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FIRST MID ILLINOIS BANCSHARES INC

Form 8-K

January 29, 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):
JANUARY 29, 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 January 29, 2003, attached as Exhibit 99, providing information concerning the Registrant's financial statements as of December 31, 2002.

Item 7. Financial Statements and Exhibits

(c) Exhibits

Exhibit 99 - Quarterly shareholder report issued January 29, 2003

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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 29, 2003

By: /s/ William S. Rowland

William S. Rowland
President and Chief
Executive Officer

EXHIBIT INDEX

| Exhibit Number | Description |
|-------------------|--|
| 99 | Quarterly shareholder report issued January 29, 2003 |

Exhibit 99

January 29, 2003

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

We are pleased to report that First Mid-Illinois Bancshares, Inc. had a successful 2002 with diluted earnings per share increasing to \$2.38 per share as compared to \$1.92 per share in 2001, a 24 percent increase. Net income increased to \$8,034,000 in 2002 as compared to \$6,516,000 in 2001. As a result of this performance, the Company increased its annual dividend to \$.50 per share in 2002 from \$.43 per share in 2001. Effective January 1, 2002, the Company adopted Statements of Financial Accounting Standards Numbers 142 and 147 and ceased amortization of goodwill from business combinations. The adoption of these accounting standards increased 2002 diluted earnings per share by \$.17 per diluted share.

Net interest income before provision for loan losses was \$26,726,000 for 2002 as compared to \$23,916,000 in 2001, representing an increase of \$2,810,000. An increase in the net interest margin and growth in net average earning assets helped to increase 2002 profitability. The Company's tax equivalent net interest margin for 2002 increased to 4.09% as compared to 3.99% in 2001 due to growth in the loan portfolio and lower funding costs. Loan balances increased by \$26.6 million during the year. The loan growth was primarily in commercial and commercial real estate loans. The Company incurred net charge-offs of \$1,054,000 in 2002 as compared with \$435,000 for 2001. The increase in net charge-offs led

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management to increase the provision for loan losses to \$1,075,000 for 2002 as compared with \$600,000 in 2001.

Non-interest income was \$10,832,000 for 2002 as compared to \$8,672,000 in 2001. The increase was primarily the result of increased insurance commission revenue generated since the purchase of The Checkley Agency, Inc., in January, 2002, growth in deposit service charges as a result of increases in deposit balances and overdraft fees, and a lower interest rate environment that has led to increased mortgage loan originations and sales.

Non-interest expenses of \$24,444,000 increased by \$2,012,000 when compared to 2001 primarily as a result of the increased costs associated with the acquisition and operations of Checkley and the operations of the Highland banking center acquired in April 2001. In addition, expenses associated with the opening of new locations in Champaign and Maryville were incurred in 2002.

During 2002, we acquired 240,346 shares of our own stock in open market and through privately-negotiated transactions. These acquisitions of stock were made under a share repurchase program which we initiated in 1998 and which is ongoing. For additional information about the program, please contact Ms. Christie Burich, Vice-President and Director of Shareholder Services, at (217) 258-0493 or by email at cburich@firstmid.com.

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

Condensed Consolidated Balance Sheets

(In thousands, except share data) (unaudited)

December 31,
2002

Dec

Assets

| | | |
|--|----|-----------|
| Cash and due from banks | \$ | 42,432 |
| Federal funds sold | | 27,225 |
| Investment securities: | | |
| Available-for-sale, at fair value | | 166,415 |
| Held-to-maturity, at amortized cost (estimated fair value of \$1,927 and \$2,136 at December 31, 2002 and December 31, 2001, respectively) | | 1,902 |
| Loans | | 499,864 |
| Less allowance for loan losses | | (3,723) |
| | | ----- |
| Net loans | | 496,141 |
| Premises and equipment, net | | 16,916 |
| Goodwill, net | | 9,034 |
| Intangible assets, net | | 4,586 |
| Other assets | | 11,589 |
| | | ----- |
| Total assets | | \$776,240 |
| | | ===== |

Liabilities and Stockholders' Equity

Deposits:

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| | |
|--|-----------|
| Non-interest bearing | \$ 84,025 |
| Interest bearing | 529,427 |
| | ----- |
| Total deposits | 613,452 |
| Repurchase agreements with customers | 44,184 |
| Other borrowings | 44,625 |
| Other liabilities | 7,172 |
| | ----- |
| Total liabilities | \$709,433 |
| | ----- |
| Stockholders' Equity: | |
| Common stock (\$4 par value; authorized 6,000,000 shares; issued 3,603,737 shares in 2002 and 3,546,060 shares in 2001) | \$14,415 |
| Additional paid-in-capital | 14,450 |
| Retained earnings | 45,896 |
| Deferred compensation | 1,589 |
| Accumulated other comprehensive income | 2,373 |
| Treasury stock at cost, 414,562 shares in 2002 and 174,216 shares in 2001 | (11,916) |
| | ----- |
| Total stockholders' equity | 66,807 |
| | ----- |
| Total liabilities and stockholders' equity | \$776,240 |
| | ===== |

Condensed Consolidated Statements of Income
(In thousands) (unaudited)

| For the year ended December 31, | 2002 | 2001 |
|---|----------|-----------|
| Interest income: | | |
| Interest and fees on loans | \$33,726 | \$ 36,877 |
| Interest on investment securities | 7,325 | 8,294 |
| Interest on federal funds sold and other | 336 | 335 |
| | ----- | ----- |
| Total interest income | 41,387 | 45,506 |
| Interest expense: | | |
| Interest on deposits | 12,253 | 18,773 |
| Interest on repurchase agreements with customers | 345 | 915 |
| Interest on other borrowings | 2,063 | 1,902 |
| | ----- | ----- |
| Total interest expense | 14,661 | 21,590 |
| Net interest income | 26,726 | 23,916 |
| | ----- | ----- |
| Provision for loan losses | 1,075 | 600 |
| Net interest income after provision for loan losses | 25,651 | 23,316 |
| Non-interest income: | | |
| Trust revenues | 1,855 | 1,924 |
| Brokerage commissions | 265 | 234 |
| Insurance commissions | 1,182 | 122 |
| Service charges | 3,799 | 3,122 |
| Securities gains, net | 223 | 208 |
| Mortgage banking revenues | 1,514 | 1,156 |
| Other | 1,994 | 1,906 |
| | ----- | ----- |
| Total non-interest income | 10,832 | 8,672 |
| Non-interest expense: | | |
| Salaries and employee benefits | 12,732 | 11,116 |
| Net occupancy and equipment expense | 4,055 | 3,909 |

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| | | |
|-----------------------------------|----------|----------|
| Amortization of goodwill | -- | 704 |
| Amortization of intangible assets | 676 | 524 |
| Other | 6,981 | 6,179 |
| | ----- | ----- |
| Total non-interest expense | 24,444 | 22,432 |
| | ----- | ----- |
| Income before income taxes | 12,039 | 9,556 |
| | ----- | ----- |
| Income taxes | 4,005 | 3,040 |
| | ----- | ----- |
| Net income | \$ 8,034 | \$ 6,516 |
| | ===== | ===== |

Condensed Consolidated Statements of Changes in Stockholders' Equity
(In thousands) (unaudited)

| | | |
|--|-----------|-----------|
| For the year ended December 31, | 2002 | 2001 |
| Balance at beginning of year | \$ 63,925 | \$ 57,727 |
| Net income | 8,034 | 6,516 |
| Dividends on stock | (1,640) | (1,460) |
| Issuance of stock | 1,394 | 1,151 |
| Purchase of treasury stock | (6,540) | (1,037) |
| Change in accumulated other comprehensive income | 1,634 | 1,028 |
| | ----- | ----- |
| Balance at end of year | \$ 66,807 | \$ 63,925 |
| | ===== | ===== |

Per Share Information
(unaudited)

| | | |
|---------------------------------|----------|----------|
| For the year ended December 31, | 2002 | 2001 |
| Basic earnings per share | \$ 2.39 | \$ 1.93 |
| Diluted earnings per share | \$ 2.38 | \$ 1.92 |
| Book value per share | \$ 20.95 | \$ 18.96 |

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www.firstmid.com