FIRST MID ILLINOIS BANCSHARES INC
Form 8-K
August 05, 2005

UNITED STATES
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):
AUGUST 5, 2005

FIRST MID-ILLINOIS BANCSHARES, INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State of 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)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17CFR 240.13e-4(c))

Item 8.01. Other Events

Incorporated by reference is the quarterly shareholder report issued by the Registrant on August 5, 2005, attached as Exhibit 99, providing information concerning the Registrant's financial statements as of June 30, 2005.

Item 9.01. Financial Statements and Exhibits

(a) None required
(b) None required
(c) Exhibits

Exhibit 99 - Quarterly shareholder report as of and for the period ending June 30, 2005

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.

MID-ILLINOIS BANCSHARES, INC.

Dated: August 5, 2005

/s/ William S. Rowland

William S. Rowland
President and Chief Executive Officer

INDEX TO EXHIBITS

Exhibit Number	Description
99	Quarterly shareholder report issued August 5, 2005

Exhibit 99

[GRAPHIC OMITTED][GRAPHIC OMITTED]

The financial performance of First Mid-Illinois Bancshares, Inc. was good during the first six months of 2005 with diluted earnings per share increasing to $1.06 compared to $1.03 per share during the same period in 2004. Net income increased to $4,797,000 for the first half of 2005 compared to $4,752,000 for the first half of 2004. As a result of this performance, the Board of Directors elected to increase the dividend to $.24 per share for the first half of 2005 from $.21 per share for the first half of 2004. All share and per share information for prior periods presented in this report have been adjusted to reflect the three-for-two stock split in the form of a 50% stock dividend completed in July 2004.

One factor in the earnings growth was greater non-interest income. Non-interest income increased to $6,244,000 for the first half of 2005 compared to $5,841,000 for the first half of 2004. As a result of new business underwritten through The Checkley Agency, Inc., insurance commissions were $136,000 greater for the first half of 2005 than for the first six months of 2004. Also, we sold securities that resulted in a gain of $162,000 greater than last year as market opportunities and liquidity factored in the decisions to sell. In addition, increased residential mortgage originations and greater refinance activity as a result of lower long-term interest rates in the first six months of 2005 led to mortgage banking revenues increasing by $75,000 from the first six months of 2004.

Net interest income also increased to $14,297,000 compared to $14,074,000 for the first six months of 2004 despite the current interest rate environment. Currently, the difference between short-term rates and long-term rates is at a historically low level. This has resulted in the Company's year-to-date net interest margin declining to 3.78% on a tax-equivalent basis compared with 3.89% for the first six months of last year as short-term interest rates have increased, leading to greater funding costs. However, we have more than compensated and been able to increase net interest income as a result of growth in loans and deposits. Loan balances on June 30, 2005 were $617 million compared to $576 million on June 30, 2004. Deposit balances increased to $637 million on June 30, 2005 from $631 million on June 30, 2004. Since December 31, 2004, loan balances have increased due to growth in commercial real estate loans, while deposits have declined primarily as a result of the maturity of brokered CDs that were not replaced.

Our provision for loan losses amounted to $337,000 for the first six months of 2005 compared to $375,000 for the same period in 2004. Net charge-offs declined to $271,000 in the first half of 2005 compared to $296,000 for the same period last year. Non-performing loans were $3.7 million on June 30, 2005 compared with $3.1 million on December 31, 2004.

Non-interest expenses increased to $12.8 million for the first six months of 2005 compared to $12.4 million for the same period in 2004 as a result of increased costs incurred with the addition to staff in opening the new Highland banking facility and greater professional fees.

During the quarter, we announced that The Checkley Agency, Inc. would be moving its office location to the corner of Route 16 and Lerna Road in September. Since acquiring the agency in 2002, the business has continued to grow, creating the need for additional office space. We are pleased with the insurance line of business results and continue to explore ways to better serve the financial needs of our customers.

In addition, we announced the engagement of BKD, LLP as our independent registered public accounting firm, replacing KPMG LLP. The audit committee completed an extensive review process and selected BKD as the company's audit firm. We had no accounting disagreements with KPMG LLP.

Also, we celebrated our 140-year anniversary during the quarter and held an open house at the main bank. We had outstanding attendance and I sincerely appreciated your support. We continue to work diligently to retain your confidence.

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

Sincerely,

/s/ William S. Rowland

William S. Rowland
Chairman and Chief Executive Officer

August 5, 2005

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)	JUN 30, 2005	Dec 31, 2004
Assets		
Cash and due from banks	$15,778	$19,119
Federal funds sold and other interest-bearing deposits	922	4,435
Investment securities:		
Available-for-sale, at fair value	148,124	168,821
Held-to-maturity, at amortized cost (estimated fair value of $1,476 and $1,598 at June 30, 2005 and December 31, 2004, respectively)	1,432	1,552
Loans	617,390	597,508
Less allowance for loan losses	(4,687)	(4,621)
Net loans	612,703	592,887
Premises and equipment, net	15,020	15,227
Goodwill, net	9,034	9,034
Intangible assets, net	3,059	3,346
Other assets	11,612	12,117
Total assets	$817,684	$826,538
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	$93,679	$85,524
Interest bearing	543,713	564,716
Total deposits	637,392	650,240
Repurchase agreements with customers	50,205	59,835
Junior subordinated debentures	10,310	10,310
Other borrowings	43,000	29,900
Other liabilities	6,258	7,189
Total liabilities	747,165	757,474
Stockholders' Equity:		
Common stock ($4 par value; authorized 18,000,000 shares; issued 5,622,898 shares in 2005 and 5,578,897 shares in 2004)	22,492	22,316
Additional paid-in capital	19,122	17,845
Retained earnings	57,000	53,113

Deferred compensation	2,413	2,260
Accumulated other comprehensive income	80	623
Treasury stock at cost, 1,203,495 shares in 2005 and 1,121,546 shares in 2004	(30,588)	(27,093)
Total stockholders' equity	70,519	69,064
Total liabilities and stockholders' equity	$817,684	$826,538

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

For the year ended June 30,	2005	2004
Interest income:		
Interest and fees on loans	$18,072	$16,371
Interest on investment securities	3,123	3,060
Interest on federal funds sold and other	102	57
Total interest income	21,297	19,488
Interest expense:		
Interest on deposits	5,151	4,294
Interest on repurchase agreements with customers	619	134
Interest on subordinated debt	293	140
Interest on other borrowings	937	846
Total interest expense	7,000	5,414
Net interest income	14,297	14,074
Provision for loan losses	337	375
Net interest income after provision for loan losses	13,960	13,699
Non-interest income:		
Trust revenues	1,208	1,162
Brokerage commissions	212	227
Insurance commissions	912	776
Service charges	2,187	2,317
Securities gains, net	254	92
Mortgage banking revenues	321	246
Other	1,150	1,021
Total non-interest income	6,244	5,841
Non-interest expense:		
Salaries and employee benefits	6,880	6,709
Net occupancy and equipment expense	2,080	2,159
Amortization of intangible assets	287	323
Other	3,553	3,213
Total non-interest expense	12,800	12,404
Income before income taxes	7,404	7,136
Income taxes	2,607	2,384
Net income	$4,797	$4,752

Per Share Information
(unaudited)

For the year ended June 30,	2005	2004
Basic earnings per share	$1.08	$1.05
Diluted earnings per share	$1.06	$1.03
Book value per share at June 30	$15.96	$14.63
Market price of stock at June 30	$40.50	$33.33

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

For the year ended June 30,	2005	2004
Balance at beginning of period	$69,154	$70,595
Net income	4,797	9,751
Dividends on stock	(1,056)	(2,023)
Issuance of stock	1,352	2,050
Purchase of treasury stock	(3,303)	(10,365)
Deferred compensation adjustment	118	104
Changes in accumulated other comprehensive income (loss)	(543)	(958)
Balance at end of period	$70,519	$69,154