FIRST MID ILLINOIS BANCSHARES INC

Form 8-K August 08, 2006

> 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): JUNE 30, 2006

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 (Address of Principal Executive Offices) 61938

(Zip Code)

(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))

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

\$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.

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

Assets Cash and due from banks Federal funds sold and other interest-bearing deposits Investment securities: Available-for-sale, at fair value Held-to-maturity, at amortized cost (estimated fair value of \$1,364 and \$1,442 at June 30, 2006 and December 31, 2005, respectively) Loans Less allowance for loan losses Net loans Premises and equipment, net	2006 \$21,502 2,408 191,874 1,343 718,186 (6,223) 	2005 \$19,131 426 155,841 1,412 638,133 (4,648) 633,485 15,168 9,034
Cash and due from banks Federal funds sold and other interest-bearing deposits Investment securities: Available-for-sale, at fair value Held-to-maturity, at amortized cost (estimated fair value of \$1,364 and \$1,442 at June 30, 2006 and December 31, 2005, respectively) Loans Less allowance for loan losses Net loans Premises and equipment, net	2,408 191,874 1,343 718,186 (6,223) 711,963 16,607 17,366	1,412 638,133 (4,648 633,485 15,168
Federal funds sold and other interest-bearing deposits Investment securities: Available-for-sale, at fair value Held-to-maturity, at amortized cost (estimated fair value of \$1,364 and \$1,442 at June 30, 2006 and December 31, 2005, respectively) Loans Less allowance for loan losses Net loans Premises and equipment, net	2,408 191,874 1,343 718,186 (6,223) 711,963 16,607 17,366	1,412 638,133 (4,648 633,485 15,168
Investment securities: Available-for-sale, at fair value Held-to-maturity, at amortized cost (estimated fair value of \$1,364 and \$1,442 at June 30, 2006 and December 31, 2005, respectively) Loans Less allowance for loan losses Net loans Premises and equipment, net	1,343 718,186 (6,223) 711,963 16,607 17,366	1,412 638,133 (4,648) 633,485 15,168
Available-for-sale, at fair value Held-to-maturity, at amortized cost (estimated fair value of \$1,364 and \$1,442 at June 30, 2006 and December 31, 2005, respectively) Loans Less allowance for loan losses Net loans Premises and equipment, net	1,343 718,186 (6,223) 711,963 16,607 17,366	1,412 638,133 (4,648 633,485 15,168
Held-to-maturity, at amortized cost (estimated fair value of \$1,364 and \$1,442 at June 30, 2006 and December 31, 2005, respectively) Loans Less allowance for loan losses Net loans Premises and equipment, net	1,343 718,186 (6,223) 711,963 16,607 17,366	1,412 638,133 (4,648 633,485 15,168
value of \$1,364 and \$1,442 at June 30, 2006 and December 31, 2005, respectively) Loans Less allowance for loan losses Net loans Premises and equipment, net	718,186 (6,223) 711,963 16,607 17,366	638,133 (4,648) 633,485 15,168
and December 31, 2005, respectively) Loans Less allowance for loan losses Net loans Premises and equipment, net	718,186 (6,223) 711,963 16,607 17,366	638,133 (4,648 6 633,485 15,168
Loans Less allowance for loan losses Net loans Premises and equipment, net	718,186 (6,223) 711,963 16,607 17,366	638,133 (4,648 6 633,485 15,168
Less allowance for loan losses Net loans Premises and equipment, net	(6,223) 711,963 16,607 17,366	(4,648 633,485 15,168
Net loans Premises and equipment, net	711,963 16,607 17,366	633,485 15,168
Premises and equipment, net	16,607 17,366	15,168
1 1 1	17,366	
		0 031
Goodwill, net		J, U34
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 Other liabilities	20,620	10,310
Jtner	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

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

Interest income:	CONDENSED CONSOLIDATED STATEMENTS OF INCOME (In thousands) (unaudited)		
Interest and fees on loans		2006	2005
Interest on investment securities 3,584 3,1 Interest on federal funds sold and other 126 1 Total interest income 25,510 21,2 Interest expense: 7,830 5,1 Interest on deposits 7,830 5,1 Interest on repurchase agreements with customers 1,011 6 Interest on subordinated debt 1,270 5 Interest on other borrowings 494 2 Total interest expense 10,605 7,0 Net interest income 14,905 14,2 Provision for loan losses 404 3 Net interest income after provision for loan losses 14,501 13,5 Non-interest income 1,209 1,2 Brokerage commissions 296 2 Brokerage commissions 296 2 Securities gains, net (1) 2 Securities gains, net (1) 2 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense 3,29 2 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income before income taxes 7,383 7,4 Income before income taxes 7,383 7,4		\$21,800	\$ 18 , 072
Total interest income	Interest on investment securities	3,584	3,123
Interest expense: Interest on deposits 7,830 5,1 Interest on repurchase agreements with customers 1,011 1,011 Interest on subordinated debt 1,270 5,1 Interest on other borrowings 494 2,1 Total interest expense 10,605 7,0 Net interest income 14,905 14,2 Provision for loan losses 404 3,1 Net interest income after provision for loan losses 14,501 13,5 Non-interest income: 1,209 1,2 Brokerage commissions 296 2,2 Insurance commissions 2,484 2,1 Securities gains, net (1) 2,5 Mortgage banking revenues 161 3,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 3,125 3,1 Total non-interest income 6,548 6,2 Non-interest expense 2,334 2,0 Amortization of intangible assets 329 2,334 2,0 Total non-interest expense 13,666 12,8 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6 Income taxes 2,457 2,6 Income taxes 2,457 2,6	Interest on federal funds sold and other	126	102
Interest on repurchase agreements with customers 1,011 1,270 5 Interest on subordinated debt 1,270 5 Interest on other borrowings 494 2 Total interest expense 10,605 7,0 Net interest income 14,905 14,2 Provision for loan losses 404 3 Net interest income after provision for loan losses 14,501 13,9 Non-interest income:		25,510	21,297
Interest on subordinated debt 1,270 2 Interest on other borrowings 494 2 Total interest expense 10,605 7,0 Net interest income 14,905 14,2 Provision for loan losses 404 3 Net interest income after provision for loan losses 14,501 13,5 Non-interest income: 1,209 1,2 Trust revenues 296 2 Brokerage commissions 296 2 Insurance commissions 1,076 9 Service charges 2,484 2,1 Securities gains, net (1) 2 Mortgage banking revenues 161 3 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 3 3,44 2,0 Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 <	Interest on deposits	7,830	5,151
Interest on other borrowings 494 2 Total interest expense 10,605 7,0 Net interest income 14,905 14,2 Provision for loan losses 404 3 Net interest income after provision for loan losses 14,501 13,5 Non-interest income: 1,209 1,2 Trust revenues 1,209 1,2 Brokerage commissions 296 2 Insurance commissions 1,076 9 Service charges 2,484 2,1 Securities gains, net (1) 2 Mortgage banking revenues 161 3 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 3 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6	Interest on repurchase agreements with customers	1,011	619
Total interest expense 10,605 7,0 Net interest income 14,905 14,2 Provision for loan losses 404 3 Net interest income after provision for loan losses 14,501 13,9 Non-interest income: 1,209 1,2 Trust revenues 296 2 Brokerage commissions 296 2 Insurance commissions 1,076 9 Service charges 2,484 2,1 Securities gains, net (1) 2 Mortgage banking revenues 161 3 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 3 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6		1,270	937
Net interest income 14,905 14,2 Provision for loan losses 404 3 Net interest income after provision for loan losses 14,501 13,9 Non-interest income: 1,209 1,2 Trust revenues 1,209 1,2 Brokerage commissions 296 2 Insurance commissions 1,076 9 Service charges 2,484 2,1 Securities gains, net (1) 2 Mortgage banking revenues 161 3 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 2,334 2,0 Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6	Interest on other borrowings	494	293
Provision for loan losses 404 3 Net interest income after provision for loan losses 14,501 13,9 Non-interest income: 1,209 1,2 Trust revenues 296 2 Brokerage commissions 296 2 Insurance commissions 1,076 9 Service charges 2,484 2,1 Securities gains, net (1) 2 Mortgage banking revenues 161 3 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 3 7,447 6,8 Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6	Total interest expense	10,605	7,000
Net interest income after provision for loan losses 14,501 13,500 Non-interest income: Trust revenues 1,209 1,209 1,209 1,200 Service commissions 2,484 2,100 Service charges 2,484 2,100 Mortgage banking revenues 161 300 Mortgage banking revenues 161 300 Service expense: Salaries and employee benefits 7,447 6,800 Non-interest expense: Salaries and employee benefits 7,447 6,800 Non-interest expense 2,334 2,000 Amortization of intangible assets 329 200 Service Charges 3,556 3,500 Non-interest expense 13,666 12,800 Non-interest expense	Net interest income	14,905	14,297
Non-interest income: 1,209 1,2 Brokerage commissions 296 2 Insurance commissions 1,076 2 Service charges 2,484 2,1 Securities gains, net (1) 2 Mortgage banking revenues 161 3 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6	Provision for loan losses	404	337
Brokerage commissions 296 2 Insurance commissions 1,076 9 Service charges 2,484 2,1 Securities gains, net (1) 2 Mortgage banking revenues 161 3 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 7,447 6,8 Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6	-	14,501	13,960
Insurance commissions 1,076 9 Service charges 2,484 2,1 Securities gains, net (1) 2 Mortgage banking revenues 161 3 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 3 7,447 6,8 Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6	Trust revenues	1,209	1,208
Service charges 2,484 2,1 Securities gains, net (1) 2 Mortgage banking revenues 161 3 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 7,447 6,8 Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6		296	212
Securities gains, net (1) 2 Mortgage banking revenues 161 3 Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 3 7,447 6,8 Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6		•	912
Mortgage banking revenues 161 Other 1,325 Total non-interest income 6,548 Non-interest expense: 7,447 Salaries and employee benefits 7,447 Net occupancy and equipment expense 2,334 Amortization of intangible assets 329 Other 3,556 Total non-interest expense 13,666 Income before income taxes 7,383 Income taxes 2,457		•	2,187
Other 1,325 1,1 Total non-interest income 6,548 6,2 Non-interest expense: 3 3 Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6			254
Total non-interest income 6,548 6,2 Non-interest expense: Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6			321
Non-interest expense: Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6	Other	1,325 	1,150
Salaries and employee benefits 7,447 6,8 Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6		6 , 548	6,244
Net occupancy and equipment expense 2,334 2,0 Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6		7.447	6,880
Amortization of intangible assets 329 2 Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6		•	2,080
Other 3,556 3,5 Total non-interest expense 13,666 12,8 Income before income taxes 7,383 7,4 Income taxes 2,457 2,6			287
Income before income taxes 7,383 7,4 Income taxes 2,457 2,6			3,553
Income taxes 2,457 2,6	Total non-interest expense	13,666	12,800
	Income before income taxes	7,383	7,404
Net income \$4.926 \$4.7	Income taxes	2,457	2 , 607
.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Net income	\$4,926	\$4,797

Per Share Information (unaudited)

For the six months ended June 30, Basic earnings per share Diluted earnings per share Book value per share at June 30 Market price of stock at June 30	·	\$1.06 \$15.96
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS (In thousands) (unaudited)	~	
For the six months ended June 30,		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	