FIRST MID ILLINOIS BANCSHARES INC
Form 8-K
July 28, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED):
JULY 28, 2004

FIRST MID-ILLINOIS BANCSHARES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF INCORPORATION)

0-13368 37-1103704
(COMMISSION FILE NUMBER) (IRS EMPLOYER IDENTIFICATION NO.)

1515 CHARLESTON AVENUE, MATTOON, IL 61938
(ADDRESS INCLUDING ZIP CODE OF PRINCIPAL EXECUTIVE OFFICES)

(217) 234-7454 (REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Item 5. Other Events

Incorporated by reference is the quarterly shareholder report issued by the

Registrant on July 28, 2004, attached as Exhibit 99, providing information concerning the Registrant's financial statements as of June 30, 2004.

Item 7. Financial Statements and Exhibits

(c) Exhibits

Exhibit 99 - Quarterly shareholder report issued June 30, 2004

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has dully caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

FIRST MID-ILLINOIS BANCSHARES, INC.

Dated: July 28, 2004   By: /s/ William S. Rowland

William S. Rowland
President and Chief
Executive Officer

EXHIBIT INDEX

Exhibit Number	Description
99	Quarterly shareholder report issued July 28, 2004

Exhibit 99

[GRAPHIC OMITTED][GRAPHIC OMITTED]

The financial performance of First Mid-Illinois Bancshares, Inc. was solid during the first six months of 2004 with diluted earnings per share increasing to $1.03 as compared to $.93 during the same period in 2003. Net income increased to $4,752,000 for the first half of 2004 as compared to $4,484,000 for the first half of 2003. As a result of the improved performance, the Board of Directors elected to increase the dividend to $.21 per share for the first half of 2004 from $.17 for the first half of 2003. The Board also declared a three-for-two stock split in the form of a 50 percent stock dividend. This stock dividend was declared on June 22, 2004 and was paid on July 16, 2004 to all shareholders of record as of July 6, 2004. As a result of this stock dividend, all share and per share information for current and prior periods presented in this report have been adjusted to reflect the stock split. This is our third stock split since 1997 and is reflective of our long-term commitment to shareholder value.

Higher net interest income was the primary factor in 2004 earnings growth. Net interest income before provision for loan losses was $14,074,000 for the first six months of 2004 as compared to $13,105,000 for the same period in 2003, an increase of $969,000. Growth in net average earning assets and an increase in margin contributed to the increase in net interest income. Loan balances increased $23 million in 2004 with growth in commercial real estate and operating loans. Deposit balances also increased by $15.5 million. Net interest margin for the first six months of 2004 increased to 3.89% on a tax equivalent basis from 3.77% for the first six months of 2003 as a result of the loan growth and lower funding costs.

Our provision for loan losses amounted to $375,000 for the first six months of 2004 as compared to $500,000 during the same period last year. The reduced provision is primarily due to a decline in the level of non-performing loans. Non-performing loans on June 30, 2004 were $2,205,000 as compared to $5,678,000 on June 30, 2003. Net charge-offs were $296,000 for the first six months of 2004 as compared with $101,000 for the same period last year

Non-interest income for the first half of 2004 was $5,841,000 compared to $6,270,000 for the same period last year. Mortgage refinance activity has slowed considerably in 2004 and mortgage banking revenue declined to $246,000 for the first half of 2004 compared to $939,000 for the same period last year. Increases in trust and brokerage fees have partially offset these declines. Trust revenues have increased from $945,000 for the first six months of 2003 to $1,162,000 for the first six months of 2004. The increase in revenues is the result of improvement in equity prices and growth in new business. Trust assets increased from $330 million on June 30, 2003 to $351 million on June 30, 2004.

Non-interest expenses increased by $333,000 compared to the first half of 2003 as a result of increased costs for salaries and benefits, marketing costs for deposit promotions, and professional fees incurred in implementing the requirements of the Sarbanes-Oxley Act of 2002. First Mid has undertaken a comprehensive review of all aspects of our corporate governance policies and procedures.

Our improved financial performance and the shareholder value we have created is a result of an on-going commitment by management and the Board of Directors to improve the underlying fundamentals of our business. During the second quarter of 2004, we made a number of changes to our retail deposit products to ensure that this phase of our operations meets customer expectations and that our products are competitive in the marketplace. We began advertising our new retail products late in the second quarter and results to date have been encouraging. We also employed a full-time business development officer, Mr. Chris Kirk, to serve our market in the metro-east area of St. Louis. This area has a great deal of growth potential and in the three years since we have entered the market, we have done quite well.

Thank you for your continued support and confidence in First Mid-Illinois Bancshares, Inc.

Sincerely,

/s/ William S. Rowland

William S. Rowland
Chairman and Chief Executive Officer

July 28, 2004

First Mid-Illinois Bancshares, Inc.
1515 Charleston Avenue
Mattoon, Illinois 61938
217-234-7454

www.firstmid.com

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data) (unaudited)	June 30, 2004	December 31, 2003
Assets		
Cash and due from banks	$18,726	$20,659
Federal funds sold and other interest-bearing deposits	902	4,290
Investment securities:		
Available-for-sale, at fair value	167,357	176,481
Held-to-maturity, at amortized cost (estimated fair value of $1,604 and $1,687 at June 30, 2004 and December 31, 2003, respectively)	1,567	1,677
Loans	576,041	552,824
Less allowance for loan losses	(4,505)	(4,426)
Net loans	571,536	548,398
Premises and equipment, net	15,797	16,059
Goodwill, net	9,034	9,034
Intangible assets, net	3,646	3,969
Other assets	13,310	13,078
Total assets	$801,875	$793,645
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	$78,901	$94,723
Interest bearing	551,617	520,269
Total deposits	630,518	614,992
Repurchase agreements with customers	52,582	59,875
Junior subordinated debentures	10,310	-
Other borrowings	36,200	39,925
Other liabilities	6,825	8,258

Total liabilities	736,435	723,050
Stockholders' Equity:		
Common stock ($4 par value; authorized 6,000,000 shares; issued 3,694,040 shares in 2004 and 3,667,887 shares in 2003)	14,821	14,672
Additional paid-in capital	17,400	15,960
Retained earnings	56,745	52,942
Deferred compensation	2,064	1,881
Accumulated other comprehensive income	60	1,581
Treasury stock at cost, 710,437 shares in 2004 and 534,619 shares in 2003	(25,650)	(16,441)
Total stockholders' equity	65,440	70,595
Total liabilities and stockholders' equity	$801,875	$793,645

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands) (unaudited)

For the six month period ended June 30,	2004	2003
Interest income:		
Interest and fees on loans	$16,371	$16,083
Interest on investment securities	3,060	3,175
Interest on federal funds sold and other	57	191
Total interest income	19,488	19,449
Interest expense:		
Interest on deposits	4,294	5,269
Interest on repurchase agreements with customers	134	132
Interest on subordinated debt	140	-
Interest on other borrowings	846	943
Total interest expense	5,414	6,344
Net interest income	14,074	13,105
Provision for loan losses	375	500
Net interest income after provision for loan losses	13,699	12,605
Non-interest income:		
Trust revenues	1,162	945
Brokerage commissions	227	124
Insurance commissions	776	778
Service charges	2,317	2,138
Securities gains, net	92	370
Mortgage banking revenues	246	939
Other	1,021	976
Total non-interest income	5,841	6,270
Non-interest expense:		
Salaries and employee benefits	6,709	6,560
Net occupancy and equipment expense	2,159	2,123
Amortization of intangible assets	323	365
Other	3,213	3,023

Total non-interest expense	12,404	12,071
Income before income taxes	7,136	6,804
Income taxes	2,384	2,320
Net income	$4,752	$4,484

Per Share Information
(unaudited)

For the six month period ended June 30,	2004	2003
Basic earnings per share	$1.05	$0.94
Diluted earnings per share	$1.03	$0.93
Book value per share	$14.63	$14.72
Market price of stock	$33.33	$22.00

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands) (unaudited)

For the six month period ended June 30,	2004	2003
Balance at beginning of year	$70,595	$66,807
Net income	4,752	4,484
Dividends on stock	(949)	(791)
Issuance of stock	1,589	1,375
Purchase of treasury stock	(9,026)	(2,075)
Changes in accumulated other comprehensive income (loss)	(1,521)	193
Balance at end of year	$65,440	$69,993