SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant |X|

Filed by a Party other than the Registrant |_|

Check the appropriate box:

|_| Preliminary Proxy Statement
|_| Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
|X| Definitive Proxy Statement
|_| Definitive Additional Materials
|_| Soliciting Material pursuant to Rule 14a-12

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

FIRST MID-ILLINOIS BANCSHARES, INC.
(Name of Person(s) Filing Proxy Statement)

Payment of filing fee (check the appropriate box):

|X| No fee required.

|_| Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction: (5) Total fee paid:

|_| Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No. : (3) Filing Party:
(4) Date Filed:

April 19, 2005

Dear Fellow Stockholder:

On behalf of the Board of Directors and management of First Mid-Illinois Bancshares, Inc., I cordially invite you to attend the Annual Meeting of Stockholders of First Mid-Illinois Bancshares, Inc. to be held at 4:00 p.m. on May 25, 2005, in the lobby of First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois.

The accompanying Notice of Annual Meeting of Stockholders and Proxy Statement discuss the business to be conducted at the meeting. We have also enclosed a copy of the Company's 2004 Report to the Owners and its Annual Report on Form 10-K for the recently completed fiscal year. At the meeting, we will report on Company operations and the outlook for the year ahead. Directors and officers of the Company, as well as a representative of KPMG LLP, the Company's independent auditors, will be present to respond to any appropriate questions stockholders may have.

I encourage you to attend the meeting in person. Whether or not you plan to attend the meeting, please act promptly to vote your shares. You may vote your shares by completing, signing and dating the enclosed proxy card and returning it in the accompanying postage paid envelope provided. You also may vote your shares by telephone or through the Internet by following the instructions set forth on the proxy card. If you attend the meeting, you may vote your shares in person, even if you have previously submitted a proxy in writing, by telephone or through the Internet. This will ensure that your shares are represented at the meeting. If you have any questions concerning these matters, please contact me at (217) 258-0415 or Christie Wright, Manager of Shareholder Services, at (217) 258-0493. We look forward with pleasure to seeing and visiting with you at the meeting.

Very truly yours,

FIRST MID-ILLINOIS BANCSHARES, INC.

/s/ William S. Rowland

William S. Rowland
Chairman and Chief Executive Officer

1515 Charleston Avenue * P.O. Box 499 * Mattoon, IL 61938 * Phone:(217) 258-0493

Notice of
Annual Meeting of Stockholders
To Be Held May 25, 2005

First Mid-Illinois Bancshares, Inc.
1515 Charleston Avenue, P.O. Box 499
Mattoon, Illinois 61938
(217) 258-0493

NOTICE IS HEREBY GIVEN, that the Annual Meeting of Stockholders of First Mid-Illinois Bancshares, Inc. will be held in the lobby of First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois, on Wednesday, May 25, 2005 at 4:00 p.m. local time.

The meeting is for the purpose of considering and acting upon:

1. The election of three directors of the Company; and
2. Such other matters as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on April 1, 2005 as the record date for the determination of the stockholders entitled to vote at the meeting and any adjournments thereof.

You are requested to act promptly to vote your shares by completing, signing and returning the enclosed proxy card in the enclosed return envelope or by telephone or through the Internet by following the instructions set forth on the proxy card.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ William S. Rowland

William S. Rowland
Chairman and Chief Executive Officer

Mattoon, Illinois
April 19, 2005

Proxy Statement

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of First Mid-Illinois Bancshares, Inc. to be voted at the Annual Meeting of Stockholders to be held in the lobby of First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois, on Wednesday, May 25, 2005 at 4:00 p.m. local time. The Board of Directors would like to have all stockholders represented at the meeting. Please complete, sign and return your proxy card in the enclosed return envelope, telephone the toll-free number listed on your proxy card, or use the Internet site listed on your proxy card.

The accompanying Notice of Annual Meeting, this Proxy Statement and the proxy card are first being mailed to stockholders on or about April 19, 2005. The Company's Annual Report on Form 10-K for the recently completed fiscal year, which includes the consolidated financial statements of the Company, is also enclosed.

The Company is a diversified financial services company which serves the financial needs of central Illinois. The Company owns all the outstanding capital stock of First Mid-Illinois Bank & Trust, N.A., a national banking association (the "Bank"), with offices in Mattoon, Charleston, Effingham, Altamont, Neoga, Sullivan, Arcola, Taylorville, Tuscola, Monticello, DeLand, Urbana, Decatur, Highland, Pocahontas, Champaign, and Maryville, Illinois; Mid-Illinois Data Services, Inc., a data processing company ("Data Services"); and The Checkley Agency, Inc., an insurance agency ("Checkley").

Only holders of record of the Company's Common Stock at the close of business on April 1, 2005 (the "Record Date") will be entitled to vote at the annual meeting or any adjournments or postponements of such meeting. On the Record Date, the Company had 4,443,296 shares of Common Stock issued and outstanding. In the election of directors, and for any other matters to be voted upon at the annual meeting, each issued and outstanding share of Common Stock is entitled to one vote.

You may revoke your proxy at any time before it is voted. Unless so revoked, the shares represented by such proxies will be voted at the annual meeting and all adjournments thereof.

You may revoke your proxy at any time before it is voted by delivering written notice of revocation to the Secretary of the Company at 1515 Charleston Avenue, P.O. Box 499, Mattoon, Illinois 61938, by executing and delivering a subsequently dated proxy, by voting by telephone or through the Internet on a later date, or by attending the annual meeting and voting in person. Proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given therein. Where no instructions are indicated, proxies will be voted in accordance with the recommendations of the Board of Directors with respect to the proposal described herein.

A quorum of stockholders is necessary to take action at the annual meeting. The presence, in person or by proxy, of the holders of a majority of the shares of Common Stock of the Company entitled to vote at the meeting will constitute a quorum. Votes cast by proxy or in person at the meeting will be tabulated by the inspector of election appointed for the meeting and will be counted as present for purposes of determining whether a quorum is present. The inspector of election will treat broker non-votes as present and entitled to vote for purposes of determining whether a quorum is present. "Broker non-votes" refers to a broker or other nominee holding shares for a beneficial owner not voting on a particular proposal because the broker or other nominee does not have discretionary voting power regarding that item and has not received instructions from the beneficial owner.

The expenses of solicitation, including the cost of printing and mailing, will be paid by the Company. Proxies are being solicited principally by mail, by telephone, and by e-mail. In addition, directors, officers and regular employees of the Company may solicit proxies personally, by telephone, by fax or by special letter. The Company may also reimburse brokers, nominees and other fiduciaries for their reasonable expenses in forwarding proxy materials to beneficial owners.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The following table sets forth, as of March 1, 2005, the number of shares of Common Stock beneficially owned by each person known by the Company to be the beneficial owner of more than five percent of the outstanding shares of Common Stock (who are not also directors), each director nominee of the Company, each director, the "named executive officers" (as defined below) and all director nominees, directors and executive officers of the Company as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Perc Stoc
Principal Stockholders		

David R. Hodgman c/o Schiff Hardin LLP 6600 Sears Tower Chicago, Illinois 60606	255,966 (2)
Director Nominees, Directors and Named Executive Officers:	
Charles A. Adams	375,931 (3)
Kenneth R. Diepholz	41,608 (4)
Joseph R. Dively	2,850 (5)
Steven L. Grissom	290,728 (6)
Richard Anthony Lumpkin	419,216 (7)
Daniel E. Marvin, Jr.	94,327 (8)
Gary W. Melvin	190,726 (9)
Sara Jane Preston	15,447 (10)
William S. Rowland	80,340 (11)
Ray Anthony Sparks	187,858 (12)
John W. Hedges	17,467 (13)
Robert J. Swift, Jr.	2,580 (14)
Stanley E. Gilliland	44,602 (15)
Michael L. Taylor	9,062 (16)
All directors and executive officers as a group (17 persons)	1,786,301 (17)

(1) Unless otherwise indicated, the nature of beneficial ownership for shares shown in this column is sole voting and investment power. The information contained in this column is based upon information furnished to the Company by the persons named above.

(2) The above amount includes 127,983 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990, and 127,983 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990. Mr. Hodgman, who serves as co-trustee of the aforementioned trusts, disclaims beneficial ownership of the foregoing 255,966 shares held by these trusts.

(3) The above amount includes 84,030 shares held by Mr. Adams individually. The above amount also includes 253,481 shares of Common Stock held by a corporation which Mr. Adams is deemed to control; 5,202 shares held by Mr.

Adams' spouse, over which shares Mr. Adams has no voting and investment power; 28,718 shares held for the account of Mr. Adams under the Company's Deferred Compensation Plan; and options to purchase 4,500 shares of Common Stock.

(4) The above amount includes 13,255 shares held by Mr. Diepholz individually. The above amount also includes 15,228 shares held for the account of Mr. Diepholz under an Individual Retirement Account; and options to purchase 13,125 shares of Common Stock.

(5) The above amount includes 600 shares held by Mr. Dively individually and options to purchase 2,250 shares of common stock.

(6) The above amount includes 26,137 shares held by Mr. Grissom. The above amount also includes 127,983 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990, and 127,983 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990. Mr. Grissom, who serves as co-trustee of the aforementioned trusts, disclaims beneficial ownership of the foregoing 255,966 shares held by these trusts. The above amount also includes options to purchase 8,625 shares of Common Stock.

(7) The above amount includes 180,566 shares held by Mr. Lumpkin individually. The above amount also includes 88,732 shares held by The Lumpkin Family Foundation, of which Mr. Lumpkin serves as a trustee, and of which shares beneficial ownership is disclaimed; 66,989 shares held by SKL Investment Group, of which Mr. Lumpkin is a voting member; 37,746 shares held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Richard Anthony Lumpkin, under which Mr. Lumpkin has sole voting and investment power; 32,058 shares held for the account of Mr. Lumpkin under the Company's Deferred Compensation Plan; and options to purchase 13,125 shares of Common Stock.

(8) The above amount includes 20,282 shares held by Mr. Marvin individually. The above amount also includes 19,750 shares held by Mr. Marvin's spouse, over which shares Mr. Marvin has no voting or investment power and of which Mr. Marvin disclaims beneficial ownership; 2,307 shares held by Mr. Marvin's grandchildren, over which Mr. Marvin has shared voting and investment power; 24,091 shares held for the account of Mr. Marvin under an Individual Retirement Account; 6,897 shares held for the account of Mr. Marvin under the Company's Deferred Compensation Plan; and options to purchase 21,000 shares of Common Stock.

(9) The above amount includes 153,580 shares held by Mr. Melvin. The above amount also includes 24,021 shares held for the account of Mr. Melvin under the Company's Deferred Compensation Plan; options to purchase 13,125 shares of Common Stock.

(10) The above amount includes 4,425 shares held by Ms. Preston individually. The above amount also includes 2,397 shares held for the account of Ms. Preston under the Company's Deferred Compensation Plan; and options to purchase 8,625 shares of Common Stock.

(11) The above amount includes 635 shares held by Mr. Rowland individually. The above amount also includes 16,522 shares for the account of Mr. Rowland under an Individual Retirement Account; 5,460 shares held for the account of Mr. Rowland under the Company's 401(k) Plan; 4,038 shares held for the account of Mr. Rowland under the Company's Deferred Compensation Plan; and options to purchase 53,685 shares of Common Stock.

(12) The above amount includes 107,348 held by Mr. Sparks. The above amount also includes 57,682 shares held by Sparks Investment Group, LP, and 2,600 held by the Sparks Foundation over which Mr. Sparks shares voting and investment power; 5,730 shares held by Mr. Sparks' spouse, over which shares Mr. Sparks has no voting and investment power; 675 shares by Mr. Sparks' child, over which Mr. Sparks has shared voting and investment power; 11,573 shares held for the account of Mr. Sparks under the Company's Deferred Compensation Plan; and options to purchase 2,250 shares of Common Stock.

(13) The above amount includes 375 shares held by Mr. Hedges individually. The above amount also includes 881 shares held for the account of Mr. Hedges under the Company's 401(k) Plan; 2,029 shares held for the account of Mr. Hedges under the Company's Deferred Compensation Plan; and options to purchase 14,182 shares of Common Stock.

(14) The above amount includes 1,277 shares held for the account of Mr. Swift under the Company's 401(k) Plan; and 1,303 shares held for the account of Mr. Swift under the Company's Deferred Compensation Plan.

(15) The above amount includes 12,198 shares held by Mr. Gilliland. The above amount also includes 3,412 shares held for the account of Mr. Gilliland under an Individual Retirement Account; 11,466 shares held for the account of Mr. Gilliland under the Company's 401(k) Plan; 2,218 shares held for the account of Mr. Gilliland under the Company's Deferred Compensation Plan; and options to purchase 15,308 shares of Common Stock.

(16) The above amount includes 1,092 shares held by Mr. Taylor individually. The above amount also includes 376 shares held for the account of Mr. Taylor under the Company's 401(k) Plan; and options to purchase 7,594 shares of Common Stock.

(17) Includes an aggregate of 179,644 shares obtainable upon the exercise of options.

(18) Percentage is calculated on a partially diluted basis, assuming only the exercise of stock options by such individual which are exercisable within 60 days.

(19) Percentage is calculated on a fully diluted basis, assuming the exercise of all stock options which are exercisable within 60 days by individuals included in the above table.

* Less than 1%.

As of March 1, 2005, the Bank acted as sole or co-fiduciary with respect to trusts and other fiduciary accounts which own or hold 194,155 shares or 4.4% of the outstanding Common Stock of the Company, over which the Bank has sole voting and investment power with respect to 170,681 shares or 3.8% of the outstanding Common Stock and shared voting and investment power with respect to 23,474 shares or .5% of the outstanding Common Stock.

PROPOSAL I - ELECTION OF DIRECTORS

The directors of the Company are divided into three classes having staggered terms of three years. At the annual meeting, the stockholders will be entitled to elect three Class I directors for a term expiring in 2008. The number of directors is ten, comprised of three Class I directors, four Class II directors, and three Class III directors.

For this year's annual stockholders meeting, the Board of Directors has nominated for election as Class I directors Kenneth R. Diepholz, Steven L. Grissom, and Gary W. Melvin. Messrs. Diepholz, Grissom and Melvin have served as directors of the Company since 1990, 2000 and 1990, respectively. The three individuals receiving the highest number of votes cast will be elected as directors of the Company and will serve as Class I directors for three year terms expiring in 2008. Broker non-votes, because they are not considered votes cast, will not be counted in the vote totals. The Company has no knowledge that any of the nominees will refuse or be unable to serve, but if any of the nominees becomes unavailable for election, the holders of the proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting.

The following table sets forth as to each nominee and director continuing in office, his or her name, age, principal occupation and the year he or she first became a director of the Company. Unless otherwise indicated, the principal occupation listed for each person below has been his or her occupation for the past five years.

Name	Age at April 1, 2005	Principal Occupation
DIRECTOR NOMINEES		
Kenneth R. Diepholz	66	Director of the Bank (since 1984) and of the Compa President, Ken Diepholz Chevrolet, Inc. (until 200 and Vice President, Ken Diepholz Chevrolet, Inc. (since 2000); Vice President, Diepholz Auto Group (since 2003); President, D-Co Coin Laundry; Presid Augusta Lakes; Owner, Diepholz Rentals.
Steven L. Grissom	52	Director of the Bank and the Company (since 2000); Treasurer and Secretary of Consolidated Communications, Inc. (since 2003); Administrative Officer of SKL Investment Group, LLC (since 1997); Treasurer of Illinois Consolidated Telephone Compa (since 1989); Secretary of Illinois Consolidated Telephone Company (since 2003).
Gary W. Melvin	56	Director of the Bank (since 1984) and of the Compa Director of Data Services (since 1987); President and Co-Owner, Rural King Stores.
DIRECTORS CONTINUING IN OFFICE		
Joseph R. Dively	45	Director of the Bank and the Company (since 2004); Senior Vice President of Consolidated Communicatio Inc. and President of Illinois Telephone Operation (since 2003); Vice President of Illinois Consolida Telephone Company (until 2002).
Richard Anthony Lumpkin	70	Director of the Bank (since 1966) and of the Compa Chairman of the Board of Homebase Acquisition, LLC (since 2003); Chairman of the Board of Consolidate Communications, Inc. (since 2003); Chairman of the

		Board of Consolidated Communications Ventures Comp (since 2004); Director of Ameren Corporation (sinc 1995); Vice Chairman, McLeod USA Inc. (until 2002) Chairman, President, and CEO, Illinois Consolidate Telephone Company (until 2002); in 1997, Illinois Consolidated Telephone Company merged with McLeod in January 2002, McLeod USA filed a pre-negotiated plan of reorganization through a Chapter 11 petiti filed in the U.S. Bankruptcy Court for the Distric Delaware in order to complete a recapitalization; April 2002, this plan of reorganization became effective and McLeod USA emerged from Chapter 11 protection; in December 2002, a corporation led by Lumpkin (Homebase Acquisition, LLC) completed its acquisition of Illinois Consolidated Telephone Com and other operating entities from McLeod USA in connection with the recapitalization; Director of Illuminet Holdings, Inc. (until 2001).
Sara Jane Preston	64	Director of the Bank (since 1999) and of the Compa Director of Checkley (since 2002); retired Preside and CEO of Charleston National Bank and the southe Illinois lending operations of its successor organizations (Boatmen's National Bank, NationsBan and BankAmerica).
William S. Rowland	58	Chairman, President, Chief Executive Officer and Director of the Company; Executive Vice President (1997-1999), Treasurer and Chief Financial Officer (1989-1999) of the Company; Director of Data Servi (since 1989); Director (since 1999), Chairman (sin 1999), and Executive Vice President (1989-1999) of Bank; Director of Checkley (since 2002).
Charles A. Adams	63	Director of the Bank (since 1989) and of the Compa Director of Data Services (since 1987); Director of Checkley (since 2002); President, Howell Paving, Inc.
Daniel E. Marvin, Jr.	66	President Emeritus, Eastern Illinois University (s 2002); Chairman, President, Chief Executive Office (1983-1999) and Director of the Company; Director (since 1980), Chairman (1983-1999), and President Chief Executive Officer (1983-1997) of the Bank; Director of Data Services (1987-1992).
Ray Anthony Sparks	48	Director of the Bank (since 1997) and of the Compa Director of Data Services (since 1996); Director o Checkley (since 2002); former President of Elasco Agency Sales, Inc. and Electrical Laboratories and Sales Corporation; private investor, Sparks Invest Group, LP.

The Board of Directors recommends a vote "FOR" the election of Directors Diepholz, Grissom and Melvin for a term of three years.

Name	Age at April 1, 2005	Principal Occupation
NAMED EXECUTIVE OFFICERS		
John W. Hedges	57	President of the Bank (since 1999 Vice President of the Company (si Senior Vice President, National C 1999).
Robert J. Swift, Jr.	53	Executive Vice President of the B and Vice President of the Company former Senior Vice President, Cen (until 2000).
Stanley		E. Gilliland 60 Executive Vice President of the Bank (since 1994) and Vice President of the Company (since 1984).
Michael L. Taylor	36	Executive Vice President and Chie of the Bank (since 2000) and Vice Chief Financial Officer of the Co Vice President of AMCORE Bank (un

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company has established an audit committee and a compensation committee. These committees are composed entirely of outside directors. The Board has also created other company-wide committees composed of officers of the Company and its subsidiaries.

The Company does not maintain any standing nominating committee. The entire Board performs the functions of a nominating committee, and considers and acts on all matters relating to the nomination of individuals for election as directors. The Board does not believe it needs a separate nominating committee because the Board has the time and resources to perform the function of selecting director nominees. Also, more than two-thirds of the directors satisfy the independence requirements of the New York Stock Exchange. When the Board performs its nominating function, the Board acts in accordance with the Company's Certificate of Incorporation.

Stockholders entitled to vote for the election of directors may submit candidates for consideration by the Company if the Company receives timely written notice, in proper form, for each such director nominee. If the notice is not timely and in proper form, the nominee will not be considered by the Company. To be timely for the annual meeting, the notice generally must be received within the time frame set forth in "Notice Provisions For Stockholder Nominations of Directors" below. To be in proper form, each written nomination must set forth: (1) the name, age, business address and, if known, the residence address of the nominee, (2) the principal occupation or employment of the nominee for the past five years, and (3) the number of shares of stock of the Company beneficially owned by the nominee and by the nominating stockholder.

In the consideration of director nominees, including any nominee that a stockholder may submit, the Board of Directors considers, at a minimum, the following factors for new directors, or the continued service of existing directors: (a) the ability of the prospective nominee to represent the interests of the stockholders of the Company; (b) the prospective nominee's standards of integrity, commitment and independence of thought and judgment; (c) the prospective nominee's ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties; and (d) the extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the Board.

Members of the audit committee are Messrs. Adams, Diepholz, Dively, Grissom, Marvin, Melvin, and Sparks, and Ms. Preston. The audit committee assists the Board of Directors in overseeing the corporate financial reporting process and the internal and the independent outside audits of the Company. The audit committee met eight times in 2004.

The members of the compensation committee are Messrs. Adams, Diepholz, Dively, Grissom, Lumpkin, Marvin, Melvin, and Sparks, and Ms. Preston. The compensation committee reports to the Board of Directors and has responsibility for all matters related to compensation of executive officers of the Company, including review and approval of base salaries, conducting a review of salaries of executive officers compared to other financial services companies in the region, fringe benefits, including modification of the retirement plan, and incentive compensation. The compensation committee met three times in 2004.

A total of 14 regularly scheduled and special meetings were held by the Board of Directors of the Company during 2004. During 2004, all directors attended at least 75 percent of the meetings of the Board and the committees on which they served.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The members of the audit committee of the Company during the fiscal year ended December 31, 2004 were Messrs. Sparks (Chairman), Adams, Diepholz, Dively, Grissom, Marvin, and Melvin, and Ms. Preston. The Board of Directors determined that each member of the audit committee satisfies the independence requirements of the New York Stock Exchange.

The Securities and Exchange Commission requires that boards of directors determine whether any audit committee member qualifies as an "audit committee financial expert." The Board of Directors determined that Steven L. Grissom is an audit committee financial expert.

The audit committee acts pursuant to a written charter that was reviewed and reassessed for adequacy and reaffirmed by the Board of Directors on January 25, 2005. The audit committee will continue to review and reassess the charter from time to time but not less than annually. A copy of this Audit Committee Charter is attached as Appendix A to this Proxy Statement.

The audit committee reviewed and discussed with management the Company's audited financial statements as of and for fiscal year ended December 31, 2004.

The audit committee also discussed with the independent auditors, KPMG LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. The audit committee received the written disclosures from KPMG LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, and discussed with KPMG LLP the independence of that firm.

Based on the review and discussion referred to above, the audit committee affirmed the determination of the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

In addition, the audit committee considered whether the provision of services by KPMG LLP not related to the audit of the financial statements referred to above and to the reviews of the interim financial statements included in the Company's Forms 10-Q for the quarters ended March 31, 2004, June 30, 2004, and September 30, 2004 were compatible with maintaining the independence of KPMG LLP.

This audit committee report is submitted by the audit committee of the Board of Directors:

Ray Anthony Sparks, Chairman	Steven L. Grissom
Charles A. Adams	Daniel E. Marvin, Jr.
Kenneth R. Diepholz	Gary W. Melvin
Joseph R. Dively	Sara Jane Preston

FEES OF INDEPENDENT AUDITORS

Audit Fees. The aggregate fees billed for professional services rendered by KPMG LLP for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2004 and 2003, audit of the Company's internal control over financial reporting as of December 31, 2004, and the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q for said fiscal years were $233,800 and $103,100, respectively.

Audit-Related Fees. The aggregate fees billed for professional services rendered by KPMG LLP for audit-related services for the fiscal years ended December 31, 2004 and 2003 (namely, employee benefit plan audit) were $10,000 and $9,600, respectively.

Tax Fees. The aggregate fees billed for professional services rendered by KPMG LLP for the fiscal year ended December 31, 2004 were $4,850 for compliance and $3,500 for a stock split tax treatment memorandum. Tax fees for the fiscal year ended December 31, 2003 were $19,948 for amended tax returns and $4,350 for compliance.

All Other Fees. The aggregate fees billed for professional services rendered by KPMG LLP for all products and services other than the foregoing for the fiscal years ended December 31, 2004 and 2003 were zero and zero, respectively.

The audit committee preapproves all auditing services and permitted non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. The audit committee preapproved all services performed by the independent auditors in 2004.

EXECUTIVE COMPENSATION

Summary Compensation Information. The following table summarizes compensation for services to the Company and the Company's subsidiaries for the years ended December 31, 2004, 2003 and 2002 paid to or earned by any person serving as the Chief Executive Officer of the Company, and the four other most highly compensated executive officers of the Company, who are sometimes herein referred to as the "named executive officers."

Name and Principal Position	Year	Annual Compensation(1)		Securities Underlying Options(#)
		Salary(2)	Bonus	
William S. Rowland, Chairman,	2004	$ 214,000	$ 87,740	12,000
President and Chief Executive Officer	2003	$ 200,000	$ 87,000	12,000
of the Company	2002	$ 187,000	$ 74,800	12,000
John W. Hedges, Executive Vice	2004	$ 150,000	$ 38,850	4,875
President of the Company	2003	$ 140,000	$ 40,915	4,875
	2002	$ 130,000	$ 40,950	4,875
Robert J. Swift, Jr., Vice President	2004	$ 128,000	$ 27,562	3,375
of the Company	2003	$ 126,500	$ 27,198	3,375
	2002	$ 126,500	$ 23,719	3,375
Stanley E. Gilliland,	2004	$ 118,400	$ 22,045	3,375
Vice President of the Company	2003	$ 116,000	$ 22,838	3,375
	2002	$ 113,500	$ 23,409	3,375
Michael L. Taylor, Vice President and	2004	$ 110,000	$ 23,444	3,375
Chief Financial Officer of the Company	2003	$ 100,000	$ 22,063	3,375
	2002	$ 94,000	$ 22,443	3,375

(1) None of the named executive officers received any perquisites or other personal benefits, securities, or property in an amount exceeding 10% of his salary and bonus during 2004, 2003, and 2002.

(2) Includes deferred amounts.

(3) Represents the Company's contributions to its retirement plan for 2004, 2003, and 2002 of $12,300, $12,000 and $12,000, respectively, and an annual premium payment for an insurance policy purchased to fund a supplemental retirement and death benefit for Mr. Rowland in the amount of $5,898 for each year.

(4) Represents the Company's contributions to its retirement plan for each given year.

The following table sets forth information regarding individual grants of stock options made in 2004 to the named executive officers.

Name	Number of Securities Underlying Options Granted (#)(1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expir- ation Date	Potenti Annual R Ap O 5%
William S. Rowland	12,000	22%	$ 41.00	12/14/14	$ 309,
John W. Hedges	4,875	9%	$ 41.00	12/14/14	$ 125,
Robert J. Swift, Jr.	3,375	6%	$ 41.00	12/14/14	$ 87,
Stanley E. Gilliland	3,375	6%	$ 41.00	12/14/14	$ 87,
Michael L. Taylor	3,375	6%	$ 41.00	12/14/14	$ 87,

(1) The options become exercisable with respect to 25% of the shares covered thereby beginning on January 1, 2006 and on each of the following three anniversaries of this date.

The following table sets forth information regarding the year-end values of unexercised stock options held by the named executive officers.

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)	
			Exercisable	Unexercisable
William S. Rowland	--	--	55,125	18,375
John W. Hedges	--	--	14,063	6,937
Robert J. Swift, Jr.	2,531.25	$78,410(2)	--	5,062
Stanley E. Gilliland	2,250.00	$59,737(2)	17,438	5,062
Michael L. Taylor	843.75	$17,297(2)	7,594	5,062

(1) This amount represents the difference between the market value of one share of the Company's Common Stock on December 31, 2004 ($38.00) and the option exercise price times the total number of shares subject to exercisable or unexercisable options.

(2) This amount represents the difference between the market value of one share of the Company's Common Stock on the day of exercise and the option exercise price times the number of shares exercised.

Supplemental Executive Retirement Plan. The Company's supplemental executive retirement plan (the "SERP") applies to senior management employees recommended by the President and designated by the compensation committee. Mr. Rowland is the only member of current management which has been so designated. The SERP provides for Mr. Rowland to receive an annual benefit of a maximum of $50,000 for a 20 year period following his retirement. This benefit is subject to a vesting schedule with full benefit vesting at age 63. The Company serves as beneficiary of life insurance policies on Mr. Rowland with a death benefit of $750,000.

Employment Agreements. In January 2005, the Company entered into a new employment agreement with William S. Rowland. The employment agreement generally provides for an initial base salary, which may be increased but not decreased, and a bonus of up to 50% of base salary, as well as other benefits under the agreement. The agreement has an initial term of three years, which may be extended upon mutual agreement. In the event of termination of Mr. Rowland's

employment by the Company without cause, the Company will be obligated to pay an amount equal to one year's salary. Under certain circumstances, if Mr. Rowland's employment discontinues following a change in control of the Company, the successor to the Company is obligated, among other things, to pay an amount equal to two years' base salary. The employment agreement includes a covenant which limits the ability of Mr. Rowland to compete with the Bank for a period of two years following the termination of his employment. In October 2002, the Company entered into a similar agreement with John W. Hedges, which provides for a bonus of up to 35% of base salary, and a payment in an amount equal to two years' base salary if employment discontinues following a change in control of the Company.

In August 2003, the Company entered into a similar agreement with Robert J. Swift, Jr., which provides for a bonus of up to 25% of base salary and a payment in an amount equal to one year's base salary if employment discontinues following a change in control of the Company. In May 2004, the Company entered into a similar agreement with Stanley E. Gilliland, which provides for a bonus of up to 25% of base salary and a payment in an amount equal to one year's base salary if employment discontinues following a change in control of the Company. In May 2004, the Company entered into a similar agreement with Michael L. Taylor, which provides for a bonus of up to 25% of base salary and a payment in an amount equal to one year's base salary if employment discontinues following a change in control of the Company.

Compensation Committee Interlocks and Insider Participation. The members of the compensation committee of the Board of Directors of the Company for the fiscal year ended December 31, 2004 were Messrs. Diepholz (Chairman), Adams, Dively, Grissom, Lumpkin, Marvin, Melvin, and Sparks, and Ms. Preston. During the fiscal year ended December 31, 2004, no member of the compensation committee was an officer or employee or a former officer of the Company or its subsidiaries, other than Mr. Marvin, the former Chairman, President and Chief Executive Officer of the Company. Also, during the fiscal year ended December 31, 2004, Mr. Rowland served as a member of the compensation committee and as director of Coles Together, a not-for-profit economic development organization, and Mr. Grissom served as Treasurer of Coles Together; Messrs. Hedges and Sparks served as directors, and Mr. Grissom served as President, of Mattoon Area Industrial Development Corporation, a not-for-profit industrial development corporation; Ms. Preston and Messrs. Dively and Hedges served as members of the compensation committee and as directors of Sarah Bush Lincoln Health Systems, a not-for-profit medical facility; and Ms. Preston served as director of Eastern Illinois University Foundation, a not-for-profit organization. See also "Certain Relationships and Related Transactions."

Compensation Committee Report. It is the compensation committee's responsibility to evaluate the performance of management, review total management compensation levels and consider management succession and other related matters. The committee reviews and approves in detail all aspects of compensation for the senior management of the Company.

Compensation for senior management generally includes base salary, annual performance-based incentives and long-term stock incentives. The committee uses a "peer group" of financial institutions, including Illinois banks, public banking companies in the general area and commercial banks in the Midwest region in assessing competitive compensation trends and pay levels.

Base Salaries. Base salaries for executive officers are reviewed annually and may be adjusted, when appropriate, to reflect competitive practices, changes in roles and responsibilities, and individual performance.

Annual Incentive Compensation. Annual incentive amounts are payable contingent upon the performance of the Company, as well as the individual contribution of each officer. As a result, a portion of each executive officer's annual compensation is based upon the officer's performance, the performance of the operating unit for which the officer has primary responsibility, and the performance of the Company as a whole. The formulas for measuring performance and awarding bonuses objectively link financial and individual performance with bonus amounts.

Long Term Stock Incentive Compensation. Stock incentive awards are made under the stockholder-approved First Mid-Illinois Bancshares, Inc. 1997 Stock Incentive Plan (the "Plan"). The Plan is intended to provide a means whereby executive officers may sustain a sense of proprietorship and personal involvement in the continued success of the Company, and to encourage them to remain with and devote their best efforts to the business of the Company, thereby advancing the interest of the Company and its stockholders.

Chief Executive Officer Compensation. The compensation package for Mr. Rowland was determined in the same manner as for all other executive officers, except for Mr. Rowland's annual incentive compensation as described below. In December 2003, the compensation committee reviewed Mr. Rowland's base salary by evaluating the responsibilities of his position and his experience and performance. In addition, the compensation committee reviewed the comparison to base salaries for chief executive officers at peer group companies, and determined to increase Mr. Rowland's 2004 base salary from $200,000 in 2003 to $214,000 for 2004. Mr. Rowland's 2004 annual incentive compensation was based 100% on the Company's total performance without reference to any particular operating unit of the Company or personal objectives. The Company's total performance was measured by comparing the financial results of the Company to the 2004 earnings per share goal established by the compensation committee in November 2003. The compensation committee established $2.15 as the superior level of earnings per share in 2004 necessary for Mr. Rowland to receive a payout of 100% of his annual incentive compensation. Since earnings per share in 2004 were $2.13, Mr. Rowland received an 82% payout, amounting to 41% of his base salary. Finally, in 2004, Mr. Rowland was awarded 12,000 stock options under the Plan.

The 2004 earnings per share of $2.13 represented a $.25 or 13% improvement from 2003's level. Also, the Company's market share increased and various other improvements were made in the Company's operating and administrative functions. Accordingly, Messrs. Rowland, Hedges, Swift, Gilliland, and Taylor were awarded incentive bonuses of $87,740, $38,850, $27,562, $22,045, and $23,444, respectively.

The relationships between the base salaries and incentive compensation of

Messrs. Rowland, Hedges, Swift, Gilliland, and Taylor for 2004, 2003, and 2002 were as follows:

	Incentive Compensation as a Percentage of Base Salary		
	2004	2003	2002
William S. Rowland	41%	44%	40%
John W. Hedges	26%	29%	32%
Robert J. Swift, Jr.	22%	22%	19%
Stanley E. Gilliland	19%	20%	21%
Michael L. Taylor	21%	22%	24%

This compensation committee report is submitted by the compensation committee of the Board of Directors:

Kenneth R. Diepholz, Chairman
Charles A. Adams
Joseph R. Dively
Steven L. Grissom
Richard Anthony Lumpkin
Daniel E. Marvin, Jr.
Gary W. Melvin
Sara Jane Preston
Ray Anthony Sparks

COMMON STOCK PERFORMANCE GRAPH

The following Common Stock price performance graph compares the cumulative total stockholder return on a $100 investment in the Company's Common Stock to the cumulative total return of the S&P 500 Index and the Nasdaq Bank Stock Index for the period from December 31, 1999 through December 31, 2004. The amounts shown assume the reinvestment of dividends.

	Cumulative Total Return				
	12/99	12/00	12/01	12/02	12/
FIRST MID-ILLINOIS BANCSHARES, INC.	100.00	84.25	105.78	125.19	211.
S & P					