

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

FIRST MID ILLINOIS BANCSHARES INC
Form 8-K
November 08, 2006

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):
SEPTEMBER 30, 2006

FIRST MID-ILLINOIS BANCSHARES, INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State of Other Jurisdiction of Incorporation)

0-13368
(Commission File Number)

37-1103704
(IRS Employer Identification No.)

1515 CHARLESTON AVENUE
MATTOON, IL
(Address of Principal Executive Offices)

61938
(Zip Code)

(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

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

Incorporated by reference is the quarterly shareholder report issued by the Registrant on November 8, 2006, attached as Exhibit 99, providing information concerning the Registrant's financial statements as of September 30, 2006.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit 99 - Quarterly shareholder report as of and for the period ending September 30, 2006

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: November 8, 2006

/s/ William S. Rowland

William S. Rowland
Chairman and Chief Executive Officer

INDEX TO EXHIBITS

| Exhibit Number | Description |
|-------------------|--|
| 99 | Quarterly shareholder report issued November 8, 2006 |

Exhibit 99

[GRAPHIC OMITTED] [GRAPHIC OMITTED]

The financial performance of First Mid-Illinois Bancshares, Inc. was good during the first nine months of 2006 with diluted earnings per share increasing 4% to

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

\$1.66 compared to \$1.59 per share during the same period in 2005. Net income increased to \$7,359,000 for the first nine months of 2006 compared to \$7,242,000 for the first nine months of 2005.

On May 1, 2006, we completed the acquisition of Peoples State Bank of Mansfield. This means that the 2006 consolidated financial statements include the results of Peoples since that date. I am pleased to report that for the first five months of operation Peoples has provided a positive contribution to earnings. In addition, the integration and combination of Peoples into First Mid-Illinois Bank & Trust, N.A. was completed as scheduled during the third quarter.

Net interest income is our largest source of revenue and increased to \$22,748,000 for the first nine months of 2006 from \$21,546,000 for the same period last year. This increase is the result of growth resulting from the Peoples acquisition as well as organic growth. A challenging rate environment and intense competition for loans and deposits has led to contraction of the net interest margin. Our net interest margin for 2006 is 3.50% as compared to 3.69% for the first nine months of 2005. Loan balances on September 30, 2006 were \$727 million as compared to \$638 million on December 31, 2005 with the majority of this growth in commercial real estate loans. Additionally, \$55 million in loan balances were added with the Peoples acquisition. Deposit balances on September 30, 2006 were \$791 million compared to \$649 million on December 31, 2005 with \$114 million added with Peoples.

Non-interest income amounted to \$9,824,000 for the first nine months of 2006 compared to \$9,381,000 in 2005. Increases in long-term interest rates led to a decline in mortgage banking revenues, but service charge income from deposit accounts and insurance commissions increased. During the first nine months of 2005, we recognized \$315,000 in gains on the sales of securities whereas we recognized only \$66,000 in gains during the first nine months of 2006 due to the interest rate environment and investment portfolio liquidity requirements.

Non-interest expense increased to \$20,947,000 compared with \$19,193,000 in 2005. This increase is primarily attributed to the Peoples acquisition. In addition, we began expensing stock options in 2006 per new accounting regulations. This accounting change resulted in additional compensation expense of \$135,000 being recorded in the first nine months of 2006. In previous years, this amount has been shown only in the footnotes to the financial statements.

We continue to stress the importance of credit quality. Total non-performing assets were \$4.2 million on September 30, 2006 as compared to \$3.8 million on September 30, 2005. Our provision for loan losses amounted to \$575,000 for the first nine months of 2006 as compared to \$550,000 for the first nine months of 2005. Net charge-offs were \$652,000 for the first nine months of 2006 compared to \$497,000 for the same period last year.

In addition to the growth of our balance sheet and growth in the number of banking locations, I am pleased to report that we continue to move forward with opportunities to add to the expertise and depth of professional bankers in our Company. With our expansion in Champaign and Piatt counties through the Peoples acquisition, we have added Mitchel Swim to our commercial banking team. Mitch is a Mahomet resident and brings over 16 years of lending experience. In addition, we have added Stacy Womack as Vice President of Employee Benefits. Stacy brings a wealth of experience in assisting customers with group health insurance and employee benefit plans. Stacy has over 16 years of experience in this business. We have also recently added William Drake to lead our retail lending efforts in Madison and St. Clair Counties. Bill has 21 years of banking experience with a large regional bank. The addition of these quality individuals demonstrates our desire to provide the expertise needed to determine the best financial solutions for our customers.

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

I would like to also thank Bob Swift for his years of service with First Mid. Bob recently announced that he will be resigning from First Mid in December to take a position with a bank in Colorado. We wish him well in his new position. Susan Young, one of our Senior Vice-Presidents, will assume the leadership responsibilities for the trust and wealth management division. Susan has managed operations for the area for the past several years and provides a wealth of experience in investment, tax, and estate planning.

Thank you for your continued support of First Mid-Illinois Bancshares, Inc.

Sincerely,
/s/ William S. Rowland
Chairman and Chief Executive Officer

November 8, 2006

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) | Sep 30, | Dec 31, |
|---|-------------|-----------|-----------|
| | | 2006 | 2005 |
| <hr/> | | | |
| Assets | | | |
| Cash and due from banks | | \$17,688 | \$19,131 |
| Federal funds sold and other interest-bearing deposits | | 476 | 426 |
| Investment securities: | | | |
| Available-for-sale, at fair value | | 197,815 | 155,841 |
| Held-to-maturity, at amortized cost (estimated fair value of \$1,365 and \$1,442 at September 30, 2006 and December 31, 2005, respectively) | | 1,343 | 1,412 |
| Loans | | 726,954 | 638,133 |
| Less allowance for loan losses | | (5,976) | (4,648) |
| <hr/> | | | |
| Net loans | | 720,978 | 633,485 |
| Premises and equipment, net | | 16,536 | 15,168 |
| Goodwill, net | | 17,363 | 9,034 |
| Intangible assets, net | | 5,364 | 2,778 |
| Other assets | | 15,923 | 13,298 |
| <hr/> | | | |
| Total assets | | \$993,486 | \$850,573 |
| <hr/> | | | |
| Liabilities and Stockholders' Equity | | | |
| Deposits: | | | |
| Non-interest bearing | | \$111,750 | \$95,305 |
| Interest bearing | | 679,004 | 553,764 |
| <hr/> | | | |
| Total deposits | | 790,754 | 649,069 |
| Repurchase agreements with customers | | 55,031 | 67,380 |
| Other borrowings | | 44,200 | 44,500 |
| Junior subordinated debentures | | 20,620 | 10,310 |
| Other liabilities | | 7,151 | 6,988 |

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

| | | |
|--|-----------|-----------|
| Total liabilities | 917,756 | 778,247 |
| Stockholders' Equity: | | |
| Common stock (\$4 par value; authorized 18,000,000 shares; issued 5,688,404 shares in 2006 and 5,633,621 shares in 2005) | 22,753 | 22,534 |
| Additional paid-in capital | 21,109 | 19,439 |
| Retained earnings | 67,098 | 60,867 |
| Deferred compensation | 2,610 | 2,440 |
| Accumulated other comprehensive income | (152) | (739) |
| Treasury stock at cost, 1,369,808 shares in 2006 and 1,241,359 shares in 2005 | (37,688) | (32,215) |
| Total stockholders' equity | 75,730 | 72,326 |
| Total liabilities and stockholders' equity | \$993,486 | \$850,573 |

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

| For the nine months ended September 30, | 2006 | 2005 |
|---|----------|----------|
| Interest income: | | |
| Interest and fees on loans | \$34,169 | \$27,894 |
| Interest on investment securities | 5,937 | 4,618 |
| Interest on federal funds sold and other | 208 | 218 |
| Total interest income | 40,314 | 32,730 |
| Interest expense: | | |
| Interest on deposits | 13,091 | 8,318 |
| Interest on repurchase agreements with customers | 1,665 | 997 |
| Interest on subordinated debt | 1,890 | 1,408 |
| Interest on other borrowings | 920 | 461 |
| Total interest expense | 17,566 | 11,184 |
| Net interest income | 22,748 | 21,546 |
| Provision for loan losses | 575 | 550 |
| Net interest income after provision for loan losses | 22,173 | 20,996 |
| Non-interest income: | | |
| Trust revenues | 1,801 | 1,756 |
| Brokerage commissions | 418 | 284 |
| Insurance commissions | 1,343 | 1,264 |
| Service charges | 3,897 | 3,420 |
| Securities gains, net | 66 | 315 |
| Mortgage banking revenues | 288 | 605 |
| Other | 2,011 | 1,737 |
| Total non-interest income | 9,824 | 9,381 |
| Non-interest expense: | | |
| Salaries and employee benefits | 11,391 | 10,223 |
| Net occupancy and equipment expense | 3,570 | 3,199 |
| Amortization of intangible assets | 545 | 430 |
| Other | 5,441 | 5,341 |
| Total non-interest expense | 20,947 | 19,193 |
| Income before income taxes | 11,050 | 11,184 |

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

| | | |
|--------------|---------|---------|
| Income taxes | 3,691 | 3,942 |
| ----- | | |
| Net income | \$7,359 | \$7,242 |
| ===== | | |

Per Share Information
(unaudited)

| | | |
|---|---------|---------|
| For the nine months ended September 30, | 2006 | 2005 |
| Basic earnings per share | \$1.69 | \$1.63 |
| Diluted earnings per share | \$1.66 | \$1.59 |
| Book value per share at September 30 | \$17.54 | \$16.35 |
| Market price of stock at September 30 | \$41.50 | \$41.00 |

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

| | | |
|---|----------|----------|
| For the nine months ended September 30, | 2006 | 2005 |
| Balance at beginning of period | \$72,326 | \$69,154 |
| Net income | 7,359 | 7,242 |
| Dividends on stock | (1,128) | (1,056) |
| Issuance of stock | 1,481 | 1,544 |
| Purchase of treasury stock | (5,303) | (4,304) |
| Deferred compensation adjustment | 408 | 140 |
| Changes in accumulated other comprehensive income (loss) | 587 | (745) |
| ----- | | |
| Balance at end of period | \$75,730 | \$71,975 |
| ===== | | |