FIRST MID ILLINOIS BANCSHARES INC
Form 8-K
July 23, 2003

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):
JULY 23, 2003

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 Registrant on July 23, 2003, attached as Exhibit 99, providing information concerning the Registrant's financial statements as of June 30, 2003.

Item 7. Financial Statements and Exhibits

(c) Exhibits

Exhibit 99 - Quarterly shareholder report issued July 23, 2003

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: July 23, 2003

By: /s/ William S. Rowland

William S. Rowland
President and Chief
Executive Officer

EXHIBIT INDEX

Exhibit Number	Description
99	Quarterly shareholder report issued July 23, 2003

Exhibit 99

July 23, 2003

Quarterly Report to the Owners,
First Mid-Illinois Bancshares, Inc.

First Mid-Illinois Bancshares, Inc. has done well in 2003 with diluted earnings per share amounting to $1.40 per share for the first six months of the year. This represents a 19% increase from $1.18 per share earned in the first six months of 2002. As a result, the Board of Directors elected to increase the dividend for the first half of 2003 to $.25 per share from $.23 per share paid in the first half of 2002. Our solid financial progress resulted in the total market capitalization (the market price per share multiplied by the number of shares outstanding) of First Mid-Illinois Bancshares, Inc. exceeding $100 million for the first time in our long history. We achieved this milestone in the second quarter of the year and are pleased that the market place has recognized our solid financial performance. Our stock buy-back activities continued during the first half of 2003, with 70,051 shares being acquired at a total investment of $2,075,000. We continue to believe this is one of the best ways of enhancing shareholder value, and any shareholder who wishes to utilize this service should contact Ms. Christie Burich at (217) 258-0493.

Net income for the first half of 2003 amounted to $4,484,000, a 12% increase from the $4,015,000 we earned in the first six months of 2002. Net interest income was essentially flat for the first six months, amounting to $13,105,000 in 2003 as compared to $13,122,000 in 2002. Loan pricing constraints together with an extremely low interest rate environment resulted in a decline in our net interest margin from 4.18% in the first half of 2002 to 3.77% for the first half of 2003. While margin compression is a concern, we have been able to offset it by increasing our loan volumes. In addition, residential real estate activity continues to be strong throughout our franchise area with mortgage banking revenue increasing to $1,082,000 in 2003 from $703,000 in the first half of 2002. Most of the residential real estate loans we originate are sold into the secondary market for interest rate risk management purposes. The fees that we received from these loan sales have compensated for the lower net interest margin.

Our provision for loan losses amounted to $500,000 for the first six months of 2003 as compared to $275,000 during the same period last year. This is in response to an increase of approximately $2,500,000 in non-performing loans during the first half of 2003. The majority of the increase is in the agricultural sector of our lending operations. While we do not anticipate any material losses from these credits, an increased provision was nevertheless appropriate in these circumstances. As a result of a recovery on one commercial loan during the first six months of 2003, year-to-date net charge-offs declined to $101,000 as compared with $264,000 for the first half of 2002.

The Checkley Agency, Inc., which we acquired in early 2002, continues to perform well and our two new banking centers in Champaign and Maryville are both exceeding our growth and operational forecasts. We expect both of these branches to add to our profitability in the second half of 2003.

Though we face many challenges, we remain optimistic about our future. You can be assured that the Board, management, and staff will continue to work hard to retain the confidence you have demonstrated with your investment.

Sincerely,

/s/ William S. Rowland

William S. Rowland
Chairman and Chief Executive Officer

Condensed Consolidated Balance Sheets
(In thousands, except share data) (unaudited)

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 $1,821 and $1,927 at June 30, 2003
Loans
Less allowance for loan losses

  Net loans
Premises and equipment, net
Goodwill, net
Intangible assets, net
Other assets

  Total assets

Liabilities and Stockholders' Equity
Deposits:
  Non-interest bearing
  Interest bearing

    Total deposits
Repurchase agreements with customers
Other borrowings

Other liabilities

Total liabilities

Stockholders' Equity:
Common stock ($4 par value; authorized 6,000,000 shares;
Issued 3,653,857 shares in 2003 and 3,603,737 shares in 2002)
Additional paid-in capital
Retained earnings
Deferred compensation
Accumulated other comprehensive income
Treasury stock at cost, 484,613 shares in 2003 and 414,562 shares in 2002

Total stockholders' equity

Total liabilities and stockholders' equity

Condensed Consolidated Statements of Income
(In thousands) (unaudited)
For the six months ended June 30,

Interest income:
Interest and fees on loans
Interest on investment securities
Interest on federal funds sold and other

Total interest income
Interest expense:
Interest on deposits
Interest on repurchase agreements with customers
Interest on other borrowings

Total interest expense

Net interest income
Provision for loan losses

Net interest income after provision for loan losses

Non-interest income:
Trust revenues
Brokerage commissions
Insurance commissions
Service charges
Securities gains, net
Mortgage banking revenues
Other

Total non-interest income

Non-interest expense:
Salaries and employee benefits
Net occupancy and equipment expense
Amortization of intangible assets

Other

Total non-interest expense

Income before income taxes
Income taxes

Net income

Condensed Consolidated Statements of Changes in Stockholders' Equity
(in thousands) (unaudited)
For the six month period ended June 30,

Balance at beginning of period
Net income
Dividends on stock
Issuance of stock
Purchase of treasury stock
Change in accumulated other comprehensive income (loss)

Balance at end of period

Per Share Information
(unaudited)

Basic earnings per share
Diluted earnings per share
Book value per share

First Mid-Illinois Bancshares, Inc.
1515 Charleston Avenue
Mattoon, Illinois 61938
(217) 234-7454

www.firstmid.com