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FIRST MID ILLINOIS BANCSHARES INC

Form 8-K

October 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):
OCTOBER 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 October 29, 2003, attached as Exhibit 99, providing information concerning the Registrant's financial statements as of September 30, 2003.

Item 7. Financial Statements and Exhibits

(c) Exhibits

Exhibit 99 - Quarterly shareholder report issued October 29, 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.

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FIRST MID-ILLINOIS BANCSHARES, INC.

Dated: October 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 October 29, 2003

Exhibit 99

October 29, 2003

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

Our financial results for the first nine months of 2003 were good, with diluted earnings per share amounting to \$2.14 per share. This amount represents a 21% increase from the \$1.77 per share we earned during the same period in 2002. Total net income during the first nine months of 2003 was \$6,877,000, representing a 14% increase from the \$6,046,000 we earned during the same period in 2002. Earnings per share increased faster than net income because of our share buy-back program. Year-to-date in 2003, we have acquired 103,419 shares at a total investment of \$3,466,000. This program has proven to be an effective way of increasing value for shareholders. Any shareholder who wishes to use this service should contact Mrs. Christie Wright at (217) 258-0493.

Higher non-interest income was the primary factor in the earnings growth. Non-interest income increased to \$9,913,000 for the first nine months of 2003 as compared to \$7,727,000 for the same period in 2002. Residential real estate activity has continued to be strong throughout our franchise area, with mortgage banking revenue increasing to \$1,755,000 for the first nine months of 2003 from \$1,054,000 for the same period in 2002. Most of the residential real estate loans we originate are sold into the secondary market for interest rate risk management purposes. In addition, growth in deposit service charges due to increases in deposit balances and overdraft fees, and increased insurance commissions also contributed to the non-interest income increase.

Net interest income declined slightly for the first nine months, amounting to \$19,965,000 in 2003 as compared to \$20,001,000 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 nine months of 2002 to 3.81% for the first nine months of 2003. We have been able to offset the margin compression by increasing our loan volumes. Loan balances have increased by \$40 million since December 31, 2002, with the growth primarily in commercial real estate loans.

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Our provision for loan losses amounted to \$750,000 for the first nine months of 2003 as compared to \$775,000 during the same period last year, with net charge-offs declining to \$205,000 for the first nine months of 2003 as compared with \$578,000 for the same period in 2002. Non-performing loans on September 30, 2003 were \$4,766,000 as compared with \$3,149,000 on December 31, 2002.

Non-interest expenses of \$18,674,000 increased by \$769,000 for the first nine months of 2003 when compared to the same period in 2002 primarily as a result of the increased costs associated with the locations in Champaign and Maryville that were opened in November, 2002. Both branches have had solid loan and deposit growth and are now adding to our profitability.

Thank you for your support and for your 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)

Sept

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 \$1,714 and \$1,927 at September 30, 2003 and December 31, 2002, respectively)

Loans

Less allowance for loan losses

Net loans

remises 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

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Other liabilities

Total liabilities

Stockholders' Equity:

Common stock (\$4 par value; authorized 6,000,000 shares;

Issued 3,663,610 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, 517,981 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 nine months ended September 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

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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 nine month period ended September 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)

For the nine months ended September 30,

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