

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 8-K

Incorporated by reference is the quarterly shareholder report issued by the Registrant on August 8, 2006, attached as Exhibit 99, providing information concerning the Registrant's financial statements as of June 30, 2006.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit 99 - Quarterly shareholder report as of and for the period ending June 30, 2006

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: August 8, 2006

/s/ William S. Rowland

William S. Rowland
President and Chief Executive Officer

INDEX TO EXHIBITS

| Exhibit Number | Description |
|-------------------|--|
| 99 | Quarterly shareholder report issued August 8, 2006 |

Exhibit 99

[GRAPHIC OMITTED] [GRAPHIC OMITTED]

The financial performance of First Mid-Illinois Bancshares, Inc. was good during the first six months of 2006 with diluted earnings per share increasing 5% to

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 8-K

\$1.11 compared to \$1.06 per share during the same period in 2005. Net income increased to \$4,926,000 for the first half of 2006 compared to \$4,797,000 for the first half of 2005. As a result of this performance, the Board of Directors elected to increase the dividend to \$.26 per share for the first half of 2006 from \$.24 per share for the first half of 2005. The dividend was paid on June 15 to shareholders of record as of June 1.

On May 1, 2006, we completed the acquisition of Peoples State Bank of Mansfield. This means that the 2006 consolidated financial statements include the results of Peoples since that date. I am pleased to report that for the first two months of operation Peoples has provided a positive contribution to earnings and the integration is on schedule for a third quarter combination of Peoples with First Mid-Illinois Bank & Trust, N.A.

Net interest income is our largest source of revenue and increased to \$14,905,000 for the first six months of 2006 from \$14,297,000 for the same period last year. This increase is the result of growth resulting from the Peoples acquisition as well as organic growth. A challenging rate environment and intense competition for loans and deposits has led to further contraction of the net interest margin. Our net interest margin for 2006 is 3.58% and compared to 3.73% for the first six months of 2005. Loan balances on June 30, 2006 were \$718 million as compared to \$638 million on December 31, 2005 with the majority of this growth in commercial real estate loans. Additionally, \$55 million in loan balances were added with the Peoples acquisition. Deposit balances on June 30, 2006 were \$780 million compared to \$649 million on December 31, 2005 with \$114 million added with Peoples.

Non-interest income amounted to \$6,548,000 for the first six months of 2006 compared to \$6,244,000 in 2005. Increases in long-term interest rates led to a decline in mortgage banking revenues, but service charge income from deposit accounts and insurance commissions increased. During the first six months of 2005, we recognized \$254,000 of securities gains whereas no security gains were recognized in the first six months of 2006.

Non-interest expense increased to \$13,666,000 compared with \$12,800,000 in 2005. This increase is attributed to the Peoples acquisition, the opening of a branch in Highland, Illinois in March 2005, and the new location for The Checkley Agency, Inc. which opened in June 2005. In addition, we began expensing stock options in 2006 per the new accounting regulations. This accounting change resulted in additional compensation expense of \$92,000 being recorded in the first six months of 2006. In previous years, this amount has been shown only in the footnotes to the financial statements.

We continue to stress the importance of credit quality. Total non-performing assets were \$4.2 million on June 30, 2006 as compared to \$4.1 million on June 30, 2005 and remain below peer bank averages. Our provision for loan losses amounted to \$404,000 for the first six months of 2006 as compared to \$337,000 for the first six months of 2005. Net charge-offs were \$234,000 for the first six months of 2006 compared to \$271,000 for the same period last year.

As mentioned, we have completed the acquisition of Peoples and begun to expand services in its markets. In June, we completed the installation of an ATM in Mahomet. Also, any Peoples customer can now use the First Mid network of over 30 ATMs. We continue to work diligently to combine the operations of Peoples and First Mid-Illinois Bank & Trust, N.A. and anticipate this to be completed during the third quarter, 2006. At that time, services such as electronic banking and remote deposit will be available for all of our customers.

While we are cognizant of the many challenges facing our industry, we are excited about the opportunities that lie ahead and confident of the future. Thank you for your continued support of First Mid-Illinois Bancshares, Inc.

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 8-K

Sincerely,

/s/ William S. Rowland
Chairman and Chief Executive Officer

August 8, 2006

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, | Dec 31, |
|--|-------------|------------------|------------------|
| | | 2006 | 2005 |
| Assets | | | |
| Cash and due from banks | | \$21,502 | \$19,131 |
| Federal funds sold and other interest-bearing deposits | | 2,408 | 426 |
| Investment securities: | | | |
| Available-for-sale, at fair value | | 191,874 | 155,841 |
| Held-to-maturity, at amortized cost (estimated fair value of \$1,364 and \$1,442 at June 30, 2006 and December 31, 2005, respectively) | | 1,343 | 1,412 |
| Loans | | 718,186 | 638,133 |
| Less allowance for loan losses | | (6,223) | (4,648) |
| Net loans | | 711,963 | 633,485 |
| Premises and equipment, net | | 16,607 | 15,168 |
| Goodwill, net | | 17,366 | 9,034 |
| Intangible assets, net | | 5,581 | 2,778 |
| Other assets | | 13,869 | 13,298 |
| Total assets | | \$982,513 | \$850,573 |
| Liabilities and Stockholders' Equity | | | |
| Deposits: | | | |
| Non-interest bearing | | \$113,106 | \$95,305 |
| Interest bearing | | 667,279 | 553,764 |
| Total deposits | | 780,385 | 649,069 |
| Repurchase agreements with customers | | 52,578 | 67,380 |
| Other borrowings | | 50,000 | 44,500 |
| Junior subordinated debentures | | 20,620 | 10,310 |
| Other liabilities | | 6,438 | 6,988 |
| Total liabilities | | 910,021 | 778,247 |
| Stockholders' Equity: | | | |
| Common stock (\$4 par value; authorized 18,000,000 shares; issued 5,674,703 shares in 2006 and 5,633,621 shares in 2005) | | 22,699 | 22,534 |
| Additional paid-in capital | | 20,745 | 19,439 |
| Retained earnings | | 64,665 | 60,867 |
| Deferred compensation | | 2,584 | 2,440 |

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 8-K

| | | |
|--|-----------|-----------|
| Accumulated other comprehensive income | (1,603) | (739) |
| Treasury stock at cost, 1,344,378 shares in 2006 and 1,241,359 shares in 2005 | (36,598) | (32,215) |
| ----- | | |
| Total stockholders' equity | 72,492 | 72,326 |
| ----- | | |
| Total liabilities and stockholders' equity | \$982,513 | \$850,573 |
| ===== | | |

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

| For the six months ended June 30, | 2006 | 2005 |
|---|----------|-----------|
| Interest income: | | |
| Interest and fees on loans | \$21,800 | \$ 18,072 |
| Interest on investment securities | 3,584 | 3,123 |
| Interest on federal funds sold and other | 126 | 102 |
| ----- | | |
| Total interest income | 25,510 | 21,297 |
| Interest expense: | | |
| Interest on deposits | 7,830 | 5,151 |
| Interest on repurchase agreements with customers | 1,011 | 619 |
| Interest on subordinated debt | 1,270 | 937 |
| Interest on other borrowings | 494 | 293 |
| ----- | | |
| Total interest expense | 10,605 | 7,000 |
| ----- | | |
| Net interest income | 14,905 | 14,297 |
| Provision for loan losses | 404 | 337 |
| ----- | | |
| Net interest income after provision for loan losses | 14,501 | 13,960 |
| Non-interest income: | | |
| Trust revenues | 1,209 | 1,208 |
| Brokerage commissions | 296 | 212 |
| Insurance commissions | 1,076 | 912 |
| Service charges | 2,484 | 2,187 |
| Securities gains, net | (1) | 254 |
| Mortgage banking revenues | 161 | 321 |
| Other | 1,325 | 1,150 |
| ----- | | |
| Total non-interest income | 6,548 | 6,244 |
| Non-interest expense: | | |
| Salaries and employee benefits | 7,447 | 6,880 |
| Net occupancy and equipment expense | 2,334 | 2,080 |
| Amortization of intangible assets | 329 | 287 |
| Other | 3,556 | 3,553 |
| ----- | | |
| Total non-interest expense | 13,666 | 12,800 |
| ----- | | |
| Income before income taxes | 7,383 | 7,404 |
| Income taxes | 2,457 | 2,607 |
| ----- | | |
| Net income | \$4,926 | \$4,797 |
| ===== | | |

Per Share Information
(unaudited)

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 8-K

| | | |
|-----------------------------------|---------|---------|
| For the six months ended June 30, | 2006 | 2005 |
| Basic earnings per share | \$1.13 | \$1.08 |
| Diluted earnings per share | \$1.11 | \$1.06 |
| Book value per share at June 30 | \$16.74 | \$15.96 |
| Market price of stock at June 30 | \$41.25 | \$40.50 |

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

| | | |
|---|----------|----------|
| For the six months ended June 30, | 2006 | 2005 |
| Balance at beginning of period | \$72,326 | \$69,154 |
| Net income | 4,926 | 4,797 |
| Dividends on stock | (1,128) | (1,056) |
| Issuance of stock | 1,232 | 1,352 |
| Purchase of treasury stock | (4,239) | (3,303) |
| Deferred compensation adjustment | 239 | 118 |
| Changes in accumulated other comprehensive income (loss) | (864) | (543) |
| Balance at end of period | \$72,492 | \$70,519 |