



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

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<br>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

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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

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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](http://www.firstmid.com)

| CONDENSED CONSOLIDATED BALANCE SHEETS<br>(In thousands, except share data) (unaudited)   | December 31, | December 31, |
|--|--------------|--------------|
|  | 2004         | 2003         |
| <hr/>  |              |              |
| Assets   |              |              |
| Cash and due from banks  | \$19,119     | \$20,659     |
| Federal funds sold and other interest-bearing deposits   | 4,435        | 4,290        |
| Investment securities:   |              |              |
| Available-for-sale, at fair value  | 168,821      | 176,481      |
| Held-to-maturity, at amortized cost (estimated fair value of \$1,598 and \$1,687 at December 31, 2004 and December 31, 2003, respectively) | 1,552        | 1,677        |
| Loans  | 597,508      | 552,824      |
| Less allowance for loan losses   | (4,621)      | (4,426)      |
| <hr/>  |              |              |
| 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       |
| <hr/>  |              |              |
| Total assets   | \$826,538    | \$793,645    |
| <hr/>  |              |              |
| Liabilities and Stockholders' Equity   |              |              |
| Deposits:  |              |              |
| Non-interest bearing   | \$85,524     | \$94,723     |
| Interest bearing   | 564,716      | 520,269      |
| <hr/>  |              |              |
| 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        |
| <hr/>  |              |              |
| Total liabilities  | 757,474      | 723,050      |

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| Stockholders' Equity:  |                  |                  |
|--|------------------|------------------|
| Common stock (\$4 par value; authorized<br>18,000,000 shares; issued 5,578,897 shares<br>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<br>2004 and 801,928 shares in 2003   | (27,093)         | (16,441)         |
| <b>Total stockholders' equity</b>  | <b>69,064</b>    | <b>70,595</b>    |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$826,538</b> | <b>\$793,645</b> |

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

| For the year ended December 31,                            | 2004          | 2003          |
|--|---------------|---------------|
| Interest income:   |               |               |
| Interest and fees on loans                                 | \$33,841      | \$32,435      |
| Interest on investment securities                          | 6,053         | 6,227         |
| Interest on federal funds sold and other                   | 178           | 276           |
| <b>Total interest income</b>                               | <b>40,072</b> | <b>38,938</b> |
| Interest expense:  |               |               |
| Interest on deposits                                       | 9,122         | 9,751         |
| Interest on repurchase agreements with customers           | 455           | 272           |
| Interest on subordinated debt                              | 382           | -             |
| Interest on other borrowings                               | 1,685         | 1,873         |
| <b>Total interest expense</b>                              | <b>11,644</b> | <b>11,896</b> |
| <b>Net interest income</b>                                 | <b>28,428</b> | <b>27,042</b> |
| Provision for loan losses                                  | 588           | 1,000         |
| <b>Net interest income after provision for loan losses</b> | <b>27,840</b> | <b>26,042</b> |
| Non-interest income:                                       |               |               |
| Trust revenues   | 2,254         | 1,992         |
| Brokerage commissions                                      | 428           | 283           |
| Insurance commissions                                      | 1,447         | 1,476         |
| Service charges  | 4,746         | 4,484         |
| Securities gains, net                                      | 92            | 370           |
| Mortgage banking revenues                                  | 522           | 1,672         |
| Other  | 2,150         | 1,978         |
| <b>Total non-interest income</b>                           | <b>11,639</b> | <b>12,255</b> |
| Non-interest expense:                                      |               |               |
| Salaries and employee benefits                             | 13,487        | 13,232        |
| Net occupancy and equipment expense                        | 4,259         | 4,290         |
| Amortization of intangible assets                          | 623           | 774           |
| Other  | 6,631         | 6,234         |
| <b>Total non-interest expense</b>                          | <b>25,000</b> | <b>24,530</b> |
| <b>Income before income taxes</b>                          | <b>14,479</b> | <b>13,767</b> |
| Income taxes   | 4,875         | 4,674         |

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|            |         |         |
|------------|---------|---------|
| Net income | \$9,604 | \$9,093 |
|------------|---------|---------|

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Per Share Information  
(unaudited)

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| 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 STOCKHOLDERS' EQUITY  
(In thousands) (unaudited)

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| For the year ended December 31,                          | 2004     | 2003     |
|--|----------|----------|
| Balance at beginning of period                           | \$70,595 | \$66,807 |
| Net income   | 9,604    | 9,093    |
| Dividends on stock                                       | (2,022)  | (2,047)  |
| Issuance of stock  | 2,050    | 1,767    |
| Purchase of treasury stock                               | (10,365) | (4,233)  |
| Deferred compensation adjustment                         | 160      | -        |
| Changes in accumulated other comprehensive income (loss) | (958)    | (792)    |
| Balance at end of period                                 | \$69,064 | \$70,595 |

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