ALLIED FIRST BANCORP INC
Form 10QSB
May 16, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2003

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 001-16763

Allied First Bancorp, Inc.

(Exact name of small business issuer as specified in its charter)

Maryland	36-4482786
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification or number)

387 Shuman Boulevard, Suite 120 W, Naperville, IL	60563
(Address of principal executive offices)	(Zip Code)

(630) 778-7700

(Registrant's telephone number)

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

Transitional Small Business Disclosure Format (check one):

Yes No X

Indicate the number of Shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of May 15, 2003, there were 558,350 shares of the Registrant's common stock issued and outstanding.

Allied First Bancorp, Inc.

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PART I: FINANCIAL INFORMATION, Item 1.
Allied First Bancorp, Inc.
CONSOLIDATED BALANCE SHEETS

(Unaudited)

ASSETS:

Cash and cash equivalents..
Securities available for sale..
Time deposits with other financial institutions..................................
Loans, net of allowance for loan losses of $622,106 at
March 31, 2003 and $655,633 at June 30, 2002.....................................
Federal Home Loan Bank stock at cost...
Accrued interest receivable..
Premises and equipment-net...
Other assets...

Total Assets...

LIABILITIES AND SHAREHOLDERS' EQUITY:

Liabilities:

Non-interest-bearing demand deposits...
Interest-bearing demand deposits...
Savings, Now and Money Market deposits...
Other time deposits..

Total Deposits...
Other liabilities...

Total Liabilities..

Shareholders' Equity:

Preferred Stock, $.01 par value, 2,000,000 shares authorized, none issued.....
Common Stock, $.01 par value, 8,000,000 shares authorized,
608,350 shares issued and outstanding at March 31, 2003 and
June 30, 2002..
Additional paid-in capital...
Retained earnings..
Accumulated other comprehensive income...

Total shareholders' equity...

Total Liabilities and Shareholders' Equity..............

The accompanying notes are an integral part of these consolidated financial statements.

PART I: FINANCIAL INFORMATION, Item 1
Allied First Bancorp, Inc.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months End March 31,	
	2003	2002
Interest Income:		
Loans receivable....................................	$ 1,231,235	$ 1,136,6

Interest earning deposits	54,521	85,9
Securities	50,814	43,3
Total Interest Income	1,336,570	1,265,9
Interest Expense:		
Deposits	456,138	537,8
Other	9,070	-
Total Interest Expense	465,208	537,8
Net Interest Income:	871,362	728,1
Provision for loan losses	60,000	55,0
Net interest income after provision for loan losses	811,362	673,1
Non-interest income:		
Credit and debit card transaction	139,497	143,6
Account fees	43,592	28,0
Gain on sale of securities	4,132	-
First mortgage loan fees	16,926	20,5
Other	8,671	6,7
Total non-interest income	212,818	199,0
Non-interest expense:		
Salaries and employee benefits	317,694	292,2
Office operations and equipment	90,021	103,3
Occupancy expense	24,109	19,3
Data processing	31,755	31,8
Loan servicing	101,868	107,5
Travel and conference	29,497	9,32
Professional services	68,845	95,04
Marketing and promotion	34,416	43,34
Other expenses	90,298	89,37
Total non-interest expense	788,503	791,39
Income before income taxes:	235,677	80,80
Income tax expense (benefit)	91,639	31,49
Net income:	144,038	49,30
Other Comprehensive Income (Loss)	(3,484)	(25,91
Total Comprehensive Income	140,554	23,39
Earning per common shares		
Basic	$0.24	$0.
Diluted	$0.24	$0.

The accompanying notes are an integral part of these consolidated financial statements

PART I: Financial Information, Item 1
Allied First Bancorp, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Cash flows from operating activities	
Net Income	$
Adjustment to reconcile net income to net cash from operating activities	
Depreciation	
Amortization of premiums on securities	
Net gain on sale of securities	
Provision for loan losses	
FHLB stock dividend	
Net Changes in	
Accrued interest receivable	
Other assets	
Other liabilities	
Net cash from operating activities	
Cash flows from investing activities	
Purchase of available for sale securities	
Sale of available for sale securities	
Principal collected on mortgage backed securities	
Purchase of Federal Home Loan Bank stock	
Net expenditures of premises and equipment	
Purchase of loans from other institutions	(
Net changes in:	
Loans to customers	
Time deposits with other financial institutions	
National Credit Union Share Insurance Fund deposit	
Net cash from investing activities	
Cash flows from financing activities	
Net changes in deposits	
Net proceeds from sale of common stock	
Borrowings	
Repayments of borrowings	(
Proceeds from the issuance of subordinated debt	
Retirement of subordinated debt	
Net cash from financing activities	
Increase (decrease) in cash and cash equivalents	
Cash and cash equivalents at beginning of period	
Cash and cash equivalents at end of period	$

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The accompanying notes are an integral part of these consolidated financial statements

Allied First Bancorp, Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

(1) Basis of Presentation

The accompanying consolidated condensed financial statements include the accounts of Allied First Bancorp, Inc. and its wholly owned subsidiary, Allied First Bank, sb. All significant inter-company transactions and balances are eliminated in consolidation. Prior to September 1, 2001, the Bank operated as Allied Pilots Association Federal Credit Union. The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-QSB and Regulation SB. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

In the opinion of management, the consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to represent fairly the financial condition of the Company as of March 31, 2003 and June 30, 2002 and the results of its operations, for the three and nine months ended March 31, 2003 and 2002. Financial statement reclassifications have been made for the prior period to conform to classifications used as of and for the period ended March 31, 2003.

Operating results for the three and nine months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2003. Allied First Bancorp, Inc.'s 2002 annual report on Form 10-KSB should be read in conjunction with these statements.

(2) Use of Estimates

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from current estimates. Estimates that are more susceptible to change in the near term include the allowance for loan losses and the fair values of financial instruments.

(3) Plan of Stock Conversion

On September 1, 2001, Allied Pilots Association Federal Credit Union converted to Allied First Bank, an Illinois mutual savings bank as the first part in a two-part plan to improve the capital position of the institution. In conjunction with the first part of the plan, Allied First Bank issued subordinated capital notes, qualifying as Tier 2 capital, in the amount of $1.0 million on September 1, 2001. The subordinated capital notes had a term of five years, interest rate of 8.5% and were redeemable without any prepayment penalty. The issuance of the notes was sufficient to qualify Allied First Bank as adequately capitalized. In the second part of the plan, on September 17, 2001, the Board of Directors of Allied First Bank adopted a Plan of Stock Conversion to convert from an Illinois mutual savings bank to an Illinois stock savings bank with the concurrent formation of a holding company. The purpose of the mutual to stock conversion was to increase the capital of Allied First Bank in order to enable it to meet the well-capitalized requirements of an FDIC insured institution and to support the future growth of the institution. The subordinated capital notes were retired upon completion of the stock conversion.

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On December 27, 2001, Allied First Bancorp, Inc. sold 608,350 shares of common stock at $10 per share and received proceeds of $5,278,032 net of conversion expenses of $805,468. Approximately 98% of the net proceeds were used by Allied First Bancorp, Inc. to acquire all of the capital stock of Allied First Bank.

(4) Earnings Per Common Share

The conversion to a stock based institution occurred on December 27, 2001. Earnings per common share information is only presented for periods since December 27, 2001. Since earnings per common share is not presented for financial quarters before the quarter ended March 31, 2002 both the quarter ended March 31, 2002 and the nine-month period ended March 31, 2002 had $.08 earnings per common share. Earnings per common share was computed based on 608,350 shares issued and outstanding. There are no potential dilutive common shares.

Part I, Item 2
Allied First Bancorp, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

GENERAL

Allied First Bancorp, Inc.'s results of operations are primarily dependent on Allied First Bank's net interest margin, which is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. Allied First Bank's net income is also affected by the level of its non-interest income and non-interest expenses, such as employee compensation and benefits, occupancy expenses and other expenses.

FORWARD-LOOKING STATEMENTS

When used in this filing and in future filings by Allied First Bancorp, Inc. and Allied First Bank, sb with the U.S. Securities and Exchange Commission, in Allied First Bancorp, Inc. and Allied First Bank press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

Such statements are subject to risks and uncertainties, including but not limited to changes in economic conditions in our market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in our market area and competition, all or some of which could cause actual results to differ materially from historical earnings and those presently anticipated or projected.

Allied First Bancorp, Inc. wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and advises readers that various factors, including regional and national economic conditions, substantial changes in levels of market interest rates, credit and other risks of lending and investment activities and competitive and regulatory factors, could affect our financial performance and could cause Allied First Bancorp, Inc.'s actual results for future periods to differ materially from those anticipated or projected.

These risks and uncertainties should be considered in evaluating forward-looking statements and you should not rely on these statements.

COMPARISON OF THREE-MONTH AND NINE-MONTH PERIODS ENDED MARCH 31, 2003 AND 2002

GENERAL

Net income for the three-month and nine-month periods ended March 31, 2003 was $144,000 and $309,000, respectively, compared to net income of $49,000 and $436,000 for the equivalent periods in 2002. The increase in net income for the three-month period ended March 31, 2003 compared to the same three month period in 2002 was due primarily to a higher net interest margin. In the nine-month period ended March 31, 2003 net income was lower than the nine-month period ended March 31, 2002 due to the tax credit being recorded. As a former credit union, the bank was not subject to federal incomes taxes or state income taxes. Effective September 1, 2001, the bank was subject to federal and state income taxes. As a result of the change in tax status and in accordance with Financial Accounting Standards No. 109, Accounting for Income Taxes, the Bank recorded a net deferred tax asset in the amount of $205,000 on September 1, 2001 as an income tax benefit.

NET INTEREST INCOME

The net interest income for the three-month period ended March 31, 2003, was $872,000 compared to $728,000 for the same period in 2002. This is a 19.78% increase over the same period in 2002. The net interest margins were 3.73% and 3.49% for the three-month periods ended March 31, 2003 and 2002. The net interest income for the nine-month period ended March 31, 2003, was $2,516,000 compared to $2,197,000 for the same period in 2002, an increase of 14.52% and resulted in a net interest margin of 3.71% compared to 3.55% in 2002. The reason net interest income rose in the nine-month and three-month period ended March 31, 2003 compared to the same periods in 2002 was due to a higher average loans as well as a lower percentage cost on interest bearing liabilities. The nine-month period ended March 31, 2003 had a rising interest rate margin due to a 95 basis point drop in interest bearing liabilities from the prior nine-month period.

Total average investment securities increased $2,405,000 and $5,708,000, for the three-month and nine-month periods over one-year ago. Total average loans increased $15,731,000 and $7,797,000, for the three-month and nine-month periods over one-year ago. The increase in average loans in 2003 over 2002 average loans is due to the purchase of $8,807,000 in first mortgage loans as well as $1,750,000 in commercial mortgage loans. The yields on total average earning assets were 5.72% and 6.06% for the three-month periods ended March 31, 2003, and 2002 and 6.03% and 6.66% for the nine-month periods, ended March 31, 2003 and 2002.

Total average interest bearing liabilities increased $11,181,000 and $6,121,000, for the three-month and nine-month periods ended March 31, 2003, over the comparative periods in 2002. Interest bearing liabilities increased primarily due to the introduction and promotion of an interest bearing checking account.

INTEREST INCOME

Interest income for the three months and nine months ended March 31, 2003 was $1,337,000 and $4,092,000 compared to $1,266,000 and $4,121,000 for the same period in 2002. The decrease in the nine-month period was primarily due to

a decline in yields on earning assets during 2002. In the three-month period the increase in average earning assets offset the lower yields earned during that period resulting in the increase in interest income.

INTEREST EXPENSE

Interest expense for the three months and nine months ended March 31, 2003 was $465,000 and $1,576,000 compared to $538,000 and $1,924,000 for the same period in 2002. The decrease was primarily due to lower rates paid on interest-bearing liabilities during 2003, which was 2.43% for the three-month period ending March 31, 2003, and 2.87% for the nine months ending March 31, 2003. This represents an 86 and a 95 basis point decrease in the rates paid over the same periods in the prior year.

The following tables set forth consolidated information regarding average balances and annualized average rates.

	Allied First Bancorp, Inc. Three Months Ended March 31 2003			Th
INTEREST EARNING ASSETS	Average Balance	Interest	Average Rate	Aver Bala
Loans (1)	$ 79,392	$ 1,231	6.20%	$ 63
Available for sale securities	5,506	51	3.71%	3
Federal Home Loan Bank stock	1,594	20	5.02%	1
Interest earning balances	7,082	35	1.98%	15
Total interest-earning assets	93,574	1,337	5.72%	83
NON-INTEREST EARNING ASSETS				
Premises and equipment	67			
Allowance for loan losses	(648)			
Other non-earning assets	917			
Total assets	$ 93,910			$ 83
INTEREST BEARING LIABILITIES				
Interest checking	$ 7,759	$ 37	1.91%	$
Savings	11,640	21	0.72%	11
Money market	37,032	199	2.15%	35
Time deposits	17,971	199	4.43%	17
Borrowings	2,180	9	1.65%	
Total interest-bearing liabilities	76,582	465	2.43%	65
NON-INTEREST BEARING LIABILITIES AND EQUITY				
Checking	6,571			8
Other liabilities	462			
Equity	10,295			9
Total liabilities and equity	$ 93,910			$ 83
Net Interest/Spread		872	3.29%	
Margin			3.73%	

(1) Total loans less deferred net loans fees

	Nine Months Ended March 2003			Al Nine Month
INTEREST EARNING ASSETS	Average Balance	Interest	Average Rate	Average Balance
Loans (1)	$ 72,457	$ 3,623	6.67%	64,660
Available for sale securities	7,158	269	5.01%	1,450
Federal Home Loan Bank stock	1,572	63	5.34%	943
Interest earning balances	9,319	137	1.96%	15,473
Total interest-earning assets	90,506	4,092	6.03%	82,526
NON-INTEREST EARNING ASSET				
Premises and equipment	66			82
Allowance for loan losses	(645)			(679)
Other non-earning assets	724			755
Total assets	90,651			$ 82,684
INTEREST BEARING LIABILITIES				
Interest Checking	6,824	$ 148	2.89%	-
Savings	11,517	79	0.91%	12,505
Money market	35,482	656	2.47%	36,253
Time deposits	18,441	679	4.91%	18,025
Borrowings	1,064	14	1.75%	-
Subordinated Debt	-	-	0.00%	424
Total interest-bearing liabilities	73,328	1,576	2.87%	67,207
NON-INTEREST BEARING LIABILITIES AND EQUITY				
Checking	6,589			8,264
Other liabilities	514			372
Equity	10,220			6,841
Total liabilities and equity	90,651			$ 82,684
Net Interest/Spread		2,516	3.16%	
Margin			3.71%	

(1) Total Loans less deferred net loan fees

PROVISION FOR LOAN LOSSES

The provision for loan losses was $60,000 and $221,000, for the three-month and nine-month periods ended March 31, 2003 and $55,000 and $175,000 for the same periods in 2002. Changes in the provision for loan losses are attributed to management's analysis of the adequacy of the allowance for loan losses to address probable incurred losses. Net charge-offs of $115,000 have

been recorded for the three-month period ended March 31, 2003, compared to $67,000 of net charge-offs for the same period in 2002. Net charge-offs of $255,000 have been recorded for the nine-month period ended March 31, 2003, compared to $123,000 of net charge-offs for the same period in 2002. The allowance for loan losses was $622,000 or 0.83% of net loans as of March 31, 2003, compared to $656,000 or 0.98% of net loans at June 30, 2002. The reason for the decline in percentage of allowance for loan loss to net loans was primarily due to loan portfolio shifting to a greater percentage of real estate secured loans and a smaller percentage of unsecured loans. The portfolio shifting to more real estate loans occurred with the purchase of $8.8 million in first mortgage loans as well as $1.8 million in commercial real estate loans. Allied First Bancorp, Inc. holds a small percentage in secured commercial loans, which was $3.7 million or 4.93% of net loans at March 31, 2003. Allied First Bancorp also held $35.3 million in real estate secured loans an increase of $11.7 million or 49.57%, from $23.6 million in real estate secured loans at June 30, 2002. This increase put the total real estate secured loans to approximately 47% of the net loan portfolio.

We establish provisions for loan losses, which are charged to operations, at a level management believes is appropriate to absorb probable incurred credit losses in the loan portfolio. In evaluating the level of the allowance for loan losses, management considers historical loss experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, peer group information, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available or as future events change.

Approximately 93% of our customer base consists of American Airlines pilots and their family members. Although this customer base had historically relatively stable employment and sources of income, the terrorist attacks on the United States in September 2001, the war in Iraq, the Severe Acute Respiratory Syndrome outbreak in a number of countries, initially in the Peoples' Republic of China in late 2002, and the current economic environment have adversely affected the airline industry. More recently, AMR Corp, the parent company of American Airlines, indicated that it was able to avoid filing for bankruptcy protection after it was able to resolve differences regarding pay and benefit concessions with the union representing the employees. As a result of these factors, the stability of the employment and income of the American Airline pilots has been adversely affected and could negatively affect the ability of our customers to repay their loans, although the effect on our loan delinquencies and loan losses cannot be identified with reasonable certainty at this time. As a result of these factors, we may have higher loan delinquencies and defaults in future periods. At March 31, 2003, our delinquent loans past due 60 days or more was 0.14% or $105,000 of our loan portfolio compared to 0.11% or $75,000 at June 30, 2002. This increase was due to new bankruptcy filings during the period.

NON-INTEREST INCOME

Non-interest income remained relatively stable over all periods presented. Non-interest income for the three-months periods ended March 31, 2003 and 2002 was $213,000 and $199,000, respectively and for the nine-month periods were $610,000 and $590,000.

NON-INTEREST EXPENSE

Non-interest expense for the three-month period ended March 31, 2003, was $789,000, a decrease of $3,000, or 0.25%, compared to the same period in 2002. Salary and employee benefits was $318,000 for the three-month period ended March 31, 2003 an increase of $25,000 or 8.90%, from $292,000 for the same period in 2002. The increase in salaries and employee benefits is due to normal

merit raises. Office operations and equipment expense was $90,000 down $13,000 or 12.62% for the three-month period ended March 31, 2003 compared to $103,000 for the same three-month period in 2002. The decrease was due to lower expense for stationary, forms, and office supplies. These expenses were increased in the prior year due to additional purchases in connection with the name change to Allied First Bank. Occupancy expense was $24,000 for the quarter ended March 31, 2003 up $5,000 or 26.32% from $19,000 for same three-month period in 2002. The reason for the increase was a change in rent effective January 1, 2003. The travel and conference expense was $29,000, an increase of $20,000 from $9,000 for the same period in 2002. The increase is a result of a planning conference that was held in March of 2003. Professional services were $69,000 for the three-month period ended March 31, 2003 down $26,000 or 27.37% from $95,000 for the same three-month period in 2002. This expense was increased in the previous year due to additional professional fees in connection with becoming a publicly held company on December 27, 2001. Marketing and promotion was $34,000 for the three-month period ended March 31, 2003, a decrease of $9,000 or 20.93%, from $43,000 for the same period in 2002. The decrease in marketing and promotion expense is a result of decreased promotional activities in the first calendar quarter of 2003.

Non-interest expense was $2,399,000 for the nine-month period ended March 31, 2003, an increase of $119,000 or 5.22% from $2,280,000 for the same nine-month period in 2002. Salary and employee benefits was $897,000 for the nine-month period ended March 31, 2003 an increase of $61,000 or 7.30%, from $836,000 for the same period in 2002. Occupancy expense was $65,000 for the nine-month period ended March 31, 2003 up $7,000 or 12.07% from $58,000 for the same nine-month period in 2002. The primary reason for the increase was a change in rent effective January 1, 2003. Marketing and promotion was $193,000 for the nine-month period ended March 31, 2003 an increase of $77,000 or 66.38%, from $116,000 for the same period in 2002. The reason for the increase in marketing and promotions in the nine-month period ending March 31, 2003 is that marketing efforts increased to promote Allied First Bank in new markets, which were not available until the charter and name change that took place on September 1, 2001.

INCOME TAXES

The provision for income taxes was $92,000 and $31,000, for the three-month periods ending March 31, 2003 and 2002. The reason for a higher provision for income taxes for the three-month period ended March 31, 2003 over that same period in 2002 was due to a $156,000 or 192.59% increase in income prior to tax. For the nine-month period ended March 31, 2003 the provision for income tax was $197,000. For the nine-months ended March 31, 2002 a net tax benefit of $103,000 was recorded. Due to credit unions being not-for-profit organizations, the institution was not subject to federal or state income taxes prior to September 1, 2001. As a result of the change in tax status and in accordance with Financial Accounting Standards No. 109, Accounting for Income Taxes, Allied First Bancorp, Inc. recorded a net deferred tax asset in the amount of $205,000 on September 1, 2001. The recording of the deferred tax asset was reflected as an income tax benefit on our income statement.

REGULATORY CAPITAL REQUIREMENTS

Pursuant to federal law, Allied First Bank must meet three separate minimum capital ratio requirements. As of March 31, 2003, Allied First Bank had core capital, Tier I risk-based and total risk-based ratios of 10.8%, 12.9% and 13.8% compared to well-capitalized requirements of 5.00%, 6.00% and 10.00%. At June 30, 2002, Allied First Bank had core capital, Tier I risk-based and total risk-based ratios of 11.9%, 13.6% and 14.5%.

LIQUIDITY

Liquidity management refers to the ability to generate sufficient cash to fund current loan demand, meet deposit withdrawals, and pay operating expenses. Allied First Bancorp, Inc. relies on various funding sources in order to meet these demands. Primary sources of funds include interest-earning

balances with other financial institutions, money market mutual funds, proceeds from principal and interest payments on loans as well as the ability to borrow against first mortgages, and marketable securities. At March 31, 2003, Allied First Bank had $9.8 million in cash and cash equivalents that could be used for its funding needs. Cash and cash equivalents increased by $2.4 million compared to the period ending June 30, 2002 and securities available for sale decreased by $1.5 million, time deposits with other institutions decreased $1.3 million. The increase in cash and cash equivalents in primarily due to deposit growth, which was $8.2 million for the nine months, ended March 31, 2003.

As of March 31, 2003, management is not aware of any current recommendations by regulatory authorities, which, if they were to be implemented, would have or are reasonably likely to have a material adverse effect on Allied First Bancorp, Inc.'s liquidity, capital resources or operations.

Item 3
Allied First Bancorp, Inc.
CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this report an evaluation was carried out under the supervision and with the participation of Allied First Bancorp Inc.'s management, including the Chief Executive Offer and Chief Financial Officer, of the effectiveness of disclosure controls and procedures (as defined in Rule 13a-14(c)/15d-14(c)) under the Securities Exchange Act of 1934). Based on their evaluation, Allied First Bancorp Inc.'s Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are to the best of their knowledge, effective to ensure that the information required to be disclosed by Allied First Bancorp Inc. in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of their evaluation, there were no significant changes in Allied First Bancorp Inc.'s internal controls or in other factors that could significantly affect these controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

Part II - Other Information

Item 1 - Legal Proceedings - Not Applicable.

Item 2 - Changes in Securities - Not Applicable.

Item 3 - Defaults upon Senior Securities - Not Applicable.

Item 4 - Submission of Matters to a vote of Security Holders- Not Applicable

Item 5 - Other Information - Not Applicable

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit 99.1 Chief Executive Officer's Section 906 Certification under the Sarbanes-Oxley Act of 2002

Exhibit 99.2 Chief Financial Officer's Section 906 Certification Under the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirement 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.

Allied First Bancorp, Inc.
Registrant

Date: May 15, 2003 /s/ Kenneth L. Bertrand

Kenneth L. Bertrand
President and Chief
Executive Officer

Date: May 15, 2003 /s/ Brian K. Weiss

Brian K. Weiss
Chief Financial Officer

Certification

I, Kenneth L. Bertrand, Chief Executive Officer of Allied First Bancorp, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Allied First Bancorp, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Kenneth L. Bertrand

Kenneth L. Bertrand
Chief Executive Officer

Certification

I, Brian K. Weiss, Chief Financial Officer of Allied First Bancorp, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Allied First Bancorp, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Brian K. Weiss

Brian K. Weiss
Chief Financial Officer