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

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 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:		

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

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

First Mid-Illinois Bancshares, Inc.

1515 Charleston Avenue
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(217) 234-7454

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