FIRST MID ILLINOIS BANCSHARES INC

Form 8-K January 26, 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): JANUARY 26, 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 January 26, 2005, attached as Exhibit 99, providing information concerning the Registrant's financial statements as of December 31, 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 December 31, 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: January 26, 2005 By: /s/ William S. Rowland

William S. Rowland
President and Chief
Executive Officer

INDEX TO EXHIBITS

Exhibit	
Number	Description
99	Quarterly shareholder report issued January 26, 2005

Exhibit 99

[GRAPHIC OMITTED] [GRAPHIC OMITTED]

First Mid-Illinois Bancshares, Inc. experienced another successful year in 2004, with diluted earnings per share increasing to \$2.09 as compared with \$1.88 per share in 2003, an 11% increase. In 2004, net income increased to \$9,604,000 as compared with \$9,093,000 in 2003. As a result, the Company increased its regular annual dividend to \$.45 per share in 2004 from \$.38 per share in 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.

Net interest income, trust revenue, brokerage commissions and service charge revenue all had meaningful increases in 2004, whereas revenue from our mortgage banking activities declined significantly from \$1.7 million in 2003 to \$.5 million in 2004. We anticipated the 2004 decline because 2003 was an uncharacteristically active year for home refinancings.

We continued to grow in 2004 with loan totals ending the year at \$598 million, an increase of \$45 million from December 31, 2003. Deposits also grew, although not as rapidly as loans. Year-end 2004 deposits amounted to \$650 million compared with \$615 million last year. Competition for quality loans and economically priced deposits is intense throughout our market area, so we are pleased with our 2004 growth.

Credit quality is of high importance to banks and is an area where we invest significant energies. Our 2004 experience was good with net loan losses of only \$393,000. While we would, of course, prefer to have no losses, this amount compares well with peer banks and is reasonable given the size of our loan portfolio.

At First Mid, we consider any loan which is past due 90 days or more to be non-performing and immediately stop accruing interest on the loan. We follow this policy regardless of our collateral position or whether we anticipate a loss. Our non-performing loans totaled \$3.1 million on December 31, 2004, a slight decline from the 2003 year-end total of \$3.3 million. Because loan losses were not significant and non-performing loan totals were not excessive, we were able to reduce our annual provision for loan losses to \$588,000 in 2004 from \$1,000,000 in 2003.

Earlier, I mentioned that our trust revenues increased in 2004 as compared with 2003. The amount of the increase was \$262,000, or 13%, and resulted from growth in trust assets due to market value increases and from new customers. In total, trust assets ended the year at \$388 million as compared with \$350 million at the end of 2003. We consider our trust activities to be critical for our long-term success. As the baby boom generation ages, the United States approaches an enormous intergenerational transfer of wealth. Just as our banking operations provide us with the opportunity to serve customers during their working years, our trust department positions us to serve customers during their retirement years, when personal wealth management becomes a key concern.

Beginning in 2003 and continuing through 2004, we increased our expense management efforts to ensure that our overhead costs were directed towards those activities which served the interests of our shareholders. In total, non-interest expense increased \$470,000, or 1.9%, in 2004 as compared with 2003. Sarbanes-Oxley compliance costs accounted for most of this increase so we are pleased with our expense management efforts.

During 2004, we repurchased 320,000 shares of our own stock in the open market and through various privately-negotiated transactions. This program has proven to be an effective way of increasing value for shareholders. Any shareholder who wishes to use this service should contact Christie L. Wright at (217) 258-0493.

In April, our Company will celebrate 140 years of providing financial services to the people of Illinois. Businesses do not survive 140 years without the trust and confidence of those it does business with. At First Mid, we work hard to obtain and retain the trust and confidence of our shareholders, our customers, our communities, and our employees. Together, we have built an outstanding

organization--one in which we can all take a great deal of pride.

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

January 26, 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)	December 31	December 31
(in thousands, except share data) (unaddited)		December 31,
	2004	2003
Assets	410 110	400 650
Cash and due from banks	\$19,119	\$20,659
Federal funds sold and other interest-bearing depos	its 4,435	4,290
Investment securities:	1.60.001	156 401
Available-for-sale, at fair value	168,821	176,481
Held-to-maturity, at amortized cost (estimated fai	.r	
value of \$1,598 and \$1,687 at December 31, 2004	1 550	1 (77
and December 31, 2003, respectively)	1,552	1,677
Loans	597,508	•
Less allowance for loan losses	(4,621)	(4,426)
Net loans	592 , 887	548,398
Premises and equipment, net	15,227	16,059
Goodwill, net	9,034	9,034
Intangible assets, net	3,346	3 , 969
Other assets	12,117	13,078
Total assets	\$826 , 538	\$793 , 645
Liabilities and Stockholders' Equity Deposits:		
Non-interest bearing	\$85,524	\$94,723
Interest bearing	564,716	520,269
Total deposits	650,240	614,992
Repurchase agreements with customers	59 , 835	59 , 875
Junior subordinated debentures	10,310	-
Other borrowings	29,900	39 , 925
Other liabilities	7,189	8,258
Total liabilities	757 , 474	723,050

Stockholders' Equity:		
Common stock (\$4 par value; authorized		
18,000,000 shares; issued 5,578,897 shares		
in 2004 and 5,501,831 shares in 2003)	22,316	14,672
Additional paid-in capital	17,845	15 , 960
Retained earnings	53,113	52,942
Deferred compensation	2,260	1,881
Accumulated other comprehensive income	623	1,581
Treasury stock at cost, 1,121,546 shares in		
2004 and 801,928 shares in 2003	(27,093)	(16,441)
Total stockholders' equity	69,064	70,595
Total liabilities and stockholders' equity	\$826 , 538	\$793 , 645

Interest on investment securities 6,053 6,22 Interest on federal funds sold and other 178 27	CONDENSED CONSOLIDATED STATEMENTS OF INCOME (In thousands) (unaudited)		
Interest and fees on loans	-	2004	2003
Interest on investment securities 6,053 6,22 Interest on federal funds sold and other 178 27 Total interest income 40,072 38,933 Interest expense: 1 9,122 9,75 Interest on deposits 9,122 9,75 1 Interest on subordinated debt 382 382 382 Interest on other borrowings 1,685 1,87 Total interest expense 11,644 11,89 Net interest income 28,428 27,04 Provision for loan losses 588 1,000 Net interest income after provision for loan losses 27,840 26,04 Non-interest income: 2 1,647 1,99 Brokerage commissions 428 28 28 Insurance commissions 428 28 28 Insurance commissions 428 28 28 Forvice charges 4,746 4,48 38 28 Mortgage banking revenues 522 1,67 7 7 <t< td=""><td></td><td>\$33,841</td><td>\$32,435</td></t<>		\$33,841	\$32,435
Total interest income	Interest on investment securities		6,227
Interest expense: Interest on deposits	Interest on federal funds sold and other	178	276
Interest on repurchase agreements with customers 1		40,072	38,938
Interest on subordinated debt 382 Interest on other borrowings 1,685 1,87 Total interest expense 11,644 11,89 Net interest income 28,428 27,04 Provision for loan losses 588 1,00 Net interest income after provision for loan losses 27,840 26,04 Non-interest income: 2,254 1,99 Brokerage commissions 428 28 Insurance commissions 428 28 Insurance commissions 1,447 1,477 Service charges 4,746 4,48 Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: 3 77 Salaries and employee benefits 13,487 13,23 Net occupancy and equipment expense 4,259 4,259 Amortization of intangible assets 66,31 6,23 Total non-interest expense	Interest on deposits	9,122	9,751
Interest on other borrowings 1,685 1,875 Total interest expense 11,644 11,89 Net interest income 28,428 27,04 Provision for loan losses 588 1,00 Non-interest income after provision for loan losses 27,840 26,04 Non-interest income: 2,254 1,99 Brokerage commissions 428 28 Insurance commissions 4,747 1,47 Service charges 4,746 4,48 Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: Salaries and employee benefits 13,487 13,23 Net occupancy and equipment expense 4,259 4,29 Amortization of intangible assets 623 77 Other 6,631 6,23 Total non-interest expense 25,000 24,53 Income before income taxes 14,479 13,76	Interest on repurchase agreements with customers	455	272
Total interest expense 11,644 11,89 Net interest income 28,428 27,04 Provision for loan losses 588 1,000 Net interest income after provision for loan losses 27,840 26,04 Non-interest income: 2,254 1,99 Brokerage commissions 428 28 Insurance commissions 1,447 1,47 Service charges 4,746 4,48 Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: 3 13,487 13,23 Net occupancy and equipment expense 4,259 4,29 Amortization of intangible assets 623 77 Other 6,631 6,23 Total non-interest expense 25,000 24,53 Income before income taxes 14,479 13,76	Interest on subordinated debt	382	_
Net interest income 28,428 27,04 Provision for loan losses 588 1,00 Net interest income after provision for loan losses 27,840 26,04 Non-interest income: 2,254 1,99 Brokerage commissions 428 28 Insurance commissions 1,447 1,47 Service charges 4,746 4,48 Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: 13,487 13,23 Net occupancy and equipment expense 4,259 4,29 Amortization of intangible assets 623 77 Other 6,631 6,23 Total non-interest expense 25,000 24,53 Income before income taxes 14,479 13,76	Interest on other borrowings	1,685	1,873
Provision for loan losses 588 1,000 Net interest income after provision for loan losses 27,840 26,04 Non-interest income: 2,254 1,99 Brokerage commissions 428 28 Insurance commissions 1,447 1,47 Service charges 4,746 4,48 Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: 13,487 13,23 Net occupancy and equipment expense 4,259 4,29 Amortization of intangible assets 623 77 Other 6,631 6,23 Total non-interest expense 25,000 24,53 Income before income taxes 14,479 13,76	Total interest expense	11,644	11,896
Net interest income after provision for loan losses 27,840 26,04 Non-interest income: 2,254 1,99 Brokerage commissions 428 28 Insurance commissions 1,447 1,47 Service charges 4,746 4,48 Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: 13,487 13,23 Salaries and employee benefits 13,487 13,23 Net occupancy and equipment expense 4,259 4,29 Amortization of intangible assets 623 77 Other 6,631 6,23 Total non-interest expense 25,000 24,53 Income before income taxes 14,479 13,76	Net interest income	28,428	27,042
Non-interest income: 2,254 1,995 Brokerage commissions 428 28 Insurance commissions 1,447 1,47 Service charges 4,746 4,48 Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: 3 13,487 13,23 Net occupancy and equipment expense 4,259 4,29 Amortization of intangible assets 623 77 Other 6,631 6,23 Total non-interest expense 25,000 24,53 Income before income taxes 14,479 13,76	Provision for loan losses	588	1,000
Brokerage commissions 428 28 Insurance commissions 1,447 1,47 Service charges 4,746 4,48 Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: 13,487 13,23 Net occupancy and equipment expense 4,259 4,29 Amortization of intangible assets 623 77 Other 6,631 6,23 Total non-interest expense 25,000 24,53 Income before income taxes 14,479 13,76		27,840	26,042
Insurance commissions 1,447 1,477 Service charges 4,746 4,48 Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: 313,487 13,23 Net occupancy and equipment expense 4,259 4,290 Amortization of intangible assets 623 77 Other 6,631 6,23 Total non-interest expense 25,000 24,530 Income before income taxes 14,479 13,760	Trust revenues	2,254	1,992
Service charges 4,746 4,48 Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: 313,487 13,23 Net occupancy and equipment expense 4,259 4,290 Amortization of intangible assets 623 77 Other 6,631 6,23 Total non-interest expense 25,000 24,530 Income before income taxes 14,479 13,760	Brokerage commissions	428	283
Securities gains, net 92 37 Mortgage banking revenues 522 1,67 Other 2,150 1,97 Total non-interest income 11,639 12,25 Non-interest expense: 313,487 13,23 Net occupancy and equipment expense 4,259 4,290 Amortization of intangible assets 623 77 Other 6,631 6,23 Total non-interest expense 25,000 24,530 Income before income taxes 14,479 13,760	Insurance commissions	1,447	1,476
Mortgage banking revenues 522 1,678 Other 2,150 1,978 Total non-interest income 11,639 12,258 Non-interest expense: 313,487 13,238 Salaries and employee benefits 13,487 13,238 Net occupancy and equipment expense 4,259 4,259 Amortization of intangible assets 623 778 Other 6,631 6,238 Total non-interest expense 25,000 24,538 Income before income taxes 14,479 13,769		4,746	4,484
Other 2,150 1,978 Total non-interest income 11,639 12,258 Non-interest expense: 13,487 13,238 Salaries and employee benefits 13,487 13,238 Net occupancy and equipment expense 4,259 4,259 Amortization of intangible assets 623 778 Other 6,631 6,238 Total non-interest expense 25,000 24,538 Income before income taxes 14,479 13,766			370
Total non-interest income 11,639 12,259 Non-interest expense: Salaries and employee benefits 13,487 13,239 Net occupancy and equipment expense 4,259 4,259 Amortization of intangible assets 623 77 Other 6,631 6,239 Total non-interest expense 25,000 24,539 Income before income taxes 14,479 13,769			1,672
Non-interest expense: Salaries and employee benefits 13,487 13,233 Net occupancy and equipment expense 4,259 4,299 Amortization of intangible assets 623 77 Other 6,631 6,233 Total non-interest expense 25,000 24,533 Income before income taxes 14,479 13,766	Other	2 , 150	1 , 978
Salaries and employee benefits 13,487 13,233 Net occupancy and equipment expense 4,259 4,299 Amortization of intangible assets 623 77 Other 6,631 6,233 Total non-interest expense 25,000 24,533 Income before income taxes 14,479 13,766		11,639	12,255
Amortization of intangible assets 623 77- Other 6,631 6,23- Total non-interest expense 25,000 24,53- Income before income taxes 14,479 13,76-		13,487	13,232
Amortization of intangible assets 623 77- Other 6,631 6,23- Total non-interest expense 25,000 24,53- Income before income taxes 14,479 13,76-			4,290
Total non-interest expense 25,000 24,530 Income before income taxes 14,479 13,760		623	774
Income before income taxes 14,479 13,76	Other	6,631	6,234
, , ,	Total non-interest expense	25,000	24,530
Income taxes 4,875 4,67-	Income before income taxes	14 , 479	13,767
	Income taxes		4,674

Net income	\$9 , 604	\$9 , 093
Per Share Information (unaudited)		
For the year ended December 31,	2004	2003
Basic earnings per share	\$2.13	\$1.92
Diluted earnings per share	\$2.09	\$1.88
Book value per share at December 31	\$15.49	\$15.02
Market price of stock at December 31	\$38.00	\$31.03
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN S	TOCKHOLDERS' EQUITY	
(In thousands) (unaudited)	TOCKHOLDERS' EQUITY	 2003
(In thousands) (unaudited)For the year ended December 31,	2004	
(In thousands) (unaudited)	2004 \$70 , 595	\$66,807
(In thousands) (unaudited) For the year ended December 31, Balance at beginning of period	2004 \$70,595 9,604	
(In thousands) (unaudited) For the year ended December 31, Balance at beginning of period Net income	2004 \$70,595 9,604 (2,022)	\$66,807 9,093
(In thousands) (unaudited)	2004 \$70,595 9,604 (2,022) 2,050	\$66,807 9,093 (2,047 1,767
(In thousands) (unaudited)	2004 \$70,595 9,604 (2,022) 2,050	\$66,807 9,093 (2,047 1,767
(In thousands) (unaudited)	2004 \$70,595 9,604 (2,022) 2,050 (10,365) 160	\$66,807 9,093 (2,047 1,767 (4,233
(In thousands) (unaudited)	2004 \$70,595 9,604 (2,022) 2,050 (10,365) 160	\$66,807 9,093 (2,047 1,767