

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

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

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

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.

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

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,

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

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

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

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, | December 31, |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------|--------------|
| | | 2004 | 2003 |
| <hr/> | | | |
| 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) |
| <hr/> | | | |
| 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 |
| <hr/> | | | |
| Total assets | | \$801,875 | \$793,645 |
| <hr/> | | | |
| Liabilities and Stockholders' Equity | | | |
| Deposits: | | | |
| Non-interest bearing | | \$78,901 | \$94,723 |
| Interest bearing | | 551,617 | 520,269 |
| <hr/> | | | |
| 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 |

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

| | | |
|-------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| 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 |

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

| | | |
|----------------------------|---------|---------|
| 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 |
| ===== | | |