company depending on the type of loan and whether the loan is secured or unsecured. Two loan officers acting in concert may combine their lending limits to approve an individual loan, up to a limit of 2.5% of qualified capital. Management has established an executive officers' loan committee, which may generally approve credit requests up to 5% of qualified capital. The Board of Directors has established a loan committee of directors, which currently includes five independent directors. The loan committee of directors will review requests that have been submitted by the executive loan committee, and can approve loans up to 10% of qualified capital. Any credit in excess of 10% of qualified capital must be approved by the executive loan

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committee, the directors' loan committee, and submitted to the full Board of Directors for their approval.

Although federal laws and regulations permit savings institutions to originate and purchase loans secured by real estate located throughout the United States, the Company concentrates its lending activity on its primary market area of Edgar, Clark, Vermilion, and Champaign counties, Illinois. A savings institution generally may not make loans to one borrower and related entities in an amount which exceeds the greater of (i) 20% of its unimpaired capital and surplus, although loans in an amount equal to an additional 10% of unimpaired capital and surplus may be made to a borrower if the loans are fully secured by readily marketable securities, and (ii) \$500,000. As an Illinois-chartered savings bank, the Bank is permitted to invest without limitation as a percentage of assets in residential mortgage loans and up to 400% of its capital in loans secured by non-residential or commercial real estate. The Bank may also invest in secured and unsecured consumer loans in an amount not exceeding 35% of total assets. This 35% limitation may be exceeded for certain types of consumer loans such as home equity and property improvement loans secured by residential real property. In addition, the Bank may invest up to 10% of its total assets in secured and unsecured loans for commercial, corporate, business or agricultural purposes. The Bank has received a waiver from the Illinois Department of Financial and Professional Regulation regarding its ability to exceed this 10% limit. The Bank is subject to its internal loans-to-one borrower limitation of 15% of unimpaired capital.

MATURITY OF LOAN PORTFOLIO. The following table presents certain information at December 31, 2006, regarding the dollar amount of loans maturing in the Company's portfolio based on their contractual terms to maturity or scheduled amortization, but does not include potential prepayments. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as becoming due within one year. Loan balances do not include undisbursed loan proceeds, net deferred origination costs and allowance for loan losses.

-5-

	At December 31, 2006					
	Real Estate	Commercial and Industrial	Agricultural Production Finance	Consumer	Other Loans	Total Loans
	-----	-----	-----	-----	-----	-----
	(In Thousands)					
AMOUNTS DUE IN:						
One year or less	\$ 18,098	\$3,637	\$12,940	\$ 2,574	\$ 27	\$ 37,276
More than one year to five years	30,130	2,495	4,936	24,743	--	62,304
More than five years	85,011	1,228	1,021	222	1,573	89,055
	-----	-----	-----	-----	-----	-----
Total amount due	\$133,239	\$7,360	\$18,897	\$27,539	\$1,600	\$188,635
	=====	=====	=====	=====	=====	=====

The following table sets forth the dollar amount of all loans, before net items, due after December 31, 2007 which have fixed interest rates or which have floating or adjustable rates.

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	Fixed-Rates	Floating or Adjustable-Rates	Total
	-----	-----	-----
	(In Thousands)		
Real estate loans:			
One-to-four family	\$16,888	\$42,951	\$ 59,839
Multi-family	2,739	141	2,880
Commercial	15,003	11,944	26,947
Construction	12	366	378
Agricultural loans	13,662	11,435	25,097
Commercial and industrial	1,839	1,884	3,723
Agricultural production finance	3,733	2,224	5,957
Consumer loans:			
Vehicle	21,039	--	21,039
Consumer finance	754	--	754
Share	50	7	57
Other	3,065	50	3,115
Other loans	--	1,573	1,573
	-----	-----	-----
Total loans receivable	\$78,784	\$72,575	\$151,359
	=====	=====	=====

Scheduled contractual maturities of loans do not necessarily reflect the actual expected term of the loan portfolio. The average life of mortgage loans is substantially less than their average contractual terms because of prepayments. The average life of mortgage loans tends to increase when current mortgage rates are higher than rates on existing mortgage loans and, conversely, decrease when rates on current mortgage loans are lower than existing mortgage loan rates (due to refinancing of adjustable-rate and fixed-rate loans at lower rates). Under the latter circumstance, the weighted average yield on loans decreases as higher yielding loans are repaid or refinanced at lower rates.

ONE- TO FOUR-FAMILY RESIDENTIAL REAL ESTATE LOANS. One of the primary lending activities of the Company is the origination of loans secured by single-family residences. At December 31, 2006, \$66.7 million or 35.4% of the total loan portfolio consisted of

-6-

single-family residential loans. Of this amount, \$9.0 million consisted of second mortgage or home equity loans.

The Company's present lending policy on one-to-four family regular conventional residential mortgage loans generally limits the maximum loan-to-value to 80% of the appraised value of the property. If the Company originates a residential mortgage loan with a loan-to-value in excess of 80%, the Company may require the borrower to obtain private mortgage insurance. An alternative mortgage product is available for owner occupied one to four family residential properties within the Bank's market area which generally allows financing to qualified applicants of up to 100% of the purchase price or the appraised value, whichever is less. Residential mortgage loans are typically amortized on a monthly basis with principal and interest due each month.

The Company's residential mortgage loans have either fixed rates of interest or

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interest rates which adjust periodically during the term of the loan. Fixed-rate loans generally have maturities from 5 to 30 years and are fully amortizing with monthly payments sufficient to repay the total amount of the loan with interest by the end of the loan term. The Company's fixed-rate conventional loans generally are originated under terms, conditions and documentation which permit them to be sold to U.S. government-sponsored agencies, such as the Federal Home Loan Mortgage Corporation, and other investors in the secondary market for mortgages. The Company sells a majority of qualifying fixed-rate conventional loans with terms greater than 10 years in the secondary market. At December 31, 2006, \$22.6 million, or 33.9% of the Company's single-family residential mortgage loans were fixed-rate loans.

The adjustable-rate single-family residential mortgage loans currently offered by the Company have interest rates which adjust every one, three or five years in accordance with a designated index such as one-, three-, or five-year U.S. Treasury obligations adjusted to a constant maturity, plus a stipulated margin. In addition, the Company offers an adjustable mortgage loan with a fixed-rate for the first three or five years which adjusts on an annual basis thereafter. The Company's adjustable-rate single-family residential real estate loans generally have a cap of 1% or 2% on any increase or decrease in the interest rate at any adjustment date, and include a specified cap on the maximum interest rate over the life of the loan, which is generally 6% above the initial rate. Such loans generally are underwritten based on the initial rate. The Company's adjustable-rate loans require that any payment adjustment resulting from a change in the interest rate of an adjustable-rate loan be sufficient to result in full amortization of the loan by the end of the loan term, and thus, do not permit any of the increased payment to be added to the principal amount of the loan, or so-called negative amortization. At December 31, 2006, \$44.0 million or 66.1% of the Company's single-family residential mortgage loans were adjustable-rate loans.

At December 31, 2006, the Company's second mortgage or home equity loans amounted to \$9.0 million or 4.8% of the total loan portfolio. These loans are secured by the underlying equity in the borrower's residence, and accordingly, are reported with the one-to-four family real estate loans. As a result, the Company generally requires loan-to-value ratios of 90% or less after taking into consideration the first mortgage held by the Company. If the Company does not own or service the first mortgage, it may limit the

-7-

total loan-to-value ratio to 80%. These loans typically have ten-year terms with an interest rate adjustment after five years. Home equity lines-of-credit are also offered to qualified applicants to fund up to 100% of the equity in the borrower's home, based on the appraised value of the property, if the Company holds the first mortgage on the property. For all others, the maximum loan-to-value is eighty percent of the appraised value of the property. Home equity lines-of-credit are adjustable rate products priced off of the "prime" rate, and reprice monthly.

Adjustable-rate loans decrease the risks associated with changes in interest rates but involve other risks, primarily because as interest rates increase, the loan payment by the borrower increases to the extent permitted by the terms of the loan, thereby increasing the potential for default. Moreover, as with fixed-rate loans, as interest rates increase, the marketability of the underlying collateral property may be adversely affected by higher interest rates. The Company believes that these risks, which have not had a material adverse effect on the Company to date, generally are less than the risks associated with holding fixed-rate loans in an increasing interest rate

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environment.

COMMERCIAL REAL ESTATE LOANS. The Company's commercial real estate portfolio primarily consists of loans secured by office buildings, warehouses, production facilities, recreational facilities, retail stores and restaurants located within the Company's market area. Commercial real estate loans amounted to \$33.8 million or 17.9% of the total loan portfolio as of December 31, 2006 with an average loan balance of approximately \$134,000.

The Company's commercial real estate loans typically have a loan-to-value ratio of 80% or less and generally have higher interest rates than single-family residential loans. Loans secured by raw land cannot exceed 65% of the appraised value, and loans secured by real estate to be used for land development can not exceed 75% loan-to-value. The maximum term of the Company's commercial real estate loans cannot exceed 30 years. Generally, terms for commercial real estate loans are not longer than 10 years, and are based on an amortization schedule of up to thirty years. At December 31, 2006, fixed rate commercial real estate loans totaled \$21.0 million, while adjustable rate commercial real estate loans totaled \$12.8 million.

Commercial real estate lending is generally considered to involve a higher degree of risk than one-to-four family residential lending. Such lending typically involves large loan balances concentrated in a single borrower or groups of related borrowers for rental or business purposes. In addition, the payment experience on loans secured by income-producing properties is typically dependent on the success of the operation of the related project and thus is typically affected by adverse conditions in the real estate market and in the economy. The Company generally attempts to mitigate the risks associated with its commercial real estate lending by, among other things, lending primarily in its market area and using low loan-to-value ratios in the underwriting process.

AGRICULTURAL REAL ESTATE LOANS. At December 31, 2006, the Company's agricultural loans amounted to \$27.0 million or 14.3% of the total loan portfolio. The Company's agricultural loans are primarily secured by farmland located in its market area and other counties in east-central Illinois and western Indiana. The Company's adjustable rate

-8-

agricultural real estate loans have interest rates which generally adjust every one, three or five years in accordance with a designated index and are generally amortized over 20 or 30 years. A portion of these agricultural real estate loans also include a balloon payment after 10 years. Fixed rate agricultural real estate loans generally are for terms of up to 15 years, although many are amortized over longer periods, and include a balloon payment at maturity. The Company's lending policies on agricultural loans originated for its portfolio generally limit the maximum loan-to-value ratio to 80% of the lesser of the appraised value or purchase price of the property.

Many agricultural real estate loans to farmers have been underwritten by agency guidelines to qualify for a government guarantee of up to 90% of the original loan amount, which in turn qualifies them to be sold to a variety of investors in the secondary market. Once the government guarantee is secured from Farmers Home Loan Administration, the guarantee covers up to 90% of any loss on the loan. By way of example, assume that the Company originates a conforming \$100,000 agricultural loan, secures a 90% guarantee from Farmers Home Loan Administration, and subsequently sells \$90,000 of the loan in the secondary market with servicing retained. Assume that the borrower defaults on the loan, and the value of the property is \$50,000. The Company would purchase the \$90,000

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portion from the investor, foreclose on the loan, and sell the property for \$50,000. This would result in an initial loss to the Company of \$50,000. However, as a result of the government guarantee, the Company would be reimbursed \$45,000, representing 90% of its loss of \$50,000. The Company's out of pocket loss in this example would be \$5,000. Likewise, if the Company holds the example loan which carries the 90% guarantee in its own portfolio, the loss to the Company would also be limited to \$5,000, after filing the claim with Farmers Home Loan Administration. If the Company originates an agricultural loan which qualifies for the agency guarantee, it may originate the loan with a loan-to-value of 90% of the lesser of the appraised value or purchase price of the property. At December 31, 2006, the guaranteed amount of \$6.7 million on farmland loans of \$7.4 million were owned by various investors. Additionally, farmland loans of \$5.2 million are included in the Company's agricultural real estate portfolio, of which \$4.7 million are guaranteed by the Farmers Home Loan Administration.

COMMERCIAL AND INDUSTRIAL LOANS. At December 31, 2006, the Company's commercial and industrial loans amounted to \$7.4 million or 3.9% of the Company's loan portfolio. Types of commercial loans in the portfolio at December 31, 2006 include short-term working capital loans and term loans for capital purchases, secured by inventory, accounts receivable, fixtures, or equipment. The Company's commercial and industrial loans typically have a term of up to seven years and may have either floating rates tied to the Company's internal prime rate or fixed rates of interest. The Company's commercial and industrial loans are made to small to medium-sized businesses within the Company's market area. A substantial portion of the Company's small business loans are secured by perfected security interests in accounts receivable and inventory or other corporate assets such as equipment. The Company also generally obtains personal guarantees from the principals of the borrower with respect to all commercial and industrial loans. In addition, the Company may extend loans for a commercial business purpose which are secured by a mortgage on the proprietor's home or business property. Commercial and

-9-

industrial loans generally are deemed to involve a greater degree of risk than single-family residential mortgage loans.

AGRICULTURAL PRODUCTION FINANCE LOANS. At December 31, 2006, the Company's agricultural production finance loans amounted to \$19.0 million or 10.0% of the total loan portfolio. Generally these loans are extended to farmers in the Company's market area and other counties in Illinois and Indiana for the purchase of equipment, seed, fertilizer, insecticide and other purposes in connection with agricultural production. The Company's agricultural production finance loans generally have terms of one, three or five years, although loans secured by farm equipment may extend to seven years or longer. The maximum term for equipment secured loans will be tied directly to the useful life of the underlying collateral but cannot exceed 15 years. The interest rate is increased with respect to the longer terms loans due to the rate exposure of these loans. The amount of the commitment is based on management's review of the borrower's business plan, prior performance, marketability of crops, and current market prices. The Company will examine recent financial statements and shall evaluate cash flow analysis and debt-to-net worth and liquidity ratios. These loans are secured by crops, equipment, accounts receivable, inventory, and second mortgages on the farmland.

The Company's agricultural production finance loans may be originated under terms, conditions and documentation which allow them to qualify for a guarantee by the Farmers Home Loan Administration, and/or to be sold to a variety of investors in the secondary market. These qualifying loans also carry a

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government guarantee of up to 90% of any loss.

CONSUMER LOANS. The Company is authorized to make loans for a wide variety of personal consumer purposes. At December 31, 2006, \$27.5 million or 14.6% of the Company's total loan portfolio consisted of consumer loans.

The Company originates consumer loans in order to provide a full range of financial services to its customers and because such loans generally have shorter terms and higher interest rates than residential mortgage loans. The consumer loans offered by the Company include vehicle loans, consumer finance loans, loans secured by deposit accounts in the Company and other miscellaneous loans.

The Company offers vehicle loans on both new and used vehicles, with a significant portion of the loans secured by recent model used vehicles at the time of origination. The vehicle loans offered by the Company have fixed interest rates and terms of up to six years for new vehicles or used vehicles (model year 2004 and newer) and up to five years for older used vehicles. Vehicle loans amounted to \$21.8 million or 11.6% of the total loan portfolio at December 31, 2006. All of the Company's vehicle loans are directly underwritten by the Company. The Company does not purchase any indirect vehicle loans.

At December 31, 2006, the Company's consumer finance loans amounted to \$877,000 or 0.5% of the total loan portfolio. These loans are typically secured by household items such as furniture and electronic appliances and equipment. These loans are primarily

-10-

underwritten based on the collateral and debt to income ratios. The Company generally limits the terms of these loans to three years with a fixed interest rate.

The Company offers loans secured by deposit accounts in the Company, which amounted to \$1.0 million or 0.5% of the Company's total loan portfolio at December 31, 2006. Such loans are originated for up to 90% of the account balance, with a hold placed on the account restricting the withdrawal of the account balance. These loans mature on or before the maturity date of the underlying certificate of deposit.

Other consumer loans consist primarily of unsecured personal loans and other loans. These loans amounted to \$3.9 million or 2.0% of the total loan portfolio at December 31, 2006.

Consumer loans generally have shorter terms and higher interest rates than mortgage loans but generally involve more credit risk than mortgage loans because of the type and nature of the collateral and, in certain cases, the absence of collateral. In addition, consumer lending collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness, and personal bankruptcy. In some cases, repossessed collateral for a defaulted consumer loan will not provide full repayment of the outstanding loan balance because of improper repair and maintenance of the underlying security. The remaining deficiency may not warrant further substantial collection efforts against the borrower. The Company believes that the generally higher yields earned on consumer loans compensate for the increased credit risk associated with such loans and that consumer loans are important to its efforts to increase rate sensitivity, shorten the average maturity of its loan portfolio and provide a full range of services to its customers.

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REAL ESTATE CONSTRUCTION LOANS. At December 31, 2006, the Company had approximately \$2.4 million or 1.3% of total loans in single-family residential construction loans. The construction loans of the Company are comprised largely of loans made to borrowers to construct individual pre-sold homes. Frequently, the construction loan and the permanent mortgage loan are originated at one closing as a construction/permanent loan. Interest-only payments are required during the construction period, which is typically six months.

Construction lending is generally considered to involve a higher degree of risk of loss than long-term financing on improved, owner-occupied real estate because of the uncertainties of construction, including the possibility of costs exceeding the initial estimates and the need to obtain a tenant or purchaser if the property will not be owner-occupied. The Company generally attempts to mitigate the risks associated with construction lending by, among other things, lending in its market area, using conservative underwriting guidelines, and monitoring the construction process.

MULTI-FAMILY RESIDENTIAL LOANS. The Company also has a relatively small amount of multi-family (over four units) residential loans. The multi-family residential mortgage loans are underwritten on substantially the same basis as its commercial real estate loans, although loan-to-value ratios may be up to 80%. At December 31, 2006, the Company

-11-

had \$3.4 million in multi-family residential mortgage loans which amounted to 1.8% of the total portfolio.

OTHER LOANS. The Company's other loans amounted to \$1.6 million or 0.9% of the total loan portfolio at December 31, 2006. The majority of this balance represents a participation interest in an industrial revenue bond for a local hospital.

LOAN ORIGINATION AND OTHER FEES. In addition to interest earned on loans, the Company may receive loan origination fees or "points" for originating mortgage loans. Loan points are a percentage of the principal amount of the mortgage loan and are charged to the borrower in connection with the origination of the loan. A document preparation fee is generally assessed on consumer loan originations of \$85 per loan for consumer non-mortgage originations, while second mortgages may be assessed a loan document preparation fee of \$150 per origination and first mortgages may be assessed a loan document fee of \$250 per loan. Community Finance, a division of the Bank, generally charges a loan document preparation fee of \$25.

LOAN SERVICING. The Company also services loans for others. Loan servicing includes collecting and remitting loan payments, accounting for the principal and interest, making inspections as required of mortgaged premises, contacting delinquent borrowers, supervising foreclosures and property dispositions in the event of unremedied defaults, making certain insurance and tax payments on behalf of the borrowers and generally administering the loans. At December 31, 2006, the Company was servicing \$88.5 million of loans for others. Of this amount, \$81.1 million were single family residential loans sold to the Federal Home Loan Mortgage Corporation and the Illinois Housing Development Authority. Agricultural land and equipment loans serviced for others were \$7.4 million.

Asset Quality

GENERAL. The Company mails delinquent notices to borrowers when a borrower fails

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to make a required payment within 15 days of the due date. Additional notices are sent out when a loan becomes 30 days or 60 days past due. If a loan becomes 90 days past due, the Company mails a notice indicating that the Company will refer it to an attorney within 30 days to commence foreclosure. In most cases, deficiencies are cured promptly. While the Company generally prefers to work with borrowers to resolve such problems, the Company will institute foreclosure or other collection proceedings when necessary to minimize any potential loss.

Loans are placed on non-accrual status when management believes the probability of collection of interest is insufficient to warrant further accrual. After a loan is delinquent for 90 days or more, an interest reserve is established against which previously accrued but unpaid interest is deducted from interest income. If the borrower makes subsequent payments on the loan, they are applied to interest and principal, and the interest reserve is reduced by the amount of the interest payment. The Company periodically reviews all loans delinquent 90 days or more, and places those loans which are not likely to be collected on non-accrual status. When a loan is placed on non-accrual status, previously

-12-

accrued but unpaid interest is deducted from interest income, and subsequent payments received are applied only against the principal balance.

Real estate and other assets acquired by the Company as a result of foreclosure or by deed-in-lieu of foreclosure are classified as real estate owned until sold. The Company had \$366,000 of real estate owned and other assets at December 31, 2006. This category consists primarily of commercial real estate, one-to-four residential properties, and vehicles.

DELINQUENT LOANS. The following table sets forth information concerning delinquent loans at December 31, 2006, in dollar amounts and as a percentage of the Company's total loan portfolio. The amounts presented represent the total outstanding principal balances of the related loans, rather than the actual payment amounts which are past due.

	December 31, 2006					
	30-59 Days Overdue		60-89 Days Overdue		90 or More Days Overdue	
	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans
	(In Thousands)					
Real estate loans:						
One-to-four family	\$ 754	0.40%	\$ 426	0.23%	\$ 176	0.09%
Commercial	194	0.10%	212	0.11%	546	0.29%
Construction	--	--	--	--	--	--
Agricultural loans	301	0.16%	--	--	--	--
Commercial and industrial	--	--	383	0.20%	223	0.12%
Agricultural production finance	134	0.07%	--	--	246	0.13%
Consumer loans:						
Vehicle	269	0.14%	139	0.07%	78	0.04%
Consumer finance	--	--	1	0.00%	--	--
Other	20	0.01%	4	0.00%	37	0.02%

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Total loans	----- \$1,672 =====	----- 0.88% =====	----- \$1,165 =====	----- 0.61% =====	----- \$1,306 =====	----- 0.69% =====
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NON-PERFORMING ASSETS. The following table presents information with respect to the Bank's nonperforming assets at the dates indicated.

-13-

	At December 31,				
	2006	2005	2004	2003	2002
	(In Thousands)				
NON-PERFORMING LOANS:					
90 Days Delinquent and Non-accrual loans:					
Real estate loans:					
One-to-four family	\$ 176	\$ 306	\$ 202	\$ 567	\$ 692
Commercial	546	510	--	302	--
Construction	--	--	108	113	114
Agricultural loans	--	64	--	--	--
Commercial and industrial	223	421	--	--	12
Agricultural production finance	246	--	19	32	577
Consumer loans:					
Vehicle	78	94	97	89	97
Consumer finance	--	1	14	15	19
Other	37	23	3	8	9
Troubled debt restructurings	532	94	1,128	1,403	888
Total non-performing loans	1,838	1,513	1,571	2,529	2,408
Real estate owned (1)	366	267	190	96	185
Total nonperforming assets (2)	\$2,204	\$1,780	\$1,761	\$2,625	\$2,593
Total nonperforming loans as a percentage of total loans	0.98%	0.95%	1.31%	2.35%	2.25%
Total nonperforming assets and troubled debt restructurings as a percentage of total assets	0.71%	0.65%	0.76%	1.16%	1.28%

(1) Real estate owned includes other repossessed assets and the balances are shown net of related valuation allowances.

(2) Nonperforming assets consist of nonperforming loans, other repossessed assets and real estate owned.

CLASSIFIED ASSETS. Federal regulations require that each insured savings institution classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, federal examiners have authority to identify problem assets and, if appropriate, classify them. There are three classifications for problem assets: "substandard," "doubtful" and "loss." Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain loss if the

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deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a higher possibility of loss. An asset classified loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. Another category designated "special mention" also must be established and maintained for assets which do not currently expose an insured institution to a sufficient degree of risk to warrant classification as substandard, doubtful, or loss. Assets classified as substandard or doubtful require the institution to establish general allowances for loan losses. If an asset or portion thereof is classified loss, the insured

-14-

institution must either establish specific allowances for loan losses in the amount of 100% of the portion of the asset-classified loss, or charge off such amount. General loss allowances established to cover possible losses related to assets classified substandard or doubtful may be included in determining an institution's regulatory capital, while specific valuation allowances for loan losses do not qualify as regulatory capital. Federal examiners may disagree with an insured institution's classification and amounts reserved.

An alternate method used to determine necessary reserve levels is to evaluate the collateral securing each classified loan to determine if a collateral "shortfall" exists. If a shortfall is identified, then a specific reserve amount for this amount should be established. Historical loss percentages by loan category are calculated by using a five-year average of actual loss experience, although these percentage amounts may be adjusted to reflect changes such as a change in the composition of the loan portfolio or a change in economic conditions. These defined percentages are applied to the remainder of the institution's loan portfolio.

The Company's total classified loans, which include impaired loans, at December 31, 2006, amounted to \$11.8 million, \$5.6 million of which was classified as substandard, \$188,000 of which was classified doubtful, \$36,000 of which was classified loss, and \$6.0 million of which was classified as special mention or potential problem loans. Classified loans at December 31, 2005 were \$13.9 million, \$5.8 million of which was classified substandard, \$372,000 of which was classified doubtful, \$86,000 of which was classified loss, and \$7.7 million of which was classified special mention or potential problem loans. Of the \$11.8 million classified assets at December 31, 2006, \$1.3 million were nonperforming loans as of December 31, 2006. The remaining \$10.5 million relate to potential problem loans due to various circumstances such as prior problem history with the customer or insufficient collateral value.

Specific reserve amounts identified by the collateral shortfall method amounted to \$1.1 million. Included in the classified loans of \$11.8 million were nonresidential real estate loans of \$4.9 million, agricultural production finance loans totaling \$2.9 million, commercial loans of \$1.3 million, one-to-four family real estate loans of \$1.7 million, farmland loans of \$539,000, and consumer loans of \$510,000. Of the \$2.9 million in classified agricultural production loans, \$1.9 million in agricultural finance loans had guarantees by the Farmers Home Administration in the amount of \$1.7 million. Also included in classified loans were farmland loans of \$388,000 which had guarantees by the Farmers Home Administration in the amount of \$349,000.

RESERVE POLICY AND METHODOLOGY. The Company maintains an allowance for credit losses to absorb losses inherent in the loan portfolio. The allowance is based

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on ongoing, quarterly assessments of the probable estimated losses inherent in the loan portfolio. The allowance is increased by the provision for credit losses, which is charged against current period operating results and decreased by the amount of chargeoffs, net of recoveries. In calculating the allowance for credit losses, the Company segments the loan portfolio into two groups, loans evaluated individually and loans evaluated collectively. The methodology for assessing the appropriateness of the allowance account consists of a formula allowance for loans evaluated collectively and specific allowances for loans evaluated individually.

-15-

The specific allowances are calculated by applying loss factor percentages to outstanding loans included in the classification of assets, based on the classification category of each loan. Changes in risk grades of these loans affect the amount of the specific allowance. Loss factors for the formula allowance are based on our historical loss experience and may be adjusted for significant factors that, in management's judgement, affect the collectibility of the portfolio as of the evaluation date. The adjustments to the historical loss experience are based on an evaluation of national and local economic trends, trends in delinquencies and chargeoffs, trends in volume and terms of loans, changes in underwriting standards, and industry conditions. The specific allowance is then calculated alternatively by looking at each loan specifically and evaluating the collateral securing the loan to determine if a shortfall of collateral exists. A specific allowance under this method includes the shortfall amount. The resulting specific allowance amount calculated under both methods is evaluated by the asset classification committee which includes upper management to determine the amount of needed reserves for the loans which are classified. A general reserve amount is calculated for the remainder of the loan portfolio using percentages calculated from actual historical loss experience. The total reserve amount is then formulated by adding the specific reserve relating to the classified loans, and the general reserve pertaining to the rest of the loan portfolio.

While management believes the allowance for loan losses is sufficient to cover losses inherent in its loan portfolio at this time, no assurances can be given that the level of the allowance for loan losses will be sufficient to cover future loan losses incurred or that future adjustments to the allowance for loan losses will not be necessary if economic and other conditions differ substantially from the economic and other conditions used by management to determine the current level of the allowance for loan losses. As of December 31, 2006 and 2005, the allowance for loan losses was 1.18% and 1.67%, respectively, of total loans. Management will continue to monitor and modify the allowance for loan losses as conditions dictate.

The following table sets forth information concerning the allocation of the Company's allowance for loan losses by loan categories at the dates indicated.

-16-

December 31,		
2006	2005	2004
-----	-----	-----
% of	% of	% of

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	Loans in Each Category to Total Loans	Amount	Loans in Each Category to Total Loans	Amount	Loans in Each Category to Total Loans	Amount	Loans in Each Category to Total Loans	Amount
(In Thousands)								
Allocated:								
Real estate loans:								
One-to-four family		\$ 260	35.35%	\$ 318	32.29%	\$ 224	31.15%	\$
Multi-family		7	1.81%	2	0.43%	2	0.59%	
Commercial		609	17.89%	866	20.71%	745	14.02%	
Construction		5	1.28%	60	1.51%	56	1.26%	
Agricultural loans		78	14.30%	84	13.03%	52	14.04%	
Commercial and industrial		417	3.90%	466	4.91%	376	5.32%	
Agricultural production finance		310	10.02%	330	9.62%	320	11.28%	
Consumer loans:								
Vehicle		421	11.55%	420	13.27%	414	17.25%	
Consumer finance		21	0.46%	42	0.54%	36	0.66%	
Share		--	0.54%	--	0.44%	--	0.39%	
Other		76	2.04%	55	2.20%	56	2.57%	
Other loans		18	0.86%	19	1.05%	19	1.47%	
Unallocated:		--	--	--	--	--	--	
		-----	-----	-----	-----	-----	-----	-----
		\$2,222	100.00%	\$2,662	100.00%	\$2,300	100.00%	\$2,
		=====	=====	=====	=====	=====	=====	=====

-17-

The following table sets forth an analysis of the Company's allowance for loan losses during the periods indicated.

	Year Ended December 31,				
	2006	2005	2004	2003	2002
(In Thousands)					
Total loans outstanding	\$187,666	\$159,547	\$119,748	\$108,535	\$107,144
Average loans outstanding, net	174,375	131,405	111,445	105,773	105,171
Balance at beginning of period	2,662	2,300	2,125	1,963	1,657
CHARGE-OFFS:					
Real estate loans:					
One-to-four family	74	72	78	118	31
Multi-family	--	--	--	--	--
Commercial	137	91	67	--	3
Construction	--	--	--	--	--
Agricultural loans	--	--	--	--	2
Commercial and industrial	310	--	75	35	140
Agricultural production finance	28	--	14	234	--
Consumer loans:					
Vehicle	139	206	156	214	211
Consumer finance	23	20	34	10	67

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Share	--	--	--	--	--
Other	62	50	14	48	72
	-----	-----	-----	-----	-----
Total charge-offs	773	439	438	659	526
	-----	-----	-----	-----	-----
RECOVERIES:					
Real estate loans:					
One-to-four family	11	1	8	--	6
Multi-family	--	--	--	--	--
Commercial	--	12	1	--	1
Construction	--	--	--	--	--
Agricultural loans	--	7	--	--	28
Commercial and industrial	--	--	3	5	13
Agricultural production finance	--	2	--	11	--
Consumer loans:					
Vehicle	45	48	52	47	46
Consumer finance	15	11	23	23	15
Share	--	--	--	--	--
Other	32	10	11	7	5
	-----	-----	-----	-----	-----
Total recoveries	103	91	98	93	114
	-----	-----	-----	-----	-----
Net charge-offs	(670)	(348)	(340)	(566)	(412)
Provision for loan losses	230	510	515	728	718
Acquired through business combination	--	200	--	--	--
	-----	-----	-----	-----	-----
Balance at end of period	\$ 2,222	\$ 2,662	\$ 2,300	\$ 2,125	\$ 1,963
	=====	=====	=====	=====	=====
Allowance for loan losses as a percent of total loans outstanding	1.18%	1.67%	1.92%	1.96%	1.83%
	=====	=====	=====	=====	=====
Allowance for loan losses as a percent of total non-performing loans	120.89%	175.94%	146.40%	188.72%	129.83%
	=====	=====	=====	=====	=====
Ratio of net charge-offs to average loans outstanding	0.38%	0.26%	0.31%	0.54%	0.39%
	=====	=====	=====	=====	=====

-18-

Investment Securities

The Company has authority to invest in various types of securities, including mortgage-backed securities, U.S. Treasury obligations, securities of various federal agencies and of state and municipal governments, certificates of deposits at federally-insured banks and savings institutions, certain bankers' acceptances and federal funds. The Company's investment strategy is established by the Investment/ALCO Committee which currently consists of directors and senior officers of the Company. The Investment/ALCO Committee meets on a quarterly basis and the strategy established by the committee is implemented by the Company's President and Chief Financial Officer. The Company has obtained the services of an independent consultant to provide data regarding the Bank's investments as well as potential investments. Any material deviations from the investment strategy require approval by the Investment/ALCO Committee.

The following table sets forth information relating to the amortized cost and

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fair value of the Company's securities all of which are classified available for sale.

	December 31,					
	2006		2005		2004	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)					
AVAILABLE FOR SALE:						
U.S. Treasuries	\$ 3,869	\$ 3,456	\$ 3,820	\$ 3,527	\$ 3,838	\$ 3,920
Federal agencies	6,967	7,014	8,483	8,375	7,000	6,949
State and municipal	12,351	12,405	13,181	13,252	10,540	10,876
Mortgage-backed securities	40,767	39,957	51,138	50,369	60,625	60,800
Equity securities	1,685	1,683	903	901	1,252	1,399
Total	\$65,639	\$64,515	\$77,525	\$76,424	\$83,255	\$83,944
HELD TO MATURITY:						
Mortgage-backed securities	\$ 4,780	\$ 4,662	\$ 3,437	\$ 3,384	\$ 4,778	\$ 4,831
Total	\$ 4,780	\$ 4,662	\$ 3,437	\$ 3,384	\$ 4,778	\$ 4,831

The following table sets forth the amount of the Company's available-for-sale debt securities which mature during each of the periods indicated and the weighted average yields for each range of maturities at December 31, 2006. The table does not include equity securities as they have no stated maturity. The amounts reflect fair value of the Company's debt securities at December 31, 2006.

-19-

Available-for-sale securities	Under 1 Year	Weighted Average Yield	1-5 Years	Weighted Average Yield	5-10 Years	Weighted Average Yield
	(In Thousands)					
U.S. Treasuries	\$ 0		\$ 3,456	3.92%	\$ 0	
Federal agencies	495	3.00%	5,528	3.08%	991	4.00%
State and municipal	75	4.63%	1,949	4.24%	7,508	3.62%
Mortgage-backed securities (1)	10,140	4.49%	25,217	4.45%	4,593	4.35%
Total	\$10,710		\$36,150		\$13,092	

(1) The maturities for mortgage-backed securities are based on prepayment speed assumptions established by management based on the current interest rate environment. The assumption rates vary by the individual security.

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The mortgage-backed securities include \$19.0 million in adjustable rate securities which typically have longer stated final maturities, but will have rate adjustments within the next three years. The fixed rate mortgage-backed securities have relatively short projected remaining lives, generally less than fifteen years.

The following table sets forth the amount of the Company's held-to-maturity debt securities which mature during each of the periods indicated and the weighted average yields for each range of maturities at December 31, 2006. The amounts reflect the amortized cost of the Company's debt securities at December 31, 2006.

Held-to-maturity securities	Under 1 Year	Weighted Average Yield	1-5 Years	Weighted Average Yield	5-10 Years	Weighted Average Yield
(In Thousands)						
Mortgage-backed securities (1)	\$717	5.04%	\$2,930	5.00%	\$1,133	4.50%
Total	\$717		\$2,930		\$1,133	

(1) The maturities for mortgage-backed securities are based on prepayment speed assumptions established by management based on the current interest rate environment. The assumption rates vary by the individual security.

Mortgage-backed securities represent a participation interest in a pool of one- to four-family or multi-family mortgages. The mortgage originators use intermediaries (generally U.S. Government agencies and government-sponsored enterprises) to pool and repackage the participation interests in the form of securities, with investors receiving the principal and interest payments on the mortgages. Such U.S. Government agencies and government-sponsored enterprises guarantee the payment of principal and interest to investors.

Mortgage-backed securities are typically issued with stated principal amounts, and the securities are backed by pools of mortgages that have loans with interest rates that are within a range and have varying maturities. The underlying pool of mortgages, i.e., fixed-rate or adjustable-rate, as well as prepayment risk, are passed on to the certificate holder.

-20-

The life of a mortgage-backed pass-through security approximates the life of the underlying mortgages. However, prepayment of principal allows the Company to re-invest at current rates. This is beneficial in a rising interest rate environment. During 2006, proceeds generated from repayments and maturities of available-for-sale and held-to-maturity securities totaled \$18.7 million compared to \$25.0 million in 2005. Of the \$18.7 million, repayments on mortgage-backed securities amounted to \$10.9 million. Net amortization of premiums and discounts on securities decreased to \$49,000 in 2006 compared to \$67,000 in 2005, as prepayments slowed somewhat during 2006.

Mortgage-backed securities generally yield less than the loans which underlie such securities because of their payment guarantees or credit enhancements which offer nominal credit risk. However, these securities generally yield more than

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other debt instruments available from U.S. Government Agencies. In addition, mortgage-backed securities are more liquid than individual mortgage loans and may be used to collateralize borrowings or other obligations of the Company.

The Company's investment in mortgage-backed securities resulted in higher yields than were generally available from other securities of comparable credit risk. At the same time yields were only marginally less than those generally available on comparable real estate mortgages, without the inherent credit risk.

Sources of Funds

GENERAL. Deposits are the primary source of the Company's funds for lending and other investment purposes. In addition to deposits, principal and interest payments on loans and mortgage-backed securities are a source of funds. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows are significantly influenced by general interest rates and money market conditions. Borrowings may also be used on a short-term basis to compensate for reductions in the availability of funds and other sources and on a longer-term basis for general business purposes. For a discussion of commitments and credit risk, see note 26 to the consolidated financial statements.

DEPOSITS. Deposits are attracted by the Company principally from within its primary market area. Deposit account terms vary, with the principal differences being the minimum balance required, the time periods the funds must remain on deposit and the interest rate.

The Company obtains deposits primarily from residents in Illinois and Indiana. The Company seeks to attract deposit accounts by offering a variety of products with competitive rates and terms.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Management determines the rates and terms based on rates paid by competitors, the need for funds or liquidity, growth goals and federal and state regulations. The Company attempts to control the flow of deposits by pricing its accounts to remain generally competitive with other financial institutions in its market area.

-21-

The following table shows the distribution of and certain other information relating to the Company's average deposits for the years 2006, 2005 and 2004 by the type of deposits indicated.

	December 31, 2006			December 31, 2005		
	Average Balance	Percent of Total Average Deposits	Weighted Average Rate	Average Balance	Percent of Total Average Deposits	Weighted Average Rate
	(In Thousands)					
Money market deposits	\$ 21,164	10.05%	2.62%	\$ 15,841	9.41%	1.99%
Savings deposits	12,449	5.91%	0.83%	12,225	7.26%	0.85%
NOW and other demand deposits	27,219	12.93%	1.02%	36,990	21.97%	1.05%
Non-interest bearing deposits	21,423	10.18%	0.00%	17,357	10.31%	0.00%
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Total	82,255	39.07%	1.14%	82,413	48.95%	0.98
Certificate accounts						
Three months or less	3,515	1.67%	4.50%	356	0.21%	1.45
Over three through six months	25,341	12.04%	4.91%	3,926	2.33%	2.73
Over six through twelve months	43,298	20.56%	4.19%	29,696	17.64%	2.69
Over one to three years	27,576	13.10%	3.56%	26,698	15.86%	2.59
Over three to five years	15,861	7.53%	4.18%	12,828	7.62%	4.33
Over five years	12,690	6.03%	4.42%	12,435	7.39%	4.35
	-----	-----	-----	-----	-----	-----
Total certificates	128,281	60.93%	4.23%	85,939	51.05%	3.14
	-----	-----	-----	-----	-----	-----
Total average deposits	\$210,536	100.00%	3.02%	\$168,352	100.00%	2.08
	=====	=====	=====	=====	=====	=====

-22-

The following table shows the interest rate and maturity information for the Company's certificates of deposits at December 31, 2006.

Interest Rate	Maturity Date				Total
	One Year or Less	Over 1-2 Years	Over 2-3 Years	Over 3 Years	
	-----	-----	-----	-----	-----
	(In Thousands)				
0.00% - 1.99%	\$ 437	\$ --	\$ --	\$ --	\$ 437
2.00% - 3.99%	23,084	5,423	3,491	2,764	34,762
4.00% - 5.99%	103,601	7,557	4,441	8,924	124,523
6.00% - 7.99%	4	--	--	--	4
	-----	-----	-----	-----	-----
	\$127,126	\$12,980	\$7,932	\$11,688	\$159,726
	=====	=====	=====	=====	=====

As of December 31, 2006, the aggregate amount of outstanding time certificates of deposit at the Company in amounts greater than or equal to \$100,000, was approximately \$61.7 million. This amount included three brokered certificates totaling \$27.8 million, of which \$22.8 million mature in the first quarter of 2007, and \$4.9 million mature in 2010. The following table presents the maturity of these time certificates of deposits at December 31, 2006.

December 31, 2006	

(In Thousands)	
3 months or less	\$30,990
Over 3 months through 6 months	6,969
Over 6 months through 12 months	10,586
Over 12 months	13,126

Total	\$61,671
	=====

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RETURN ON EQUITY AND ASSETS

	2006	2005	2004	2003	2002
Return on assets (net income divided by average total assets)	0.40%	0.52%	0.54%	0.90%	0.64%
Return on equity (net income divided by average equity)	4.26%	4.66%	4.58%	7.38%	4.77%
Dividend payout ratio (total dividends paid divided by net income)	48.62%	46.64%	46.82%	23.05%	21.57%
Equity to assets ratio (average equity divided by average total assets)	9.27%	11.08%	11.84%	12.19%	13.52%

23

BORROWINGS. The Company may obtain advances from the Federal Home Loan Bank ("FHLB") of Chicago upon the security of the common stock it owns in that bank and certain of its residential mortgage loans and mortgage-backed and other investment securities, provided certain standards related to creditworthiness have been met. These advances are made pursuant to several credit programs, each of which has its own interest rate and range of maturities. FHLB advances are generally available to meet seasonal and other withdrawals of deposit accounts and to permit increased lending.

At December 31, 2006, the Company had \$32.8 million of FHLB advances secured by first mortgage loans, FHLB stock, and investment securities. Some of the advances are "rate-locked" for a determined time period, between one and five years, and then are convertible quarterly thereafter by the Federal Home Bank to a quarterly adjustable rate advance. Of the \$32.8 million in fixed term advances, \$14.0 million are within the "lock-out" period and \$11.5 million has passed the "rate-lock" period, but are currently fixed rate advances. The remaining \$7.3 million advances are fixed term advances. The Company also has access to an open-end, variable rate line of credit with the FHLB, which had a zero balance at December 31, 2006. The open-end line of credit is subject to daily interest rate adjustments, and generally is used for short-term funding needs.

The following schedule presents FHLB advances at December 31, 2006 by maturity date:

Date of Advance	Interest Rate	Fixed or Variable	Maturity Date	First Convertible Date	Amount (in thousands)
February, 1998	5.32%	Fixed	February, 2008	February, 2003	\$ 1,500
February, 2001	4.86%	Fixed	February, 2011	February, 2004	10,000
March, 2003	3.35%	Fixed	March, 2008		2,000
October, 2003	3.61%	Fixed	October, 2008		300
September, 2001	3.12%	Fixed	September, 2011		5,000
September, 2006	4.12%	Fixed	September, 2016	September, 2007	14,000
Open line of credit	5.50%	Variable			--

The Company also occasionally purchases federal funds to fund short-term cash requirements, although at December 31, 2006 there were no purchased federal funds.

Capital securities of \$6.0 million were issued June 15, 2005, by a statutory business trust, FBTC Statutory Trust I. The Company owns 100% of the common equity of the trust, which is a wholly-owned subsidiary of the Company. The \$6.0 million in proceeds from the trust preferred issuance and an additional \$186,000 for the Company's investment in the common equity of the Trust, a total of \$6,186,000, was invested in the junior subordinated debentures of the Company. As required by FIN 46R, the Company has not consolidated the investment in the Trust. The trust was formed with the purpose of issuing trust preferred securities and investing the proceeds from the sale of such trust preferred securities in the debentures. The debentures held by the trust are the sole assets of the trust. Distributions of the trust preferred securities are payable at a variable rate of interest, which is equal to the interest rate being earned by the trust on the debentures,

24

and are recorded as interest expense by the Company. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the debentures.

The debentures are included as Tier I capital for regulatory capital purposes. The debentures issued are first redeemable, in whole or part, by the Company on June 15, 2010, and mature on June 15, 2035. The funds were used for the acquisition of the common stock of Rantoul First Bank and for the repurchase of First BancTrust Corporation common stock. Interest is fixed at a rate of 5.80% for a period of five years, and then converts to a floating rate. Interest payments are made quarterly beginning in September, 2005.

Market Area

The Company is headquartered in Paris, Illinois, with regular branches in Marshall and Martinsville in Clark County, and Savoy and Rantoul in Champaign County, Illinois. The Company's primary retail market area encompasses all of adjoining Clark and Edgar Counties, where the home office the Marshall and Martinsville offices, and the Community Finance Center are located, as well as Champaign County where the branches of Savoy and Rantoul are located, and Vermilion County which is adjacent to both Edgar and Champaign Counties. In August, 2004, the Company relocated the Savoy operation to a permanent facility in a retail area in Savoy. In October, expansion into Rantoul was accomplished with the acquisition of the Rantoul First Bank. In December, 2006, an additional Rantoul location was added as a block of deposits were acquired from another local financial institution. The Company's primary market area represents its source for deposit gathering and loan originating, however, the Company also originates loans to borrowers outside of the market area. Clark and Edgar Counties are located in east central Illinois, just west of Terre Haute, Indiana, and are both rural counties where agriculture is responsible for a much higher share of employment than in Illinois, as a whole. Champaign County is located in central Illinois and includes the urban markets of Champaign and Urbana, as well as the University of Illinois, which is the area's largest employer. The workforce in this area is primarily employed in professional,

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managerial, and sales positions. Vermilion County is located immediately north of Edgar County, and to the east of Champaign County.

Both Clark and Edgar Counties have similar economic characteristics with population levels of less than 20,000 in each county in 1990 and 2000. Overall, the demographic characteristics of Clark and Edgar Counties are weaker than Illinois or the U.S. with regard to income levels, housing values and growth trends. In contrast, the Savoy area in southern Champaign County has experienced an above-average population growth, with strong new-housing construction, and above-average home values. Rantoul is located 15 miles north of Champaign-Urbana in the northern portion of Champaign County, and while the immediate local economy has not experienced significant economic growth, Rantoul is affected by the economy of Champaign-Urbana. The median household income for Rantoul in the year 2000 is \$36,904 compared to the median income of Savoy of \$48,500 for the year 2000. The median house value for Rantoul for the year 2000 is \$74,200 compared to the median house value for Savoy for the year 2000 of \$147,100. Vermilion County has a median income of \$34,071 and a median house value of \$56,000

25

for the year 2000. The workforce in this county is primarily employed in manufacturing and education, health and social services positions.

Competition

The Company faces significant competition in attracting deposits and making loans. Its most direct competition for deposits has come historically from commercial banks, credit unions, and other savings institutions located in its primary market area, including many large financial institutions which have greater financial and marketing resources available to them. In addition, the Company faces significant competition for investors' funds from short-term money market securities, mutual funds and other corporate and government securities. The Company does not rely upon any individual group or entity for a material portion of its deposits. The ability of the Company to attract and retain deposits depends on its ability to generally provide a rate of return, liquidity and risk comparable to that offered by competing investment opportunities.

The Company's competition for real estate loans comes principally from mortgage banking companies, commercial banks, other savings institutions and credit unions. The Company's competition in the agricultural market also includes Farm Credit Services as well as agricultural equipment and product suppliers. The Company competes for loan originations primarily through the interest rates and loan fees it charges, and the efficiency and quality of services it provides borrowers. Factors which affect competition include general and local economic conditions, current interest rate levels and volatility in the mortgage markets. Competition may increase as a result of the continuing reduction of restrictions on the interstate operations of financial institutions and the anticipated slowing of refinancing activity.

Personnel

As of December 31, 2006, the Company, including the Bank and the Company's subsidiary, ECS Service Corporation, doing business as Edgar County Title, had 90 full-time and 25 part-time employees. None of the employees are represented by a collective bargaining agent, and the Company believes that it enjoys good relations with its personnel.

Subsidiaries

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At December 31, 2006, the Company had three subsidiaries, the Bank, ECS Service Corporation, and First Charter Service Corporation. While the Bank's subsidiary, Community Finance Center, Incorporated was dissolved as a corporation in May, 2005, Community Finance continues to provide retail consumer loans as a division of the bank. In 2005, the Company also formed FBTC Statutory Trust I ("Trust"), which is an unconsolidated wholly owned subsidiary formed to issue cumulative preferred securities. The Company owns all of the securities of the Trust that possess general voting powers. The Company also acquired the subsidiary, Rantoul First Financial, as a part of the acquisition of Rantoul First Bank in October, 2005. Rantoul First Financial provided investment and brokerage services to Rantoul First Bank, and was dissolved in early 2006.

26

ECS Service Corporation is an Illinois chartered corporation which provides real estate abstracting and title insurance services for Edgar and Clark Counties, Illinois primarily to the Company's customers. ECS Service Corporation generated net income of approximately \$49,000 and \$60,000 for the years ended December 31, 2006 and December 31, 2005, respectively.

First Charter Service Corporation is an Illinois chartered corporation which formerly provided retail sales of uninsured investment products to the Company's customers. Investment and brokerage services are now provided by First Advisors Financial Group, and First Charter is currently in an inactive status. First Charter generated a net income of \$582 and a net loss of \$488 for the years ended December 31, 2006 and 2005, respectively.

Rantoul First Financial, acquired with the purchase of Rantoul First Bank in October, 2005, generated no net income for 2006 and \$8,000 net income for the year ended December 31, 2005. As previously stated, the corporation Rantoul First Financial was dissolved in 2006.

Regulation

The following discussion of certain laws and regulations which are applicable to the Company and the Bank as well as descriptions of laws and regulations contained elsewhere herein, summarizes the aspects of such laws and regulations which are deemed to be material to the Company and the Bank. However, the summary does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations.

FIRST BANCTRUST CORPORATION

GENERAL. The Company is a bank holding company and a financial holding company, and as such, is registered with the Federal Reserve Board. Under the Bank Holding Company Act, the Company will be subject to periodic examination by the Federal Reserve Board and will be required to file periodic reports of its operations and such additional information as the Federal Reserve Board may require. Because First Bank is chartered under Illinois law, the Company is also subject to regulation by the Division of Banking of the Illinois Department of Financial and Professional Regulation under the Illinois Savings Bank Act.

A bank holding company is a legal entity separate and distinct from its subsidiary bank or other banks. Normally, the major source of a holding company's revenue is dividends it receives from its subsidiary banks. The right of a bank holding company to participate as a stockholder in any distribution of assets of its subsidiary banks upon their liquidation or reorganization or otherwise is subject to the prior claims of creditors of such subsidiary banks.

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The subsidiary banks are subject to claims by creditors for long-term and short-term debt obligations, including obligations for Federal funds purchased and securities sold under repurchase agreements, as well as deposit liabilities. Under the Financial Institutions Reform, Recovery and Enforcement Act of 1989, in the event of a loss

27

suffered by the FDIC in connection with a banking subsidiary of a bank holding company (whether due to a default or the provision of FDIC assistance), other banking subsidiaries of the holding company could be assessed for such loss.

SARBANES-OXLEY ACT OF 2002. In 2002, the President signed into law the Sarbanes-Oxley Act of 2002 implementing legislative reforms intended to address corporate and accounting fraud. In addition to the establishment of a new accounting oversight board which will enforce auditing, quality control and independence standards and will be funded by fees from all publicly traded companies, the Act restricts provision of both auditing and consulting services by accounting firms. To ensure auditor independence, any non-audit services being provided to an audit client will require preapproval by the company's audit committee members. In addition, the audit partners must be rotated. The Act requires chief executive officers and chief financial officers, or their equivalent, to certify to the accuracy of periodic reports filed with the SEC, subject to civil and criminal penalties if they knowingly or willfully violate this certification requirement. In addition, under the Act, counsel will be required to report evidence of a material violation of the securities laws or a breach of fiduciary duty by a company to its chief executive officer or its chief legal officer, and, if such officer does not appropriately respond, to report such evidence to the audit committee or other similar committee of the board of directors or the board itself.

Longer prison terms will also be applied to corporate executives who violate Federal securities laws, the period during which certain types of suits can be brought against a company or its officers has been extended, and bonuses issued to top executives prior to restatement of a company's financial statements are now subject to disgorgement if such restatement was due to corporate misconduct. Executives are also prohibited from trading during retirement plan "blackout" periods, and loans to company executives are restricted. In addition, a provision directs that civil penalties levied by the SEC as a result of any judicial or administrative action under the Act be deposited to a fund for the benefit of harmed investors. The Federal Accounts for Investor Restitution ("FAIR") provision also requires the SEC to develop methods of improving collection rates. The legislation accelerates the time frame for disclosures by public companies as they must immediately disclose any material changes in their financial condition or operations. Directors and executive officers must also provide information for most changes in ownership in a company's securities within two business days of the change.

The Act also increases the oversight of, and codifies certain requirements relating to audit committees of public companies and how they interact with the company's "registered public accounting firm" ("RPAF"). Audit committee members must be independent and are barred from accepting consulting, advisory or other compensatory fees from the issuer. In addition, companies must disclose whether at least one member of the committee is a "financial expert" (as such term will be defined by the SEC) and if not, why not. Under the Act, a RPAF is prohibited from performing statutorily mandated audit services for a company if such company's chief executive officer, chief financial officer, comptroller, chief accounting officer or any person serving in equivalent positions has been employed by such firm and participated in the audit of such company during the

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one-year period preceding the audit initiation date. The Act also prohibits any officer or director of a company or any other person acting under their direction from

28

taking any action to fraudulently influence, coerce, manipulate or mislead any independent public or certified accountant engaged in the audit of the company's financial statements for the purpose of rendering the financial statement's materially misleading. The Act also requires the SEC to prescribe rules requiring inclusion of an internal control report and assessment by management in the annual report to shareholders. The Act requires the RPAF that issues the audit report to attest to and report on management's assessment of the company's internal controls. In addition, the Act requires that each financial report required to be prepared in accordance with (or reconciled to) generally accepted accounting principles and filed with the SEC reflect all material correcting adjustments that are identified by a RPAF in accordance with generally accepted accounting principles and the rules and regulations of the SEC.

ACQUISITIONS. The Bank Holding Company Act requires a bank holding company to obtain the prior approval of the Federal Reserve Board before acquiring ownership or control of more than 5% of the voting shares or all or substantially all of the assets of any bank or merging or consolidating with any other bank holding company. The Bank Holding Company Act also prohibits a bank holding company, with certain exceptions, from acquiring more than 5% of the voting share of any company that is not a bank and from engaging in any business other than banking or managing or controlling banks. A bank holding company that becomes a financial holding company, such as the Company, is permitted to engage in activities that are financial in nature or incidental to such financial activities. Effective March 11, 2000, the Gramm-Leach-Bliley Act permitted bank holding companies to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. A bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized under the Federal Deposit Insurance Corporation Improvement Act of 1991 prompt corrective action provisions, is well managed and has at least a satisfactory rating under the Community Reinvestment Act by filing a declaration with the Federal Reserve Board that the bank holding company seeks to become a financial holding company. No regulatory approval is required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board.

The Gramm-Leach-Bliley Act, enacted in 1999, defines "financial in nature" to include securities underwriting, dealing and market making; providing financial or investment advice; insurance underwriting and agency; merchant banking activities; and activities that the Federal Reserve Board has determined to be closely related to banking. Subsidiary banks of a financial holding company must continue to be well capitalized and well managed in order to continue to engage in activities that are financial in nature without regulatory actions or restrictions, which could include divestiture of the financial in nature subsidiary or subsidiaries. In addition, a financial holding company or a bank may not acquire a company that is engaged in activities that are financial in nature unless each of the subsidiary banks of the financial holding company or the bank has a Community Reinvestment Act rating of satisfactory or better.

29

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The Company became a financial holding company under the Bank Holding Company Act effective March 16, 2002, and the Company owns subsidiaries engaged in real estate title and securities brokerage activities.

"SOURCE OF STRENGTH" POLICY. According to Federal Reserve Board policy, bank holding companies are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support.

CAPITAL REQUIREMENTS. In 2006, the Federal Reserve Board approved a final rule that expanded the definition of a small bank holding company under the Board's Small Bank Holding Company Policy Statement, which, among other things, exempts certain bank holding companies from the capital requirements on a consolidated and bank holding company only basis. The exemption applies only to bank holding companies with less than \$500 million in consolidated assets that: (i) are not engaged in significant nonbanking activities either directly or through a nonbank subsidiary; (ii) do not conduct significant off-balance sheet activities (including securitization and asset management or administration) either directly or through a nonbank subsidiary; and (iii) do not have a material amount of debt or equity securities outstanding (other than trust preferred securities) that are registered with the SEC. The Company currently qualifies for this exemption and, thus, is required to meet applicable capital standards on a bank-only basis.

RESTRICTIONS ON TRANSACTIONS WITH AFFILIATES. Transactions between a savings bank and its "affiliates" are subject to quantitative and qualitative restrictions under Sections 23A and 23B of the Federal Reserve Act and FDIC regulations. Affiliates of a savings bank include, among other entities, the savings bank's holding company and companies that are controlled by or under common control with the savings bank.

In general, the extent to which a savings bank or its subsidiaries may engage in certain "covered transactions" with affiliates is limited to an amount equal to 10% of the institution's capital and surplus, in the case of covered transactions with any one affiliate, and to an amount equal to 20% of such capital and surplus, in the case of covered transactions with all affiliates. In addition, a savings bank and its subsidiaries may engage in covered transactions and certain other transactions with affiliates only on terms and under circumstances that are substantially the same, or at least as favorable to the savings bank or its subsidiary, as those prevailing at the time for comparable transactions with nonaffiliated companies. A "covered transaction" is defined to include a loan or extension of credit to an affiliate; a purchase of investment securities issued by an affiliate; a purchase of assets from an affiliate, with certain exceptions; the acceptance of securities issued by an affiliate as collateral for a loan or extension of credit to any party; or the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate.

In addition, Sections 22(h) and (g) of the Federal Reserve Act place restrictions on loans to executive officers, directors and principal stockholders. Under Section 22(h), loans to a director, an executive officer and to a greater than 10% stockholder of a bank, and certain related interests of such person generally may not exceed 15% of the bank's unimpaired capital and surplus for loans that are not fully secured and an additional 10%

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of the bank's unimpaired capital and surplus for loans fully secured by readily marketable collateral. Section 22(h) also requires that loans to directors, executive officers and principal stockholders be made on terms substantially the same as offered in comparable transactions to other persons and requires prior board approval for certain loans. In addition, the aggregate amount of extensions of credit by a bank to all insiders cannot exceed the institution's unimpaired capital and surplus. Furthermore, Section 22(g) places additional restrictions on loans to executive officers.

TAXATION. The Company is subject to those rules of federal income taxation generally applicable to corporations under the Internal Revenue Code. The Company and its subsidiaries, as members of an affiliated group of corporations within the meaning of Section 1504 of the Internal Revenue Code, file a consolidated federal income tax return, which has the effect of eliminating or deferring the tax consequences of inter-company distributions, including dividends, in the computation of consolidated taxable income.

The Company also is subject to various forms of state taxation under the laws of Illinois as a result of the business which it conducts in Illinois.

FIRST BANK & TRUST

GENERAL. First Bank is an Illinois-chartered savings bank, the deposit accounts of which are insured by a deposit insurance fund administered the FDIC. As an FDIC insured, Illinois-chartered savings bank, the Bank is subject to examination, supervision, reporting and enforcement requirements of the Division of Banking of the Illinois Department of Financial and Professional Regulation, as the chartering authority for Illinois savings banks, and the FDIC, as administrator of the deposit insurance fund, and to the statutes and regulations administered by the Illinois Division of Banking and the FDIC governing such matters as capital standards, mergers, establishment of branch offices, subsidiary investments and activities and general investment authority. The Bank is required to file reports with the Illinois Division of Banking and the FDIC concerning its activities and financial condition and will be required to obtain regulatory approvals prior to entering into certain transactions, including mergers with, or acquisitions of, other financial institutions.

The Illinois Division of Banking and the FDIC have extensive enforcement authority over Illinois-chartered savings banks, such as First Bank. This enforcement authority includes, among other things, the ability to issue cease-and-desist or removal orders, to assess civil money penalties and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe and unsound practices.

The Illinois Division of Banking has established a schedule for the assessment of "supervisory fees" upon all Illinois savings banks to fund the operations of the Illinois Division of Banking. These supervisory fees are computed on the basis of each savings bank's total assets (including consolidated subsidiaries) and are payable at the end of each calendar quarter. A schedule of fees has also been established for certain filings made by Illinois savings banks with the Illinois Division of Banking. The Illinois Division of

Banking also assesses fees for examinations conducted by the Illinois Division of Banking's staff, based upon the number of hours spent by the staff performing the examination. During the year ended December 31, 2006, First Bank paid approximately \$44,000 in supervisory fees.

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INSURANCE OF ACCOUNTS. The deposits of the Bank are insured to the maximum extent permitted by the deposit insurance fund, which is administered by the Federal Deposit Insurance Corporation. The Bank's deposits previously were insured under the Savings Association Insurance Fund. However, pursuant to the Federal Deposit Insurance Reform Act of 2005 (the "FDIRA"), during 2006 the Savings Association Insurance Fund was merged with the Bank Insurance Fund to create a single deposit insurance fund. As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the FDIC. The FDIC also has the authority to initiate enforcement actions against savings banks.

Following the adoption of the FDIRA, the FDIC has the opportunity, through its rulemaking authority, to better price deposit insurance for risk than was previously authorized. The FDIC adopted regulations effective January 1, 2007 that create a new system of risk-based assessments, set assessment rates beginning January 1, 2007 and establish a new insurance assessment system. Under the new regulations there are four risk categories, and each insured institution will be assigned to a risk category based on capital levels and supervisory ratings. Well-capitalized institutions with CAMELS composite ratings of 1 or 2 will be placed in Risk Category I while other institutions will be placed in Risk Categories II, III or IV depending on their capital levels and CAMELS composite ratings. The new regulations also established assessment rates beginning January 1, 2007 with the highest rated institutions, those in Risk Category I, paying premiums of between .05% and .07% of deposits and the lowest rated institutions, those in Risk Category IV, paying premiums of .43% of deposits. The assessment rates may be changed by the FDIC as necessary to maintain the insurance fund at the reserve ratio designated by the FDIC, which currently is 1.25% of insured deposits. Deposit insurance assessments will be collected for a quarter at the end of the next quarter. Assessments will be based on deposit balances at the end of the quarter, except for institutions with \$1 billion or more in assets and any institution that becomes insured on or after January 1, 2007 which will have their assessment base determined using average daily balances of insured deposits.

In addition, the FDIC will be required to pay dividends awarded on an historical basis to insured depository institutions whenever the reserve ratio exceeds 1.35 percent, although dividends may be suspended or limited if the FDIC determines there is a significant risk to the deposit insurance fund. Insured depository institutions also will receive a one-time credit which can be applied against the payment of future premiums.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980's by the Financing Corporation ("FICO") to recapitalize the predecessor to the Savings Association Insurance Fund. During 2006, FICO payments approximated 1.43 basis points per dollar of insured deposits and the premium paid by the Bank for this period was \$23,700.

The FDIC may terminate the deposit insurance of any insured depository institution, including First Bank, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no

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tangible capital. If insurance of accounts is terminated, the accounts at the institution at the time of the termination, less subsequent withdrawals, continue to be insured for a period of six months to two years, as determined by the FDIC. Management is aware of no existing circumstances which would result in termination of First Bank's deposit insurance.

CAPITAL REQUIREMENTS. The Bank is subject to various regulatory capital requirements administered by the FDIC. FDIC regulations establish a minimum 3.0% Tier I leverage capital requirement for the most highly-rated state-chartered, non-member banks, with an additional cushion of at least 100 to 200 basis points for all other state-chartered, non-member banks, which effectively increases the minimum Tier I leverage ratio for such other banks to 4.0% to 5.0% or more. Under FDIC regulations, the highest-rated banks are those that the FDIC determines are not anticipating or experiencing significant growth and have well diversified risk, including no undue interest risk exposure, excellent asset quality, high liquidity, good earnings and, in general, which are considered a strong banking organization, rated composite 1 under the Uniform Financial Institutions Rating System. Tier I or core capital is defined as the sum of common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock, and related surplus, and minority interests in consolidated subsidiaries, minus all intangible assets other than certain qualifying supervisory goodwill, and certain purchased mortgage servicing rights and purchased credit and relationships.

FDIC regulations also require that savings banks meet a risk-based capital standard. The risk-based capital standard for savings banks requires the maintenance of total capital, which is defined as Tier I capital and supplementary (Tier 2 capital), to risk weighted assets of 8% of which at least 4% must be Tier I capital. In determining the amount of risk-weighted assets, all assets, plus certain off balance sheet assets, are multiplied by a risk-weight of 0% to 100%, based on the risks the federal regulators believe are inherent in the type of asset.

Refer to Bank capital amounts and ratios in Note 15 of the consolidated financial statements for the Bank's capital ratios.

DIVIDENDS. The Bank is subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. The FDIC or the Illinois Division of Banking is authorized to determine under certain circumstances relating to the financial condition of the Bank or the Company that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. Restrictions on the payment of dividends by the Bank are more fully described below.

33

Under the Illinois Savings Bank Act, no dividends may be declared when total capital of a savings bank is less than that required by Illinois law. Dividends may be paid by a savings bank out of its net profits. Written approval of the Illinois Division of Banking is required if a savings bank has total capital of less than 6% of total assets and the dividend to be declared in any year exceeds 50% of the savings bank's net profits for the year. The approval of the Director of the Illinois Division of Banking also is required before dividends may be declared that exceed a savings bank's net profits in any year. In 2006, First Bank declared and paid dividends to the Company of \$1.4 million.

SAFETY AND SOUNDNESS GUIDELINES. The FDIC and the other federal banking agencies have established guidelines for safety and soundness, addressing operational and

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managerial standards, as well as compensation matters for insured financial institutions. Institutions failing to meet these standards are required to submit compliance plans to their appropriate federal regulators. The FDIC and the other agencies have also established guidelines regarding asset quality and earnings standards for insured institutions. The Bank believes that it is in compliance with these guidelines and standards.

FEDERAL HOME LOAN BANK SYSTEM. The Bank is a member of the Federal Home Loan Bank of Chicago, which is one of 12 regional Federal Home Loan Banks that administers the home financing credit function of savings institutions. Each Federal Home Loan Bank serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the Federal Home Loan Bank System. It makes loans to members (i.e. advances) in accordance with policies and procedures established by the Board of Directors of the Federal Home Loan Bank. At December 31, 2006, the Bank had \$32.8 million of Federal Home Loan Bank advances. See Note 11 to Financial Statements.

As a member, the Bank is required to purchase and maintain stock in the Federal Home Loan Bank of Chicago in an amount equal to at least 1% of its aggregate unpaid residential mortgage loans or similar obligations at the beginning of each year. In addition, all borrowings from the Chicago Federal Home Loan Bank must be supported by capital stock holdings not less than 5% of borrowings. At December 31, 2006, the Bank had \$3.7 million in Federal Home Loan Bank stock, which was in compliance with these requirements.

The Federal Home Loan Banks are required to provide funds for the resolution of troubled savings institutions and to contribute to affordable housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have adversely affected the level of Federal Home Loan Bank dividends in the past and could do so in the future. These contributions also could have an adverse effect on the value of Federal Home Loan Bank stock in the future. The average dividend yield on the Bank's stock was 3.35% in 2006 and 4.32% in 2005.

COMMUNITY INVESTMENT AND CONSUMER PROTECTION LAWS. In connection with its lending activities, First Bank is subject to a variety of federal laws designed to protect borrowers and promote lending to various sectors of the economy and population.

34

Included among these are the federal Home Mortgage Disclosure Act, Real Estate Settlement Procedures Act, Truth-in-Lending Act, Equal Credit Opportunity Act, Fair Credit Reporting Act and Community Reinvestment Act.

The Community Reinvestment Act requires insured institutions to define the communities that they serve, identify the credit needs of those communities and adopt and implement a "Community Reinvestment Act Statement" pursuant to which they offer credit products and take other actions that respond to the credit needs of the community. The responsible federal banking regulator must conduct regular Community Reinvestment Act examinations of insured financial institutions and assign to them a Community Reinvestment Act rating of "outstanding," "satisfactory," "needs improvement" or "unsatisfactory." In 2006, the Community Reinvestment Act rating of the Bank was satisfactory.

FEDERAL RESERVE SYSTEM. The Federal Reserve Board requires all depository institutions to maintain reserves against their transaction accounts (primarily NOW and Super NOW checking accounts) and non-personal time deposits. During

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2006, no reserves were required to be maintained on the first \$7.8 million of net transaction accounts, reserves of 3% were required to be maintained against the next \$40.5 million and reserves of 10% were required to be maintained on net transaction accounts in excess of \$48.3 million. The Company applied for and received permission from the Federal Reserve to employ a deposit reclassification process whereby a portion of our transaction accounts can be classified as savings deposits, which are not subject to Reserve Requirements. As a result of this reclassification, at December 31, 2006 total reserves required to be maintained by the Federal Reserve Board were only \$38,000. The above dollar amounts and percentages are subject to periodic adjustment by the Federal Reserve Board. Because required reserves must be maintained in the form of vault cash or a noninterest-bearing account at a Federal Reserve Bank, the effect of this reserve requirement is to reduce an institution's earning assets and constrain its ability to lend.

RECENT ACCOUNTING PRONOUNCEMENTS.

In September, 2006, the Financial Accounting Standards Board (FASB) ratified Emerging Issues Task Force No. 06-4, Postretirement Benefits Associated with Split-Dollar Life Insurance (EITF 06-4). EITF 06-4 requires deferred-compensation or postretirement benefit aspects of an endorsement-type split-dollar life insurance arrangement to be recognized as a liability by the employer. The liability for future benefits should be recognized based on the substantive agreement with the employee, which may be either to provide a future death benefit or to pay for the future cost of the life insurance. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The Company is evaluating the impact of the adoption of EITF 06-4 on its financial position, results of operations, and cash flows.

Item 1A. Risk Factors

Information relating to Risk Factors is included in the Registrant's 2006 Annual Report to Stockholders attached hereto as Exhibit 13 ("2006 Annual Report to Stockholders") on

35

pages 37 through 42 under the caption "Risk Factors", and is incorporated herein by reference.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following table sets forth information relating to the Bank's offices at December 31, 2006.

Location	Owned or Leased	Lease Expiration Date	Net Book Value of Property and Leasehold Improvements at December 31, 2006	Deposits as of December 31, 2006
-----	-----	-----	-----	-----
101 South Central Avenue	Owned	--	\$6,503	\$112,983

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Paris, Illinois 61944

610 North Michigan Avenue Marshall, Illinois 62441	Owned	--	593	56,905
1251 Woodfield Drive Savoy, Illinois 61874	Leased	8/31/2009	228	26,973
1500 East Grove Avenue Rantoul, Illinois 61866	Owned	--	1,303	29,521
10 East Cumberland Street Martinsville, Illinois 62442	Owned	--	329	3,438
826 West Champaign Rantoul, Illinois 61866	Leased	4/15/2007	--	12,783
208 West Washington Street Paris, Illinois 61944	Owned	--	139	--

Item 3. Legal Proceedings

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

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

During the quarter ended December 31, 2006, no matters were submitted to a vote of security holders through a solicitation of proxies or otherwise.

36

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

(a) Information relating to the market for Registrant's common stock and related stockholder matters is under "Shareholder Information" in the 2006 Annual Report to Stockholders attached hereto as Exhibit 13 ("2006 Annual Report to Stockholders") on pages 91 and 92 and is incorporated herein by reference.

The Company's Board of Directors has the authority to declare dividends on the Common Stock, subject to statutory and regulatory requirements. The Company currently intends to pay quarterly cash dividends on the common stock at an annual rate of \$0.24 per share. However, the rate of such dividends and the continued payment thereof will depend upon a number of factors, including investment opportunities available to us, capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in future periods. Special cash dividends or stock dividends may be

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paid in addition to, or in lieu of, regular cash dividends.

Dividends from us depend upon the receipt of dividends from the Bank, because the Company has no material source of income other than dividends from the Bank, and interest payments with respect to our loan to our ESOP. See "Item 1. Description of Business. Regulation-First Bank & Trust-Dividends."

Any payment of dividends by the Bank to the Company which would be deemed to be drawn out of the Bank's bad debt reserves would require a payment of taxes at the then-current tax rate by the Bank on the amount of earnings deemed to be removed from the reserves for such distribution. The Bank does not intend to make any distribution to the Company that would create such a Federal tax liability.

Unlike the Bank, the Company is not subject to the above regulatory restrictions on the payment of dividends to our stockholders, although the source of such dividends may eventually depend, in part, upon dividends from the Bank in addition to the net proceeds retained by us and earnings thereon. The Company is, however, subject to the requirements of Delaware law, which generally permits the payment of dividends out of surplus, except when (1) the corporation is insolvent or would thereby be made insolvent, or (2) the declaration or payment thereof would be contrary to any restrictions contained in the certificate of incorporation. If there is no surplus available for dividends, a Delaware corporation may pay dividends out of its net profits for the then current or the preceding fiscal year or both, except that no dividend may be paid if the corporation's assets are exceeded by its liabilities or if its net assets are less than the amount which would be needed, under certain circumstances, to satisfy any preferential rights of stockholders.

(b) Not Applicable.

37

(c) The following table provides information about purchases of the Company's common stock by the Company during the quarter ended December 31, 2006.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
-----	-----	-----	-----	-----
10/1/2006 to 10/31/2006	--	--	--	97,710
11/1/2006 to 11/30/2006	--	--	--	97,710
12/1/2006 to				

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12/31/2006	25,500	11.56	25,500	72,210
Total	25,500	11.56	25,500	72,210

- (1) The board of directors approved the repurchase by the Company of 117,710 shares over the one year period ending April 13, 2007.

Item 6. Selected Financial Data

The above captioned information appears under the caption "Selected Financial Data" in the 2006 Annual Report to Stockholders on page 1 and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

The above captioned information appears under the caption "Management's Discussion and Analysis" in the 2006 Annual Report to Stockholders on pages 2 to 37 and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Sources of market risk include interest rate risk, foreign currency exchange risk, commodity price risk and equity price risk. The Company is only subject to interest rate risk. The Company purchased no financial instruments for trading purposes during the year ended December 31, 2006.

38

The principal objectives of the Company's interest rate risk management function are: (i) to evaluate the interest rate risk included in certain balance sheet accounts; (ii) to determine the level of risk appropriate given the Company's business focus, operating environment, capital and liquidity requirements, and performance objectives; (iii) to establish asset concentration guidelines; and (iv) to manage the risk consistent with Board-approved guidelines. Through such management, the Company seeks to reduce the vulnerability of its operations to changes interest rates and to manage the ratio of interest rate sensitive assets to interest rate sensitive liabilities within specified maturity terms or repricing dates. The Company's Board of Directors has established an Asset/Liability Committee consisting of directors and senior management officers, which is responsible for reviewing the Company's asset/liability policies and monitoring interest rate risk as such risk relates to its operating strategies. The committee usually meets on a quarterly basis, and at other times as dictated by market conditions, and reports to the Board of Directors. The committee is responsible for reviewing Company activities and strategies, and the effect of those strategies on the Company's net interest margin, the market value of the portfolio and the effect that changes in the interest will have on the Company's portfolio and exposure limits.

The Company's key interest rate risk management tactics consist primarily of: (i) emphasizing the attraction and retention of core deposits, which tend to be a more stable source of funding; (ii) emphasizing the origination of adjustable rate mortgage loan products and short-term commercial and consumer loans for the in-house portfolio, although this is dependent largely on the market for such loans; (iii) selling longer-term fixed-rate one-to-four family mortgage loans in the secondary market; and (iv) investing primarily in U.S. government agency instruments and mortgage-backed securities. The above captioned information

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appears under the caption "Management's Discussion and Analysis--Management of Interest Rate Risk" in the 2006 Annual Report to Stockholders on pages 34 to 37 and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The consolidated balance sheets of First BancTrust Corporation as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006, 2005, and 2004 together with the report of BKD, LLP appears in the 2006 Annual Report to Stockholders on pages 43 to 90 and is incorporated herein by reference. The Supplementary Data required by Item 8 is incorporated by reference from Note 30 to the financial statements contained in the Annual Report to Stockholders.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and

39

Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2006. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls during the quarter ended December 31, 2006.

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

Item 9B. Other Information

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated herein by reference from the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on April 23, 2007 ("Proxy Statement"), filed on March 19, 2007 with the

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Securities and Exchange Commission, under the captions "The Audit Committee" and "Audit Committee Financial Expert" on page 7, "Code of Ethics" on page 9, "Election of Directors" on page 9, and "Compliance With Section 16" on page 26. Information on our Executive Officers appears under the caption "Backgrounds of Our Executive Officers" on page 19 of the Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation

The information relating to executive compensation is incorporated herein by reference from the Registrant's Proxy Statement in the section "Compensation Discussion and Analysis" on pages 15 through 24, and "Compensation Committee Interlocks and Insider Participation" on page 25. The information appearing under the caption "Compensation Committee Report" on page 25 is furnished but shall not be deemed "filed" or incorporated by reference into any filing under the Exchange Act or the Securities Act of 1933 except as specifically set forth therein.

40

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information relating to security ownership of certain beneficial owners and management and related stockholder matters is incorporated herein by reference from the Registrant's Proxy Statement under the captions "Security Ownership of Directors, Nominees For Directors, Most Highly Compensated Executive Officers and All Directors and Executive Officers as a Group" and "Security Ownership of Stockholder Holding 5% or More."

EQUITY COMPENSATION PLAN INFORMATION. The following table sets forth certain information for all equity compensation plans and individual compensation arrangements (whether with employees or non-employees, such as directors), in effect as of December 31, 2006.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights -----	Weighted-average exercise price of outstanding options, warrants and rights -----	Number of s remaining av future issuanc compensation pl securities in the firs -----
Equity compensation plans			
approved by security holders	304,174	\$9.87	2,09
Equity compensation plans not approved by security holders	--	--	-
	-----	-----	-----
Total	304,174 =====	\$9.87 =====	2,09 =====

(1) As of December 31, 2006, 119,576 shares of restricted stock had been granted, which are excluded from the total.

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Item 13. Certain Relationships and Related Transactions, and Director Independence

The information relating to certain relationships and related transactions is incorporated herein by reference from the Registrant's Proxy Statement under the caption "Transactions With Certain Related Persons." The information relating to director independence is incorporated herein by reference from the Registrant's Proxy Statement under the caption "Role and Composition of the Board of Directors."

Item 14. Principal Accountant Fees and Services

The information relating to principal accountant fees and services is incorporated herein by reference from the Registrant's Proxy Statement under the caption "Item 2. Ratification of Auditors."

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this report:

(1) Financial Statements

41

Consolidated Financial Statements of the Registrant are incorporated by reference from the following indicated pages of the 2006 Annual Report to Stockholders.

Independent Accountants' Report	43
Consolidated Balance Sheets as of December 31, 2006 and 2005	44-45
Consolidated Statements of Income for the years ended December 31, 2006 2005, and 2004	46-47
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2006, 2005, and 2004	48-49
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005, and 2004	50-51
Notes to Consolidated Financial Statements	52-90

The remaining information appearing in the 2006 Annual Report to Stockholders is not deemed to be filed as part of this report, except as expressly provided herein.

(2) Schedules

All schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

(3)(a) Exhibits

The following exhibits are filed as part of this report, and this list includes the Exhibit Index.

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U.S.C. 1350).

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- * Incorporated herein by reference from the Registration Statement on Form SB-2, as amended, filed on December 15, 2000, Registration No. 333-51934.
 - ** Incorporated herein by reference from the Registrant's Form 10-KSB filed on April 1, 2002.
 - *** Incorporated herein by reference from the Registrant's definitive proxy statement filed on March 22, 2002.
 - **** Incorporated herein by reference from the Registrant's Form 10-KSB filed on March 28, 2003.
 - ***** Incorporated herein by reference from the Registrant's Form 10-KSB filed on March 29, 2005.
 - + Incorporated herein by reference from the Registrant's Form 10-K filed on March 28, 2006.
- (1) Management contract or compensatory plan or arrangement.

43

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

First BancTrust Corporation

Date: January 11, 2008

/s/ Terry J. Howard

Terry J. Howard
President, Chief Executive Officer
and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: January 11, 2008

/s/ Terry J. Howard

Terry J. Howard
President, Chief Executive Officer
and Director (Principal Executive
Officer)

Date: January 11, 2008

/s/ John W. Welborn

John W. Welborn, Director
Chairman of the Board of Directors

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Date: January 11, 2008

/s/ Vick N. Bowyer

Vick N. Bowyer, Director

Date: January 11, 2008

/s/ David W. Dick

David W. Dick, Director

44

Date: January 11, 2008

/s/ James D. Motley

James D. Motley, Director

Date: January 11, 2008

/s/ Joseph R. Schroeder

Joseph R. Schroeder, Director

Date: January 11, 2008

/s/ Terry T. Hutchison

Terry T. Hutchison, Director

Date: January 11, 2008

/s/ John P. Graham

John P. Graham, Director

Date: January 11, 2008

/s/ Ellen M. Litteral

Ellen M. Litteral, Chief Financial
Officer and Treasurer (Principal
Accounting and Financial Officer)

45