

FIRST MID ILLINOIS BANCSHARES INC
Form 10-Q
November 07, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 0-13368

FIRST MID-ILLINOIS BANCSHARES, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

37-1103704
(I.R.S. employer identification no.)

**1515 Charleston Avenue,
Mattoon, Illinois**
(Address of principal executive offices)

61938
(Zip code)

(217) 234-7454
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of November 7, 2007, 6,291,336 common shares, \$4.00 par value, were outstanding.

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PART I

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets

(Unaudited)

	September 30, 2007	December 31, 2006
(In thousands, except share data)		
Assets		
Cash and due from banks:		
Non-interest bearing	\$ 22,406	\$ 20,266
Interest bearing	193	200
Federal funds sold	12,780	1,370
Cash and cash equivalents	35,379	21,836
Investment securities:		
Available-for-sale, at fair value	188,783	179,108
Held-to-maturity, at amortized cost (estimated fair value of \$1,211 and \$1,346 at September 30, 2007 and December 31, 2006, respectively)	1,198	1,323
Loans held for sale	1,459	2,234
Loans	740,591	721,334
Less allowance for loan losses	(6,136)	(5,876)
Net loans	734,455	715,458
Interest receivable	8,893	8,417
Premises and equipment, net	15,761	16,293
Goodwill, net	17,363	17,363
Intangible assets, net	4,519	5,148
Other assets	12,798	13,379
Total assets	\$ 1,020,608	\$ 980,559
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	\$ 114,759	\$ 121,405
Interest bearing	676,142	649,190
Total deposits	790,901	770,595
Securities sold under agreements to repurchase	58,892	66,693
Interest payable	2,466	2,445
Other borrowings	64,000	37,800
Junior subordinated debentures	20,620	20,620
Other liabilities	4,647	6,620
Total liabilities	941,526	904,773
Stockholders' Equity		
Common stock, \$4 par value; authorized 18,000,000 shares; issued 7,125,713 shares in 2007 and 8,552,886 shares in 2006	28,503	22,808
Additional paid-in capital	23,147	21,261
Retained earnings	48,400	68,625
Deferred compensation	2,531	2,629
Accumulated other comprehensive income	237	19
Less treasury stock at cost, 814,120 shares in 2007 and 2,121,269 shares in 2006	(23,736)	(39,556)
Total stockholders' equity	79,082	75,786
Total liabilities and stockholders' equity	\$ 1,020,608	\$ 980,559

See accompanying notes to unaudited condensed consolidated financial statements.

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**Condensed Consolidated Statements of Income
(unaudited)**

(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Interest income:				
Interest and fees on loans	\$ 12,971	\$ 12,369	\$ 37,565	\$ 34,169
Interest on investment securities	2,293	2,353	6,774	5,937
Interest on federal funds sold	25	78	168	183
Interest on deposits with other financial institutions	4	4	12	25
Total interest income	15,293	14,804	44,519	40,314
Interest expense:				
Interest on deposits	5,538	5,261	16,230	13,091
Interest on securities sold under agreements to repurchase	631	654	1,800	1,665
Interest on other borrowings	839	620	2,084	1,890
Interest on subordinated debentures	394	426	1,177	920
Total interest expense	7,402	6,961	21,291	17,566
Net interest income	7,891	7,843	23,228	22,748
Provision for loan losses	203	171	598	575
Net interest income after provision for loan losses	7,891	7,843	23,228	22,748
Other income:				
Trust revenues	589	592	1,924	1,801
Brokerage commissions	119	122	371	418
Insurance commissions	447	361	1,573	1,343
Service charges	1,438	1,413	4,152	3,897
Securities gains, net	55	67	211	66
Mortgage banking revenue, net	146	127	400	288
Other	819	686	2,360	2,011
Total other income	3,613	3,368	10,991	9,824
Other expense:				
Salaries and employee benefits	4,134	4,036	12,218	11,391
Net occupancy and equipment expense	1,230	1,236	3,644	3,570
Amortization of intangible assets	196	216	629	545
Stationery and supplies	139	165	422	430
Legal and professional	421	374	1,275	1,005
Marketing and promotion	353	240	622	660
Other	1,100	1,106	3,648	3,346
Total other expense	7,573	7,373	22,458	20,947
Income before income taxes	3,728	3,667	11,163	11,050
Income taxes	1,259	1,234	3,693	3,691
Net income	\$ 2,469	\$ 2,433	\$ 7,470	\$ 7,359
Per share data:				
Basic earnings per share	\$ 0.39	\$ 0.38	\$ 1.17	\$ 1.13
Diluted earnings per share	\$ 0.38	\$ 0.37	\$ 1.15	\$ 1.11
Cash dividends per share	\$ -	\$ -	\$ 0.19	\$ 0.17

See accompanying notes to unaudited condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows (unaudited) (In thousands)	Nine months ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 7,470	\$ 7,359
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	598	575
Depreciation, amortization and accretion, net	1,363	1,220