FIRST MID ILLINOIS BANCSHARES INC
Form 8-K
October 27, 2004

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):
OCTOBER 27, 2004

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 October 27, 2004, attached as Exhibit 99, providing information concerning the Registrant's financial statements as of September 30, 2004.

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 September 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: October 27, 2004

By: /s/ William S. Rowland

William S. Rowland
President and Chief
Executive Officer

INDEX TO EXHIBITS

Exhibit

Number	Description
99	Quarterly shareholder report issued October 27, 2004

Exhibit 99

[GRAPHIC OMITTED][GRAPHIC OMITTED]

Our financial results for the first nine months of 2004 were good, with diluted earnings per share amounting to $1.56 as compared to $1.42 during the same period in 2003. Net income increased to $7,181,000 for the first nine months of 2004 as compared to $6,877,000 for the first nine months of 2003. All share and per share information for current and 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.

An increase in net interest income was the primary factor in 2004 earnings growth. Net interest income before provision for loan losses was $21,187,000 for the first nine months of 2004 as compared to $19,965,000 for the same period in 2003, an increase of $1,222,000. Growth in net average earning assets and an increase in margin contributed to the increase in net interest income. Loan balances increased $44 million in 2004 and deposit balances increased by $33 million. The net interest margin for the first nine months of 2004 increased to 3.87% on a tax equivalent basis from 3.81% for the first nine months of 2003 as a result of the loan growth and lower funding costs.

Our provision for loan losses amounted to $437,000 for the first nine months of 2004 as compared to $750,000 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 September 30, 2004 were $3,606,000 as compared to $4,766,000 on September 30, 2003. Net charge-offs were $303,000 for the first nine months of 2004 as compared with $204,000 for the same period last year.

Non-interest income for the first nine months of 2004 was $8,717,000 compared to $9,487,000 for the same period last year. As we anticipated, mortgage refinance activity slowed considerably in 2004 and mortgage banking revenue declined to $384,000 for the first nine months of 2004 compared to $1,581,000 for the same period last year. Increases in trust and brokerage fees have partially offset these declines. Trust revenues have increased from $1,444,000 for the first nine months of 2003 to $1,676,000 for the first nine months of 2004. The increase in revenues is the result of improvement in equity prices and growth in new business. Trust assets increased from $339 million on September 30, 2003 to $354 million on September 30, 2004.

Non-interest expenses increased by $408,000 compared to the first nine months 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.

During the third quarter of 2004, we completed the initial phase of our retail deposit realignment. Customers have had a favorable response to the new products and we have added 977 new deposit accounts since the new products were first introduced. In addition to the deposit products, we have made it much more convenient for customers to obtain a home mortgage loan with the completion of our online mortgage center. A customer can apply and receive pre-approval for their home mortgage loan online. This provides the customer peace-of-mind as they search for their new home. Initial customer usage has been very good with over 5,000 hits to this page of our website in the last few months.

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

October 27, 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)	September 30, 2004	December 31, 2003
Assets		
Cash and due from banks	$16,918	$20,659
Federal funds sold and other interest-bearing deposits	732	4,290
Investment securities:		
Available-for-sale, at fair value	168,341	176,481
Held-to-maturity, at amortized cost (estimated fair value of $1,628 and $1,687 at September 30, 2004 and December 31, 2003, respectively)	1,567	1,677
Loans	597,406	552,824
Less allowance for loan losses	(4,560)	(4,426)
Net loans	592,846	548,398
Premises and equipment, net	15,471	16,059

Goodwill, net	9,034	9,034
Intangible assets, net	3,497	3,969
Other assets	13,656	13,078
Total assets	$822,062	$793,645
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	$85,151	$94,723
Interest bearing	563,199	520,269
Total deposits	648,350	614,992
Repurchase agreements with customers	53,153	59,875
Junior subordinated debentures	10,310	-
Other borrowings	34,900	39,925
Other liabilities	6,623	8,258
Total liabilities	753,336	723,050
Stockholders' Equity:		
Common stock ($4 par value; authorized 18,000,000 shares; issued 5,564,207 shares in 2004 and 5,501,831 shares in 2003)	22,257	14,672
Additional paid-in capital	17,561	15,960
Retained earnings	51,763	52,942
Deferred compensation	2,198	1,881
Accumulated other comprehensive income	1,092	1,581
Treasury stock at cost, 1,098,676 shares in 2004 and 801,928 shares in 2003	(26,145)	(16,441)
Total stockholders' equity	68,726	70,595
Total liabilities and stockholders' equity	$822,062	$793,645

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

For the nine month period ended September 30,	2004	2003
Interest income:		
Interest and fees on loans	$24,941	$24,245
Interest on investment securities	4,574	4,649
Interest on federal funds sold and other	72	222
Total interest income	29,587	29,116
Interest expense:		
Interest on deposits	6,634	7,549
Interest on repurchase agreements with customers	245	193
Interest on subordinated debt	255	-
Interest on other borrowings	1,266	1,409
Total interest expense	8,400	9,151
Net interest income	21,187	19,965
Provision for loan losses	437	750
Net interest income after provision for loan losses	20,750	19,215
Non-interest income:		
Trust revenues	1,676	1,444
Brokerage commissions	298	209

Insurance commissions	1,112	1,141
Service charges	3,572	3,303
Securities gains, net	92	370
Mortgage banking revenues	384	1,581
Other	1,583	1,439
Total non-interest income	8,717	9,487
Non-interest expense:		
Salaries and employee benefits	10,087	9,928
Net occupancy and equipment expense	3,237	3,202
Amortization of intangible assets	472	577
Other	4,860	4,541
Total non-interest expense	18,656	18,248
Income before income taxes	10,811	10,454
Income taxes	3,630	3,577
Net income	$7,181	$6,877

Per Share Information
(unaudited)

For the nine month period ended September 30,	2004	2003
Basic earnings per share	$1.59	$1.45
Diluted earnings per share	$1.56	$1.42
Book value per share	$15.39	$14.90
Market price of stock	$36.50	$31.50

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

For the nine month period ended September 30,	2004	2003
Balance at beginning of year	$70,595	$66,807
Net income	7,181	6,877
Dividends on stock	(949)	(791)
Issuance of stock	1,775	1,580
Purchase of treasury stock	(9,479)	(3,466)
Deferred compensation adjustment	92	-
Changes in accumulated other comprehensive income (loss)	(489)	(706)
Balance at end of year	$68,726	$70,301