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FIRST MID ILLINOIS BANCSHARES INC

Form 11-K

June 30, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

FIRST MID-ILLINOIS BANCSHARES, INC.
401 (k) PROFIT SHARING PLAN

(Full Title of Plan)

FIRST MID-ILLINOIS BANCSHARES, INC.
1515 Charleston Avenue
P.O. Box 499
Mattoon, Illinois 61938

(Name of Issuer of the Securities Held Pursuant to the Plan
and the Address of the Principal Executive Officer)

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN

Financial Statements and Supplemental Schedule

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN

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Independent Auditors' Report

The Participants and Plan Trustee of the
First Mid-Illinois Bancshares, Inc.
401(k) Profit Sharing Plan:

We have audited the accompanying statements of net assets available for plan benefits of the First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan as of December 31, 2002 and 2001, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2002. These financial statements are the responsibility of the plan administrator. Our

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responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the plan administrator, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan as of December 31, 2002 and 2001, and the changes in net assets available for plan benefits for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules & Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the plan administrator. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Chicago, Illinois

June 20, 2003

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN
Statements of Net Assets Available for Plan Benefits
December 31, 2002 and 2001

	2002	2001
	-----	-----
Assets:		
Investments, at fair value:		
Mutual funds	\$ 6,203,795	\$ 7,177,175
Money market funds	571,049	221,488
Certificates of deposit	1,259,367	1,303,496
Employer common stock	3,955,176	3,247,187
Common stock	--	123,008
Participant loans	292,283	240,965
	-----	-----

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	12,281,670	12,313,319
Receivables:		
Interest and dividends	45,282	33,777
	-----	-----
Total assets	12,326,952	12,347,096
Liabilities:		
Cash overdraft	--	1,637
Refunds due to excess contributions	--	8,299
	-----	-----
Net assets available for plan benefits	\$ 12,326,952	\$ 12,337,160
	=====	=====

See accompanying notes to financial statements.

FIRST MID-ILLINOIS BANCSHARES, INC. 401(k) PROFIT SHARING PLAN Statement of Changes in Net Assets Available for Plan Benefits Year ended December 31, 2002

Additions to net assets attributed to:	
Investment income (loss):	
Interest and dividends	\$ 212,517
Net depreciation in fair value of investments	(1,119,601)

Total investment loss	(907,084)

Contributions:	
Employer	542,016
Participants	624,545
Rollovers	457,548

Total contributions	1,624,109

Total additions	717,025
Deductions from net assets attributed to:	
Benefit payments	727,233

Net decrease in net assets available for plan benefits	(10,208)
Net assets available for plan benefits:	
Beginning of year	12,337,160

End of year	\$ 12,326,952
	=====

See accompanying notes to financial statements.

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FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2002 and 2001

(1) Description of Plan

The following description of the First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan established January 1, 1985, covering all eligible employees of First Mid-Illinois Bancshares, Inc. (the Company) and any of its subsidiary corporations. All employees who have completed one-half year of service are eligible to participate in the Plan. Under the provisions of the Plan, each participant may direct their contributions into any of eleven investment options available under the Plan. The Plan currently offers eight mutual funds, a money market fund, certificates of deposit, and the Company's common stock as investment options for participants. Participants are also allowed to transfer all or part of their actual balances between these funds. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Under the provisions of the Plan, all employees who have entered into a compensation reduction agreement with the Company may elect to reduce their eligible compensation by up to any percentage, subject to the dollar limitations of Section 402(g) of the Internal Revenue Code (Code), (\$11,000 for the 2002 Plan year), and to have the Company contribute this amount to the Plan as a before-tax contribution of the participant. The Company also makes a matching contribution calculated as a percentage of the before-tax contribution made on behalf of each contributing participant. The Company determines this percentage each year. Matching contributions, however, will not exceed 2% of the eligible compensation of each participant in any year and cannot exceed 50% of the employees elected deferral. For the year ended December 31, 2002, the matching contribution percentage was 2%.

The Company may also, at its sole discretion, contribute to the Plan an amount to be determined from year to year as a profit sharing contribution. For the year ended December 31, 2002, the profit sharing contribution was 4% of eligible compensation. The profit sharing contribution is maintained in a nonparticipant directed investment until this contribution is allocated by the plan to the participant accounts. Participants who work at least 1,000 hours of service during the Plan year are entitled to this contribution regardless of whether they elect to make a before-tax contribution.

Participant Accounts

Separate participant accounts are maintained for the purpose of distributing the Plan's earnings or losses, forfeitures, voluntary employee contributions, and employer contributions. Allocations of the Plan's earnings or losses, forfeitures and employer contributions to

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the participant accounts are based on participant earnings or account balances, as defined in the Plan. Forfeited nonvested accounts are allocated to participant accounts annually. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2002 and 2001

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 40% of their vested account balance. Loan transactions are treated as a transfer between the various investment funds and participant loans. Maturity dates range from August 2003 through January 2018. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the plan administrator. Interest rates on loans outstanding at December 31, 2002 ranged from 4.25% to 9.50%. Principal and interest is paid ratably through periodic payroll deductions.

Vesting

Participants are immediately vested in their voluntary contribution and the Company's matching contribution, and any earnings thereon. The Company's 4% profit sharing contribution, and any earnings thereon, vest according to the following schedule:

Years of service	Vested Percentage
-----	-----
1	0%
2	20
3	40
4	60
5	80
6	100

Payments of Benefits

On termination of service, a participant's vested account balance will be paid in the form of a lump sum distribution.

Administrative Expenses

Administrative expenses of the Plan are paid by the Company.

Forfeited Accounts

Forfeitures of terminated nonvested account balances allocated to remaining participants at December 31, 2002 and 2001 totaled \$23,373 and \$16,227, respectively. Forfeitures are allocated to participant accounts as a pro rata share based on compensation.

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Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event the Plan is terminated, participants will become fully vested in their accounts.

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2002 and 2001

(2) Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation and Income Recognition

Quoted market prices are used to value the mutual funds and stock. Money market accounts and certificates of deposit are valued at cost, which approximates fair value. Participant loans are recorded at the unpaid principal balance of the loans which approximates fair value. The Plan's investments are held in a trust account (the Trust) administered by First Mid-Illinois Bank & Trust (the Bank), a wholly owned subsidiary of the Company.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Payment of Benefits

Benefits are recorded when paid.

(3) Investments

The following table presents the fair value of individual investments which represent 5% or more of the Plan's net assets available for plan benefits at December 31:

Investment	Description	2002	2001
First Mid-Illinois Bank & Trust Certificate of Deposit	Certificate of deposit	\$ 877,943	\$ 960,206

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Federated Max Capital Fund	Mutual fund	1,549,310	1,981,559
Janus Adviser Balance Fund	Mutual fund	1,003,246	1,041,766
Janus Adviser Worldwide Fund	Mutual fund	963,317	1,252,844
Vanguard Growth Index Fund	Mutual fund	1,339,681	1,735,326
First Mid-Illinois Bancshares, Inc. shares	Common stock	3,955,176	3,247,187

FIRST MID-ILLINOIS BANCSHARES, INC. 401(k) PROFIT SHARING PLAN Notes to Financial Statements December 31, 2002 and 2001

During 2002, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

Mutual funds	\$ (1,573,726)
Employer stock	454,125

Net depreciation in fair value Of investments	\$ (1,119,601) =====

(4) Nonparticipant-Directed Investments

Information about the net assets relating to the nonparticipant-directed investments as of December 31, 2002 and 2001, and the components of the changes for the years ended December 31, 2002 and 2001, as follows:

	2002	2001
	-----	-----
Net assets:		
Certificate of deposit	\$ 382,317	\$ 343,290
Changes in net assets:		
Contributions	\$ 376,644	\$ 331,044
Interest income	7,184	12,246
Transfers to participant-directed investments	(344,801)	(302,883)
	-----	-----
	\$ 39,027	\$ 40,407
	=====	=====

FIRST MID-ILLINOIS BANCSHARES, INC. 401(k) PROFIT SHARING PLAN Notes to Financial Statements December 31, 2002 and 2001

(5) Tax Status of the Plan

The Company adopted a Prototype Standardized Profit Sharing Plan with a cash or deferral arrangement which received a favorable opinion letter from the Internal Revenue Service on August 7, 2001 stating that the Plan

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and related Trust are designed in accordance with applicable sections of the Internal Revenue Code, and the Trust is, therefore, exempt from Federal income tax under provisions of Section 501(a). The Plan has been amended since receiving the opinion letter. However, the plan administrator and the Plan's legal counsel believe that the Plan is designed and currently being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

(6) Transactions with Related Parties

The Plan holds certificates of deposit with the Bank, a related party. The certificates of deposit totaled \$1,259,367 and \$1,303,496 at December 31, 2002 and 2001 and interest income of \$32,482 was recorded during 2002. The Plan also had an investment in 146,488 and 136,436 shares of the Company's common stock at December 31, 2002 and 2001, respectively. The common stock had a cost and fair value of \$2,752,336 and \$3,955,176, respectively, at December 31, 2002 and \$2,498,471 and \$3,247,187 respectively, at December 31, 2001. Related dividends received on the Company's stock for 2002 were \$72,628.

(7) Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for plan benefits per the financial statements at December 31, 2002 to the Form 5500:

Net assets available for plan benefits per the financial statements	\$ 12,326,952
Benefit obligations current payable	--

Net assets available for plan benefits per the Form 5500	\$ 12,326,952
	=====

The following is a reconciliation of benefit payments per the financial statements for the year ended December 31, 2002, to the Form 5500:

Benefit payments per the financial statements	\$ 727,233
Benefit obligations payable at December 31, 2001	(5,661)

Benefit payments per the Form 5500	\$ 721,572
	=====

Benefit payments to participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to year end, but not yet paid as of that date.

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
December 31, 2002

Identity of issuer and description of investment	Number of Shares or units	
--	---------------------------------	--

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Money market accounts:

Federated Prime Obligation Funds #10	27,393	\$ 27
Federated Prime Obligation Fund 396	541,172	541
NTHN Institutional Funds Government Select	2,484	2

Certificates of deposit:

First Mid-Illinois Bank & Trust CD; 2.96%, maturing January 2, 2003 (nonparticipant-directed, cost of \$381,424)*	--	381
First Mid-Illinois Bank & Trust CD; 2.96%, maturing January 2, 2003 (participant-directed)*	--	877

Mutual funds:

Federated Mid Capital Index Fund	33,044	471
Federated Max Capital Fund	87,089	1,549
Federated Total Return Bond Fund	43,104	465
Fidelity Low Priced Stock Fund	1,832	46
Janus Adviser Balance Fund	47,774	1,003
Janus Adviser Worldwide Fund	44,577	963
PBHG Growth Fund	18,630	264
T. Rowe Price Mid-Cap Value	6,777	101
Vanguard Growth Index Fund	67,152	1,339

Common stock:

First Mid-Illinois Bancshares, Inc. *	146,488	3,955
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Participant loans (at interest rates ranging from 4.25% to 9.50%, with maturity dates ranging from August 2003 to January 2018)	292,283	292
---	---------	-----

Total investments		\$ 12,281
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* Party-in-interest

See accompanying independent auditors' report.

SIGNATURES

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

FIRST MID-ILLINOIS BANCSHARES, INC.

Date: June 25, 2003

By: /s/ William S. Rowland

William S. Rowland
President and Chief Executive Officer

Exhibit Index to Annual Report on Form 11-K

Exhibit Number	Description and Filing or Incorporation Reference
23.1	Consent of KPMG LLP
99.1	President and Chief Executive Officer Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
99.2	Chief Financial Officer Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
First Mid-Illinois Bancshares, Inc.:

We consent to incorporation by reference in the registration statement (No.

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33-64139) on Form S-8 of First Mid-Illinois Bancshares, Inc. of our report dated June 20, 2003, relating to the statements of net assets available for plan benefits of First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan as of December 31, 2002 and 2001, the related statement of changes in net assets available for plan benefits for the year ended December 31, 2002, and the supplemental schedule of assets (held at end of year) as of December 31, 2002, which appears in the December 31, 2002 annual report on Form 11-K of the First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan.

/s/ KPMG LLP

Chicago, Illinois
June 25, 2003

Exhibit 99.1

Certification pursuant to
18 U.S.C. section 1350,
as adopted pursuant to
section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan (the "Plan") on Form 11-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William S. Rowland, President and Chief Executive Officer of First Mid-Illinois Bancshares, Inc. (the "Company"), certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Plan.

/s/ William S. Rowland

William S. Rowland
President and Chief Executive Officer
June 25, 2003

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A signed original of this written statement required by Section 906 has been provided to First Mid-Illinois Bancshares, Inc. and will be retained by First Mid-Illinois Bancshares, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.2

Certification pursuant to
18 U.S.C. section 1350,
as adopted pursuant to
section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan (the "Plan") on Form 11-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael L. Taylor, Chief Financial Officer of First Mid-Illinois Bancshares, Inc. (the "Company"), certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Plan.

/s/ Michael L. Taylor

Michael L. Taylor
Chief Financial Officer
June 25, 2003

A signed original of this written statement required by Section 906 has been provided to First Mid-Illinois Bancshares, Inc. and will be retained by First Mid-Illinois Bancshares, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.