Blumer David
Form 3
April 17, 2013

FORM 3

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

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Blumer David
(Last) (First) (Middle)

BLACKROCK, INC.,Â 55 EAST 52ND STREET
(Street)

NEW YORK,Â NYÂ 10055
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
04/17/2013

3. Issuer Name **and** Ticker or Trading Symbol
BlackRock Inc. [BLK]

4. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Managing Director

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Shares Of Common Stock (par Value $0.01 Per Share)	0	D	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative	5. Ownership Form of Derivative Security:	6. Nature of Indirect Beneficial Ownership (Instr. 5)

Date Exercisable	Expiration Date	Title	Amount or Number of Shares	Security	Direct (D) or Indirect (I) (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Blumer David BLACKROCK, INC. 55 EAST 52ND STREET NEW YORK,Â NYÂ 10055	Â	Â	Â Senior Managing Director	Â

Signatures

/s/ J. Russell McGranahan as Attorney-in-Fact	04/17/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

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4 years to 5 years	12,265
Over 5 years	328
Total	$234,755

In 2011 the Company maintained account relationships with various public entities throughout its market areas. Four public entities had total balances of $28.7 million in various checking accounts and time deposits as of December 31, 2011. These balances are subject to change depending upon the cash flow needs of the public entity.

Note 9 – Borrowings

As of December 31, 2011 and 2010 borrowings consisted of the following:

	2011	2010
Securities sold under agreements to repurchase	$132,380	$94,057
Federal Home Loan Bank advances:		
Fixed-term advances	19,750	22,750
Subordinated debentures	20,620	20,620
Other borrowings:		
Due in one year or less	8,250	-
Total	$181,000	$137,427

Aggregate annual maturities of long-term borrowings at December 31, 2011 are:

2012	$14,750
2013	-
2014	-
2015	-
2016	-
Thereafter	25,620
	$40,370

FHLB advances represent borrowings by First Mid Bank to economically fund loan demand. The fixed term advances totaling $19.75 million are as follows:

- $5 million advance at 4.82% with a 5-year maturity, due January 19, 2012, two year lockout, callable quarterly
- $5 million advance at 4.69% with a 5-year maturity, due February 23, 2012, two year lockout, callable quarterly
- $4.75 million advance at 1.60% with a 5-year maturity, due December 24, 2012
- $5 million advance at 4.58% with a 10-year maturity, due July 14, 2016, one year lockout, callable quarterly

Securities sold under agreements to repurchase have overnight maturities and a weighted average rate of .16%. First Mid Bank has collateral pledge agreements whereby it has agreed to keep on hand at all times, free of all other pledges, liens, and encumbrances, whole first mortgages on improved residential property with unpaid principal balances aggregating no less than 133% of the outstanding advances and letters of credit ($0 on December 31, 2011) from the FHLB. The securities underlying the repurchase agreements are under the Company's control.

	2011	2010	2009
Securities sold under agreements to repurchase:			
Maximum outstanding at any month-end	$132,380	$94,530	$83,826
Average amount outstanding for the year	108,240	76,758	72,589

At December 31, 2011 and 2010, there was no outstanding loan balance on a revolving credit agreement with The Northern Trust Company. This loan was renewed on April 22, 2011. The revolving credit agreement has a maximum available balance of $20 million with a term of one year from the date of closing. The interest rate (2.375% at December 31, 2011) is floating at 2.25% over the federal funds rate. The loan is unsecured and subject to a borrowing agreement containing requirements for the Company and First Mid Bank to maintain various operating and capital ratios. The Company and First Mid Bank were in compliance with all the existing covenants at December 31, 2011 and 2010.

As described under Note 1 — "Preferred Stock" above, the Remaining Investors have not yet been issued their shares of Series C Preferred Stock because of unanticipated delays in applying for and obtaining the approval of the Federal Reserve Board, which the these investors must secure to be issued their shares of Series C Preferred Stock. The Company has previously accepted from the Remaining Investors subscriptions for $8,250,000 of the Series C Preferred Stock pursuant to their respective subscription agreements. In November 2011, the disinterested members of the Board of Directors of the Company approved and authorized, and the Remaining Investors agreed to, certain amendments to the Series C Preferred Stock subscription agreements resulting in the release to the Company of the funds escrowed by the Remaining Investors for their subscribed shares of the Series C Preferred Stock and the issuance by the Company of short-term unsecured promissory notes, which are dated November 21, 2011, to the Remaining Investors. The Notes collectively have an aggregate principal amount of $8,250,000 and each have an 8% annual interest rate. The notes have a maturity date of January 20, 2012 and were subsequently renewed on that date for an additional 60 days. Each Note also contains a prepayment provision applicable when approval from the Federal Reserve Board is received to allow the Remaining Investors to purchase the shares of Series C Preferred Stock originally subscribed. Additionally, if the Company experiences an Event of Default as defined in the Note, such as becoming insolvent or generally failing to pay its debts as they become due, then a Remaining Investor may, at his, her or its option, declare the entire unpaid amount of the Note immediately due and payable, without presentment, demand, portents or notice of any kind, and the Remaining Investor shall be entitled to recover from the Company all costs and expenses, including reasonable attorneys' fees and disbursements and court costs, incurred in enforcing the Remaining Investor's rights under the Note.

On February 27, 2004, the Company completed the issuance and sale of $10 million of floating rate trust preferred securities through Trust I, a statutory business trust and wholly-owned unconsolidated subsidiary of the Company, as part of a pooled offering. The Company established Trust I for the purpose of issuing the trust preferred securities. The $10 million in proceeds from the trust preferred issuance and an additional $310,000 for the Company's investment in common equity of the Trust, a total of $10,310 000, was invested in junior subordinated debentures of the Company. The underlying junior subordinated debentures issued by the Company to Trust I mature in 2034, bear interest at three-month London Interbank Offered Rate ("LIBOR") plus 280 basis points, reset quarterly, and are callable, at the option of the Company, at par on or after April 7, 2009. At December 31, 2011 and 2010 the rate was 3.10% and 3.15%, respectively. The Company used the proceeds of the offering for general corporate purposes.

On April 26, 2006, the Company completed the issuance and sale of $10 million of fixed/floating rate trust preferred securities through Trust II, a statutory business trust and wholly-owned unconsolidated subsidiary of the Company, as part of a pooled offering. The Company established Trust II for the purpose of issuing the trust preferred securities. The $10 million in proceeds from the trust preferred issuance and an additional $310,000 for the Company's investment in common equity of Trust II, a total of $10,310 000, was invested in junior subordinated debentures of the Company. The underlying junior subordinated debentures issued by the Company to Trust II mature in 2036, bore interest at a fixed rate of 6.98% paid quarterly until June 15, 2011 and then converted to floating rate (LIBOR plus 160 basis points) after June 15, 2011 (1.95% at December 31, 2011). The net proceeds to the Company were used for general corporate purposes, including the Company's acquisition of Mansfield.

The trust preferred securities issued by Trust I and Trust II are included as Tier 1 capital of the Company for regulatory capital purposes. On March 1, 2005, the Federal Reserve Board adopted a final rule that allows the continued limited inclusion of trust preferred securities in the calculation of Tier 1 capital for regulatory purposes. The final rule provided a five-year transition period, ending September 30, 2010, for application of the revised quantitative limits. On March 17, 2009, the Federal Reserve Board adopted an additional final rule that delayed the effective date of the new limits on inclusion of trust preferred securities in the calculation of Tier 1 capital until September 30, 2011. The Company does not expect the application of the revised quantitative limits to have a significant impact on its calculation of Tier 1 capital for regulatory purposes or its classification as well-capitalized. The Dodd-Frank Act, signed into law July 21, 2010, removes trust preferred securities as a permitted component of a holding company's Tier 1 capital after a three-year phase-in period beginning January 1, 2013 for larger holding companies. For holding companies with less than $15 billion in consolidated assets, existing issues of trust preferred securities are grandfathered and not subject to this new restriction. Therefore, the existing trust preferred securities issued by Trust I and Trust II will continue to count as Tier I capital. New issuances of trust preferred securities, however would not count as Tier 1 regulatory capital.

Note 10 – Regulatory Capital

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Bank holding companies follow minimum regulatory requirements established by the Federal Reserve Board. First Mid Bank follows similar minimum regulatory requirements established for national banks by the OCC. Failure to meet minimum capital requirements can result in the initiation of certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the Company's financial statements.
Quantitative measures established by each regulatory agency to ensure capital adequacy require the reporting institutions to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2011 and 2010, that all capital adequacy requirements have been met.

As of December 31, 2011 and 2010, the most recent notification from the primary regulators categorized First Mid Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios must be maintained as set forth in the table. At December 31, 2011, there are no conditions or events since the most recent notification that management believes have changed this categorization.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2011						
Total Capital (to risk-weighted assets)						
Company	$145,006	14.48 %	$80,093	> 8.00%	N/A	N/A
First Mid Bank	127,386	12.83	79,434	> 8.00	$99,292	> 10.00%
Tier 1 Capital (to risk-weighted assets)						
Company	133,886	13.37	40,046	> 4.00	N/A	N/A
First Mid Bank	116,266	11.71	39,717	> 4.00	59,575	> 6.00
Tier 1 Capital (to average assets)						
Company	133,886	8.99	59,574	> 4.00	N/A	N/A
First Mid Bank	116,266	7.85	59,228	> 4.00	74,035	> 5.00
December 31, 2010						
Total Capital (to risk-weighted assets)						
Company	$118,622	12.84 %	$73,914	> 8.00%	N/A	N/A
First Mid Bank	113,143	12.32	73,491	> 8.00	$91,864	> 10.00%
Tier 1 Capital (to risk-weighted assets)						
Company	108,229	11.71	36,957	> 4.00	N/A	N/A
First Mid Bank	102,748	11.19	36,745	> 4.00	55,118	> 6.00
Tier 1 Capital (to average assets)						
Company	108,229	7.42	58,369	> 4.00	N/A	N/A
First Mid Bank	102,748	7.07	58,141	> 4.00	72,676	> 5.00

Note 11 – Disclosure of Fair Values of Financial Instruments

ACS Topic 820, “Fair Value Measurements,” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In accordance with Topic 820, the Company groups its financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1	Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
Level 2	Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Available-for-Sale Securities. The fair value of available-for-sale securities are determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Level 2 securities include U.S. Treasury securities, obligations of U.S. government corporations and agencies, obligations of states and political subdivisions, mortgage-backed securities, collateralized mortgage obligations and corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include subordinated tranches of collateralized mortgage obligations and investments in trust preferred securities.

The trust preferred securities are collateralized debt obligation securities that are backed by trust preferred securities issued by banks, thrifts, and insurance companies. The market for these securities at December 31, 2011 is not active and markets for similar securities are also not active. The inactivity was evidenced first by a significant widening of the bid-ask spread in the brokered markets in which trust preferred securities trade and then by a significant decrease in the volume of trades relative to historical levels. The new issue market is also inactive as no new trust preferred securities have been issued since 2007. There are currently very few market participants who are willing and or able to transact for these securities. The market values for these securities (and any securities other than those issued or guaranteed by the US Treasury) are very depressed relative to historical levels.

Given conditions in the debt markets today and the absence of observable transactions in the secondary and new issue markets, we determined:

- The few observable transactions and market quotations that are available are not reliable for purposes of determining fair value at December 31, 2011,

- An income valuation approach technique (present value technique) that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs will be equally or more representative of fair value than the market approach valuation technique used at prior measurement dates , and

- The Company’s trust preferred securities will be classified within Level 3 of the fair value hierarchy because we determined that significant adjustments are required to determine fair value at the measurement date.

The following table presents the Company’s assets that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of December 31, 2011 and 2010 (in thousands):

		Fair Value Measurements Using		
December 31, 2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$166,066	$-	$ 166,066	$ -
Obligations of states and political subdivisions	41,202	-	41,202	-

Mortgage-backed securities: GSE residential	261,833	-	261,755	58
Trust preferred securities	719	-	-	719
Other securities	9,096	29	9,067	-
Total available-for-sale securities	$478,916	$29	$ 478,110	$ 777

December 31, 2010				
Available-for-sale securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$152,381	$-	$152,381	$-
Obligations of states and political subdivisions	26,914	-	26,914	-
Mortgage-backed securities: GSE residential	160,931	-	160,863	68
Trust preferred securities	581	-	-	581
Other securities	2,009	31	1,978	-
Total available-for-sale securities	$342,816	$31	$342,136	$649

The change in fair value of assets measured on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2011 and 2010 is summarized as follows (in thousands):

	Available-for-Sale Securities		
December 31, 2011	Mortgaged-backed Securities	Trust Preferred Securities	Total
Beginning balance	$68	$581	$649
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Total gains or losses			
Included in net income	-	(886)	(886)
Included in other comprehensive income (loss)	-	1,108	1,108
Purchases, issuances, sales and settlements			
Purchases	-	-	-
Issuances	-	-	-
Sales	-	-	-
Settlements	(10)	(84)	(94)
Ending balance	$58	$719	$777
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	$-	$(886)	$(886)

	Available-for-Sale Securities		
December 31, 2010	Mortgaged-backed Securities	Trust Preferred Securities	Total
Beginning balance	$75	$3,155	$3,230
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Total gains or losses			
Included in net income	-	(1,418)	(1,418)
Included in other comprehensive income (loss)	1	(1,411)	(1,410)
Purchases, issuances, sales and settlements			
Purchases	-	-	-
Issuances	-	-	-
Sales	-	-	-
Settlements	(8)	255	247
Ending balance	$68	$581	$649
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	$-	$(1,418)	$(1,418)

Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Impaired Loans (Collateral Dependent). Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for determining the amount of impairment and estimating fair value include using the fair value of the collateral for collateral dependent loans. If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

Management establishes a specific reserve for loans that have an estimated fair value that is below the carrying value. The total carrying amount of loans for which a specific reserve has been established as of December 31, 2011 was $2,562,000 and a fair value of $2,282,000 resulting in specific loss exposures of $280,000. At December 31, 2010, the total carrying amount of loans for which a specific reserve had been established was $4,809,000. These loans had a fair value of $3,854,000 which resulted in specific loss exposures of $955,000.

When there is little prospect of collecting either principal or interest, loans, or portions of loans, may be charged-off to the allowance for loan losses. Losses are recognized in the period an obligation becomes uncollectible. The recognition of a loss does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off the loan even though partial recovery may be effected in the future.

Foreclosed Assets Held For Sale. Other real estate owned acquired through loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. The adjustment at the time of foreclosure is recorded through the allowance for loan losses. Due to the subjective nature of establishing the fair value when the asset is acquired, the actual fair value of the other real estate owned or foreclosed asset could differ from the original estimate. If it is determined that fair value declines subsequent to foreclosure, a valuation allowance is recorded through noninterest expense. Operating costs associated with the assets after acquisition are also recorded as noninterest expense. Gains and losses on the disposition of other real estate owned and foreclosed assets are netted and posted to other noninterest expense. The total carrying amount of other real estate owned as of December 31, 2011 was $4,606,000. Other real estate owned measured at fair value on a nonrecurring basis during the period amounted to $2,336,000. The total carrying amount of other real estate owned as of December 31, 2010 was $6,127,000. Other real estate owned measured at fair value on a nonrecurring basis during the period amounted to $940,000.

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2011 and 2010 (in thousands):

		Fair Value Measurements Using		
December 31, 2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans (collateral dependent)	$2,282	$-	$ -	$ 2,282
Foreclosed assets held for sale	2,336	-	-	2,336
December 31, 2010				
Impaired loans (collateral dependent)	$3,854	$-	$-	$3,854
Foreclosed assets held for sale	940	-	-	940

Other

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Cash and Cash Equivalents and Federal Reserve and Federal Home Loan Bank Stock

The carrying amount approximates fair value.

Certificates of Deposit Investments

The fair value of certificates of deposit investments is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Held-to-maturity Securities

Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans

For loans with floating interest rates, it is assumed that the estimated fair values generally approximate the carrying amount balances. Fixed rate loans have been valued using a discounted present value of projected cash flow. The discount rate used in these calculations is the current rate at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The carrying amount of accrued interest approximates its fair value.

Deposits

Deposits include demand deposits, savings accounts, NOW accounts and certain money market deposits. The carrying amount of these deposits approximates fair value. The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Securities Sold Under Agreements to Repurchase

The fair value of securities sold under agreements to repurchased is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Short-term Borrowings and Interest Payable

The carrying amount approximates fair value.

Long-term Debt and Federal Home Loan Bank Advances

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

The following table presents estimated fair values of the Company's financial instruments in accordance with FAS 107-1 and APB 28-1, codified with ASC 805.

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and due from banks	$52,105	$52,105	$151,493	$151.493
Federal funds sold	20,997	20,997	80,000	80,000
Certificates of deposit investments	13,231	13,225	10,000	9,996
Available-for-sale securities	478,916	478,916	342,816	342,816
Held-to-maturity securities	51	51	50	53
Loans held for sale	1,046	1,046	114	114
Loans net of allowance for loan losses	847,908	850,308	794,074	799,039
Interest receivable	7,052	7,052	6,390	6,390
Federal Reserve Bank stock	1,520	1,520	1,520	1,520
Federal Home Loan Bank stock	3,727	3,727	3,727	3,727
Financial Liabilities				
Deposits	$1,170,734	$1,172,069	$1,212,710	$1,214,025
Securities sold under agreements to repurchase	132,380	132,383	94,057	94,058
Interest payable	510	510	701	701
Federal Home Loan Bank borrowings	19,750	20,619	22,750	23,953
Other borrowings	8,250	8,250	-	-
Junior subordinated debentures	20,620	11,969	20,620	11,438

Note 12—Deferred Compensation Plan

The Company follows the provisions of ASC 710, for purposes of the First Mid-Illinois Bancshares, Inc. Deferred Compensation Plan ("DCP"). At December 31, 2011, the Company classified the cost basis of its common stock issued and held in trust in connection with the DCP of approximately $2,904,000 as treasury stock. The Company also classified the cost basis of its related deferred compensation obligation of approximately $2,904,000 as an equity instrument (deferred compensation).

The DCP was effective as of June 1984. The purpose of the DCP is to enable directors, advisory directors, and key employees the opportunity to defer a portion of the fees and cash compensation paid by the Company as a means of maximizing the effectiveness and flexibility of compensation arrangements. The Company invests all participants' deferrals in shares of common stock. Dividends paid on the shares are credited to participants' DCP accounts and invested in additional shares. During 2011 and 2010 the Company issued 5,920 common shares and 4,766 common shares, respectively, pursuant to the DCP.

Note 13 – Stock Incentive Plan

At the Annual Meeting of Stockholders held May 23, 2007, the stockholders approved the First Mid-Illinois Bancshares, Inc. 2007 Stock Incentive Plan (“SI Plan”). The SI Plan was implemented to succeed the Company’s 1997 Stock Incentive Plan, which had a ten-year term that expired October 21, 2007, under which there are still options outstanding. The SI Plan is intended to provide a means whereby directors, employees, consultants and advisors of the Company and its subsidiaries may sustain a sense of proprietorship and personal involvement in the continued development and financial success of the Company and its subsidiaries, thereby advancing the interests of the Company and its stockholders. Accordingly, directors and selected employees, consultants and advisors may be provided the opportunity to acquire shares of Common Stock of the Company on the terms and conditions established in the SI Plan.

On September 27, 2011, the Board of Directors passed a resolution authorizing and approving the Executive Long-Term Incentive Plan (“LTIP”). The LTIP was implemented to provide methodology for granting Stock Awards and Stock Unit Awards under the SI Plan to select senior executives of the Company or any subsidiary.

A maximum of 300,000 shares are authorized under the SI Plan. This amount reflects the Company’s stock split which occurred on June 29, 2007. Options to acquire shares are awarded at an exercise price equal to the fair market value of the shares on the date of grant and have a 10-year term. Options granted to employees vest over a four-year period and options granted to directors vest at the time they are issued. As of December 31, 2010, the Company had awarded 59,500 shares as stock options under the SI Plan.

During the third quarter of 2011, the Company awarded 17,409 shares as 50% Stock Awards and 50% Stock Unit Awards under the LTIP of the SI Plan. There were no shares awarded as stock options during 2011.

The fair value of options granted is estimated on the grant date using the Black-Scholes option-pricing model. Expected volatility is based on historical volatility of the Company’s stock and other factors. The Company uses historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees who have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. There were no options granted during 2011, 2010 or 2009.

The following table summarizes the compensation cost, net of forfeitures, related to stock-based compensation:

	For the Years Ended December 31,		
	2011	2010	2009
Stock and stock unit awards			
Pre-tax compensation expense	$92	$-	$-
Income tax benefit	(32)	-	-
Stock and stock unit awards expense, net of income taxes	$60	$-	$-
Stock options			
Pre-tax compensation expense	$52	$52	$53
Income tax benefit	(1)	(1)	(2)
Stock options expense, net of income taxes	$51	$51	$51

Total share-based compensation			
Pre-tax compensation expense	$144	$52	$53
Income tax benefit	(33)	(1)	(2)
Total share-based compensation expense, net of income taxes	$111	$51	$52

A summary of option activity under the SI Plan and the 1997 Stock Incentive Plan as of December 31, 2011, 2010 and 2009, and changes during the years then ended is presented below:

	2011			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	239,532	$ 22.50		
Granted	-	-		
Exercised	(11,392)	10.67		
Forfeited or expired	-	-		
Outstanding, end of year	228,140	$ 23.09	3.32	$ 159,552
Exercisable, end of year	207,265	$ 22.98	2.99	$ 159,552

Stock options for 202,970 and 182,095 shares of common stock were not considered in computing the aggregate intrinsic value of outstanding shares and exercisable shares, respectively, for 2011 because they were anti-dilutive.

	2010			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	289,033	$ 20.54		
Granted	-	-		
Exercised	(49,500)	11.05		
Forfeited or expired	(1)	8.37		
Outstanding, end of year	239,532	$ 22.50	4.16	$ 204,345
Exercisable, end of year	204,407	$ 22.18	3.58	$ 204,345

Stock options for 202,970 and 167,845 shares of common stock were not considered in computing the aggregate intrinsic value of outstanding shares and exercisable shares, respectively, for 2010 because they were anti-dilutive.

	2009			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	352,425	$ 19.73		
Granted	-	-		
Exercised	(37,267)	10.42		
Forfeited or expired	(26,125)	24.08		

Outstanding, end of year	289,033	$ 20.54	4.67	$533,000
Exercisable, end of year	239,658	$ 19.73	3.88	$533,000

Stock options for 202,970 and 153,595 shares of common stock were not considered in computing the aggregate intrinsic value of outstanding shares and exercisable shares, respectively, for 2009 because they were anti-dilutive.

The total intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009, was $90,000, $365,000, and $308,000, respectively.

A summary of the status of the Company's shares subject to unvested options under the SI Plan and the 1997 Stock Incentive Plan as of December 31, 2011, 2010 and 2009, and changes during the years then ended, is presented below:

	2011		2010		2009	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Unvested, beginning of year	35,125	$ 3.29	49,375	$ 3.34	75,953	$ 3.90
Granted	-	-	-	-	-	-
Vested	(14,250)	3.47	(14,250)	3.47	(24,453)	5.29
Forfeited	-	-	-	-	(2,125)	3.70
Unvested, end of year	20,875	$ 3.16	35,125	$ 3.29	49,375	$ 3.34

As of December 31, 2011 and 2010, there was $17,000 and $69,000, respectively, of total unrecognized compensation cost related to unvested options granted under the SI Plan and the 1997 Stock Incentive Plan. That cost is expected to be recognized over a period of one year. The total fair value of shares subject to options that vested during the years ended December 31, 2011, 2010, and 2009, was $49,000, $49,000, and $129,000, respectively.

The following table summarizes information about stock options under the SI Plan outstanding at December 31, 2011:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
Below $17.50	25,171	0.96	$ 12.11	25,170	$ 12.11
$17.50 to $25.00	91,469	3.41	$ 21.34	78,220	$ 21.06
Above $25.00	111,500	3.78	$ 27.00	103,875	$ 27.06
	228,140	3.32	$ 23.09	207,265	$ 22.98

In September 2011, as part of the LTIP approval, the Board approved a form of Stock Award/Stock Unit Award Agreement and a form of Stock Unit Award Agreement. These forms set forth the terms and conditions of the Stock Awards and Stock Units granted to participants in the Plan as part of their Annual Performance Award and Cumulative Performance Award. Each of the Annual Performance Award and Cumulative Performance Award consists of Stock Awards (50%) and Stock Units (50%), except that Awards to retirement-eligible employees are made 100% in Stock Units. The target number of shares subject to the Stock Awards and/or Stock Units is adjusted by the Board at the end of each applicable performance period based on the actual level of attainment of performance goals previously set by the Board. The Annual Performance Award has a one-year performance period and vest over four years. The Cumulative Performance Award has a three-year performance period and vest at the end of the three-year period. Stock Awards are settled in shares while Stock Units are settled in cash (although Stock Units held by retirement-eligible employees are settled half in shares and half in cash). The following table summarizes non-vested stock and stock unit activity for the year ended December 31, 2011:

	2011	
	Shares	Weighted-avg Grant-date Fair Value
Nonvested, beginning of year	-	$ -
Granted	17,409	18.70
Vested	(2,313)	18.70
Forfeited	-	-
Nonvested, end of year	15,096	$ 18.70
Fair value of shares vested		$ 42,675

The fair value of the awards is amortized to compensation expense over the vesting periods of the awards (four years for annual awards and three years for cumulative awards) and is based on the market price of the Company's common stock at the date of grant multiplied by the number of shares granted that are expected to vest. As of December 31, 2011, there was $216,000, of total unrecognized compensation cost related to unvested stock and stock unit awards under the SI. That cost is expected to be recognized over a period of three years.

Note 14 – Retirement Plans

The Company has a defined contribution retirement plan which covers substantially all employees and which provides for a Company contribution equal to 4% of each participant's compensation and a Company matching contribution of up to 50% of the first 4% of pre-tax contributions made by each participant. Employee contributions are limited to the 402(g) limit of compensation. The total expense for the plan amounted to $930,000, $803,000 and $757,000 in 2011, 2010 and 2009, respectively. The Company also has two agreements in place to pay $50,000 annually for 20 years from the retirement date to the surviving spouse of a deceased former senior officer of the Company and to one current senior officer. Total expense under these two agreements amounted to $55,000, $60,000 and $90,000 in 2011, 2010 and 2009, respectively. The current liability recorded for these two agreements was $918,000 and $913,000, as of December 31, 2011 and 2010, respectively.

Note 15 – Income Taxes

The components of federal and state income tax expense (benefit) for the years ended December 31, 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Current			
Federal	$5,558	$4,167	$4,761
State	1,641	790	761
Total Current	7,199	4,957	5,522
Deferred			
Federal	(435)	(286)	(1,201)
State	(235)	(149)	(314)
Total Deferred	(670)	(435)	(1,515)
Total	$6,529	$4,522	$4,007

Recorded income tax expense differs from the expected tax expense (computed by applying the applicable statutory U.S. federal tax rate of 35% to income before income taxes). During 2011, 2010 and 2009, the Company was in a graduated tax rate position. The principal reasons for the difference are as follows:

	2011	2010	2009
Expected income taxes	$6,265	$4,649	$4,277
Effects of:			
Tax-exempt income	(618)	(511)	(483)
Nondeductible interest expense	16	20	31
State taxes, net of federal taxes	914	417	291
Other items	52	47	(9)

Effect of marginal tax rate	(100)	(100)	(100)
Total	$6,529	$4,522	$4,007

In 2011, the State of Illinois increased the corporate income tax rate from 7.3% to 9.5%. Tax expense recorded by the Company during 2011, 2010 and 2009 did not include any interest or penalties. Tax returns filed with the Internal Revenue Service and Illinois Department of Revenue are subject to review by law under a three-year statute of limitations. The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2008.

The tax effects of the temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2011 and 2010 are presented below:

	2011	2010
Deferred tax assets:		
Allowance for loan losses	$4,489	$4,059
Available-for-sale investment securities	-	1,319
Deferred compensation	984	951
Supplemental retirement	370	357
Core deposit premium amortization	120	26
Interest on non-accrual loans	155	229
Other-than-temporary impairment on securities	1,662	1,261
Expense from other real estate properties held for sale	492	49
Other	148	211
Total gross deferred tax assets	$8,420	$8,462
Deferred tax liabilities:		
Deferred loan costs	$82	$92
Goodwill	2,069	1,620
Prepaid expenses	187	135
FHLB stock dividend	334	322
Depreciation	790	373
Purchase accounting	274	587
Accumulated accretion	59	59
Available-for-sale investment securities	2,012	-
Total gross deferred tax liabilities	$5,807	$3,188
Net deferred tax assets	$2,613	$5,274

Net deferred tax assets are recorded in other assets on the consolidated balance sheets. No valuation allowance related to deferred tax assets was recorded at December 31, 2011 and 2010 as management believes it is more likely than not that the deferred tax assets will be fully realized.

Note 16 – Dividend Restrictions

The National Bank Act imposes limitations on the amount of dividends that may be paid by a national bank, such as First Mid Bank. Generally, a national bank may pay dividends out of its undivided profits, in such amounts and at such times as the bank's board of directors deems prudent. Without prior OCC approval, however, a national bank may not pay dividends in any calendar year which, in the aggregate, exceed the bank's year-to-date net income plus the bank's adjusted retained net income for the two preceding years. Factors that could adversely affect First Mid Bank's net income include other-than-temporary impairment on investment securities that result in credit losses and economic conditions in industries where there are concentrations of loans outstanding that result in impairment of these loans and, consequently loan charges and the need for increased allowances for losses. See "Item 1A. Risk Factors," Note 4 – "Investment Securities" and Note 5 – "Loans" for a more detailed discussion of the factors.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, First Mid Bank exceeded its minimum capital requirements under applicable guidelines as of December 31, 2011. As of December 31, 2011, approximately $24.3 million was available to be paid as dividends to the Company by First Mid Bank. Notwithstanding the availability of funds for dividends, however, the OCC may prohibit the payment of any dividends by First Mid Bank if the OCC determines that such payment would constitute an unsafe or unsound practice.

Note 17 – Commitments and Contingent Liabilities

First Mid Bank enters into financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include lines of credit, letters of credit and other commitments to extend credit. Each of these instruments involves, to varying degrees, elements of credit, and interest rate and liquidity risk in excess of the amounts recognized in the consolidated balance sheets. The Company uses the same credit policies and requires similar collateral in approving lines of credit and commitments and issuing letters of credit as it does in making loans. The exposure to credit losses on financial instruments is represented by the contractual amount of these instruments. However, the Company does not anticipate any losses from these instruments.

The off-balance sheet financial instruments whose contract amounts represent credit risk at December 31, 2011 and 2010 are as follows:

	2011	2010
Unused commitments including lines of credit:		
Commercial real estate	$33,970	$15,882
Commercial operating	119,102	87,068
Home Equity	24,804	25,421
Other	44,433	34,556
Total	$222,309	$162,927
Standby letters of credit	$6,267	$6,349

Commitments to originate credit represent approved commercial, residential real estate and home equity loans that generally are expected to be funded within ninety days. Lines of credit are agreements by which the Company agrees to provide a borrowing accommodation up to a stated amount as long as there is no violation of any condition established in the loan agreement. Both commitments to originate credit and lines of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the liens and some commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the financial performance of customers to third parties. Standby letters of credit are primarily issued to facilitate trade or support borrowing arrangements and generally expire in one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending credit facilities to customers. The maximum amount of credit that would be extended under letters of credit is equal to the total off-balance sheet contract amount of such instrument at December 31, 2011 and 2010. The Company’s deferred revenue under standby letters of credit agreements was nominal.

Note 18—Related Party Transactions

Certain officers, directors and principal stockholders of the Company and its subsidiaries, their immediate families or their affiliated companies (“related parties”) have loans with one or more of the subsidiaries. These loans are made in the ordinary course of business on substantially the same terms, including interest and collateral, as those prevailing for comparable transactions with others. Loans to related parties totaled approximately $20,787,000 and $21,271,000 at December 31, 2011 and 2010, respectively. Activity during 2011 and 2010 was as follows:

	2011	2010
Beginning balance	$21,271	$23,221
New loans	4,935	4,067
Loan repayments	(4,986)	(6,017)
Ending balance	$21,220	$21,271

Deposits from related parties held by First Mid Bank at December 31, 2011 and 2010 totaled $35,095,000 and $38,569,000, respectively.

See Note 1-“Preferred Stock” regarding the Series C Preferred Stock, the Remaining Investors and the Notes.

Note 19 – Business Combination

On September 10, 2010, First Mid Bank completed its acquisition of 10 Illinois bank branches (the “Branches”) from First Bank, a Missouri state chartered bank, located in Bartonville, Bloomington, Galesburg, Knoxville, Peoria and Quincy, Illinois. The acquisition was consistent with the Company’s strategy to expand its overall service area and bring added convenience to its customers by offering banking capabilities in 25 Illinois communities. In accordance with the Branch Purchase and Assumption Agreement, dated as of May 7, 2010, by and between First Mid Bank and First Bank, First Mid Bank acquired approximately $336 million of deposits, approximately $135 million of performing loans and the bank facilities and certain other assets of the Branches. First Mid Bank paid First Bank (a) the principal amount of the loans acquired, (b) the net book value, or approximately $5.3 million, for the bank facilities and certain assets located at the Branches, (c) a deposit premium of 4.77% on the core deposits acquired, which equated to approximately $15.6 million, and (d) approximately $1.8 million for the cash on hand at the Branches, with proration of certain periodic expenses. The acquisition settled by First Bank paying cash of $178.3 million to First Mid Bank for the difference between these amounts and the total deposits assumed. The purchase was accounted for under the acquisition method in accordance with ASC 805, “Business Combinations,” and accordingly the assets and liabilities were recorded at their fair values on the date of acquisition.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition (in thousands).

	Acquired Book Value	Fair Value Adjustments	As Recorded by First Mid Bank
Assets			
Cash	$180,074	$ -	$180,074
Loans	135,219	(2,102)	133,117
Premises and equipment	5,266	7,685	12,951
Goodwill	-	8,390	8,390
Core deposit intangible	-	3,050	3,050
Other assets	488	-	488
Total assets acquired	$321,047	$ 17,023	$338,070
Liabilities			
Deposits	$336,016	$ 1,413	$337,429
Securities sold under agreements to repurchase	126		126
Other liabilities	515		515
Total liabilities assumed	$336,657	$ 1,413	$338,070

The Company recognized $1,154,000 of costs related to completion of the acquisition during 2010. These acquisition costs were included in other expense. The difference between the fair value and acquired value of the purchased loans of $2,102,000 is being accreted to interest income over the remaining term of the loans. The difference between the fair value and acquired value of the assumed time deposits of $1,413,000 is being amortized to interest expense over the remaining term of the time deposits. The core deposit intangible asset, with a fair value of $3,050,000, is being amortized on an accelerated basis over its estimated life of ten years.

The following unaudited pro forma condensed combined financial information presents the results of operations of the Company, including the effects of the purchase accounting adjustments and acquisition expenses, had the acquisition taken place at the beginning of 2010 (in thousands). The actual results of operations of the Company include all of the effects of the purchase accounting adjustments and acquisition expenses and, accordingly, no pro forma information is provided.

	For the year ended December 31, 2010
Net interest income	$46,425
Provision for loan losses	4,737
Non-interest income	14,686
Non-interest expense	41,614
Income before income taxes	14,760
Income tax expense	4,527

Net income	$10,233
Dividends on preferred shares	2,240
Net income available to common stockholders	$7,993
Earnings per share	
Basic	$1.31
Diluted	$1.31
Basic weighted average shares outstanding	6,092,670
Diluted weighted average shares outstanding	6,116,727

The unaudited pro forma condensed combined financial statements do not reflect any anticipated cost savings and revenue enhancements. Accordingly, the pro forma results of operations of the Company as of and after the business combination may not be indicative of the results that actually would have occurred if the combination had been in effect during the periods presented or of the results that may be attained in the future.

Note 20 – Leases

The Company has several noncancellable operating leases, primarily for property rental of banking buildings that expire over the next ten years. These leases generally contain renewal options for periods ranging from one to five years. Rental expense for these leases was $1,331,000, $884,000 and $543,000 for the years ended December 31, 2010, 2009 and 2008, respectively. Future minimum lease payments under operating leases are:

	Operating Leases
2012	$1,141
2013	1,002
2014	1,002
2015	352
2016	352
Thereafter	880
Total minimum lease payments	$4,729

Note 21– Parent Company Only Financial Statements

Presented below are condensed balance sheets, statements of income and cash flows for the Company:

First Mid-Illinois Bancshares, Inc. (Parent Company)
Balance Sheets

December 31,	2011	2010
Assets		
Cash	$20,538	$2,381
Premises and equipment, net	3,112	481
Investment in subsidiaries	147,225	130,179
Other assets	2,495	2,800
Total Assets	$173,370	$135,841
Liabilities and Stockholders’ equity		
Liabilities		
Dividends payable	$2,200	$1,706
Debt	28,870	20,620
Other liabilities	1,333	1,250
Total Liabilities	32,403	23,576
Stockholders’ equity	140,967	112,265
Total Liabilities and Stockholders’ equity	$173,370	$135,841

Explanation of Responses:

First Mid-Illinois Bancshares, Inc. (Parent Company)
Statements of Income

Years ended December 31,	2011	2010	2009
Income:			
Dividends from subsidiaries	$938	$6,744	$-
Other income	40	8	29
Total income	978	6,752	29
Operating expenses	2,414	2,728	2,958
Income (loss) before income taxes and equity			
in undistributed earnings of subsidiaries	(1,436)	4,024	(2,929)
Income tax benefit	1,005	1,062	1,148
Income (loss) before equity in undistributed			
earnings of subsidiaries	(431)	5,086	(1,781)
Equity in undistributed earnings of subsidiaries	11,803	3,675	9,995
Net income	$11,372	$8,761	$8,214

First Mid-Illinois Bancshares, Inc. (Parent Company)
Statements of Cash Flows

Years ended December 31,	2011	2010	2009
Cash flows from operating activities:			
Net income	$11,372	$8,761	$8,214
Adjustments to reconcile net income to net			
cash provided by operating activities:			
Depreciation, amortization, accretion, net	71	47	47
Dividends received from subsidiary	938	6,744	-
Equity in undistributed earnings of subsidiaries	(11,803)	(3,675)	(9,995)
(Increase) decrease in other assets	(3,283)	(9,966)	(447)
Increase (decrease) in other liabilities	128	(12)	(126)
Net cash provided by (used in) operating activities	(2,577)	1,899	(2,307)
Cash flows from financing activities:			
Repayment of long-term debt	-	-	(13,000)
Proceeds from short-term debt	8,250	-	-
Proceeds from issuance of preferred stock	19,150	-	24,635
Proceeds from issuance of common stock	406	971	894
Purchase of treasury stock	(2,385)	(2,499)	(3,122)
Dividends paid on preferred stock	(2,990)	(2,136)	(1,242)
Dividends paid on common stock	(1,697)	(1,714)	(1,521)
Net cash provided by (used in) financing activities	20,734	(5,378)	6,644
Increase (decrease) in cash	18,157	(3,479)	4,337
Cash at beginning of year	2,381	5,860	1,523
Cash at end of year	$20,538	$2,381	$5,860

Note 22 – Quarterly Financial Data – Unaudited

The following table presents summarized quarterly data for each of the two years ended December 31:

	Quarters ended in 2011			
	March 31	June 30	September 30	December 31
Selected operations data:				
Interest income	$14,029	$14,122	$14,168	$14,453
Interest expense	2,324	2,243	2,026	1,911
Net interest income	11,705	11,879	12,142	12,542
Provision for loan losses	940	916	728	517
Net interest income after provision for loan losses	10,765	10,963	11,414	12,025
Other income	4,005	4,059	3,700	4,023
Other expense	10,292	11,011	10,864	10,886
Income before income taxes	4,478	4,011	4,250	5,162
Income taxes	1,633	1,433	1,571	1,892
Net income	2,845	2,578	2,679	3,270
Dividends on preferred shares	707	1,011	919	939
Net income available to common stockholders	$2,138	$1,567	$1,760	$2,331
Basic earnings per common share	$0.35	$0.26	$0.29	$0.39
Diluted earnings per common share	$0.35	$0.26	$0.29	$0.39

	Quarters ended in 2010			
	March 31	June 30	September 30	December 31
Selected operations data:				
Interest income	$12,210	$12,071	$12,464	$14,138
Interest expense	2,819	2,661	2,686	2,590
Net interest income	9,391	9,410	9,778	11,548
Provision for loan losses	760	1,083	884	1,010
Net interest income after provision for loan losses	8,631	8,327	8,894	10,538
Other income	3,068	3,043	3,652	4,057
Other expense	7,790	8,708	9,536	10,893
Income before income taxes	3,909	2,662	3,010	3,702
Income taxes	1,361	880	998	1,283
Net income	2,548	1,782	2,012	2,419
Dividends on preferred shares	577	554	554	555
Net income available to common stockholders	$1,971	$1,228	$1,458	$1,864
Basic earnings per common share	$0.32	$0.20	$0.24	$0.31
Diluted earnings per common share	$0.32	$0.20	$0.24	$0.31

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
First Mid-Illinois Bancshares, Inc.
Mattoon, Illinois

We have audited the accompanying consolidated balance sheets of First Mid-Illinois Bancshares, Inc. as of December 31, 2011 and 2010 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2011. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Mid-Illinois Bancshares, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), First Mid-Illinois Bancshares, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 6, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/BKD, LLP

Decatur, Illinois
March 6, 2012

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management carried out an evaluation, under the supervision and with the participation of the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2011. Based upon that evaluation, the chief executive officer along with the chief financial officer concluded that the Company's disclosure controls and procedures as of December 31, 2011, were effective.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting is a process designed under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control—Integrated Framework." Based on the assessment, management determined that, as of December 31, 2011, the Company's internal control over financial reporting is effective, based on those criteria. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by BKD, LLP, an independent registered public accounting firm, as stated in their report following.

March 6, 2012

/s/ William S. Rowland

William S. Rowland
President and Chief Executive Officer

/s/ Michael L. Taylor

Michael L. Taylor
Chief Financial Officer

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter of 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
First Mid-Illinois Bancshares, Inc.
Mattoon, Illinois

We have audited First Mid-Illinois Bancshares, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Mid-Illinois Bancshares, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of First Mid-Illinois Bancshares, Inc. and our report dated March 6, 2012 expressed an unqualified opinion thereon.

/s/ BKD, LLP
Decatur, Illinois

March 6, 2012

Explanation of Responses:

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by Item 10 with respect to directors and director nominees is incorporated by reference to the Company's Proxy Statement for the 2012 Annual Meeting of the Company's shareholders under the captions "Proposal 1 – Election of Directors," "Corporate Governance Matters" and "Section 16 – Beneficial Ownership Reporting Compliance."

The information called for by Item 10 with respect to executive officers is incorporated by reference to Part I hereof under the caption "Supplemental Item – Executive Officers of the Company" and to the Company's Proxy Statement for the 2012 Annual Meeting of the Company's shareholders under the caption "Section 16 – Beneficial Ownership Reporting Compliance."

The information called for by Item 10 with respect to audit committee financial expert is incorporated by reference to the Company's Proxy Statement for the 2012 Annual Meeting of the Company's shareholders under the captions "Audit Committee" and "Report of the Audit Committee to the Board of Directors."

The information called for by Item 10 with respect to corporate governance is incorporated by reference to the Company's Proxy Statement for the 2012 Annual Meeting of the Company's shareholders under the caption "Corporate Governance Matters."

The Company has adopted a code of ethics for senior financial management applicable to the Chief Executive Officer and Chief Financial Officer of the Company. This code of ethics is posted on the Company's website. In the event that the Company amends or waives any provisions of this code of ethics, the Company intends to disclose the same on its website at www.firstmid.com.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated by reference to the Company's Proxy Statement for the 2012 Annual Meeting of the Company's shareholders under the captions "Executive Compensation," "Non-qualified Deferred Compensation," Potential Payments Upon Termination or Change in Control of the Company," "Director Compensation," Corporate Governance Matters – Compensation Committee Interlocks and Insider Participation," and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by Item 12 with respect to equity compensation plans is provided in the table below.

Equity Compensation Plan Information

Plan category

	Number of securities to be issued upon exercise of outstanding options (a)		Weighted-average exercise price of outstanding options (b)		Number of securities remaining available for future issuance under equity compensation plans (c)	
Equity compensation plans approved by security holders:						
(A) Deferred Compensation Plan	-		-		398,454	(1)
(B) Stock Incentive Plan	228,140	(2)	$ 23.09	(3)	225,591	(4)
Equity compensation plans not approved by security holders (5)	-		-		-	
Total	228,140		$ 23.09		624,045	

(1) Consists of shares issuable with respect to participant deferral contributions invested in common stock.
(2) Consists of stock options.
(3) Represents the weighted-average exercise price of outstanding stock options.
(4) Consists of stock option and/or restricted stock.
(5) The Company does not maintain any equity compensation plans not approved by stockholders.

The Company’s equity compensation plans approved by security holders consist of the Deferred Compensation Plan and the Stock Incentive Plan. Additional information regarding each plan is available in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Stock Plans” and Note 13 – “Stock Incentive herein.

The information called for by Item 12 with respect to security ownership is incorporated by reference to the Company’s Proxy Statement for the 2012 Annual Meeting of the Company’s shareholders under the caption “Voting Securities and Principal Holders Thereof.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by Item 13 is incorporated by reference to the Company’s Proxy Statement for the 2012 Annual Meeting of the Company’s shareholders under the captions “Certain Relationships and Related Transactions” and “Corporate Governance Matters – Board of Directors.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by Item 14 is incorporated by reference to the Company’s Proxy Statement for the 2012 Annual Meeting of the Company’s shareholders under the caption “Fees of Independent Auditors.”

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a)(1) and (2) -- Financial Statements and Financial Statement Schedules

The following consolidated financial statements and financial statement schedules of the Company are filed as part of this document under Item 8.

Financial Statements and Supplementary Data:

- Consolidated Balance Sheets -- December 31, 2011 and 2010
- Consolidated Statements of Income -- For the Years Ended December 31, 2011, 2010 and 2009
- Consolidated Statements of Changes in Stockholders’ Equity -- For the Years Ended December 31, 2011, 2010 and 2009
- Consolidated Statements of Cash Flows -- For the Years Ended December 31, 2011, 2010 and 2009.

(a)(3) – Exhibits

The exhibits required by Item 601 of Regulation S-K and filed herewith are listed in the Exhibit Index that follows the Signature Page and immediately precedes the exhibits filed.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST MID-ILLINOIS BANCSHARES, INC.
(Company)

Dated: March 6, 2012

By: /s/ William S. Rowland

William S. Rowland
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 6th day of March 2012, by the following persons on behalf of the Company and in the capacities listed.

Signature and Title

/s/ Willliam S. Rowland
William S. Rowland, Chairman of the Board,
President and Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Michael L. Taylor

Michael L. Taylor, Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

/s/ Joseph R. Dively
Joseph R. Dively, Senior Executive Vice President and Director

/s/ Charles A. Adams

Charles A. Adams, Director

/s/ Steven L. Grissom

Steven L. Grissom, Director

/s/ Benjamin I. Lumpkin

Benjamin I. Lumpkin, Director

/s/ Gary W. Melvin
Gary W. Melvin, Director

/s/ Sara Jane Preston

Sara Jane Preston, Director

/s/ Ray A. Sparks

Ray A. Sparks, Director

Exhibit Number	Exhibit Index to Annual Report on Form 10-K Description and Filing or Incorporation Reference
2.1	Branch Purchase and Assumption Agreement between First Mid-Illinois Bank & Trust, N.A. and First Bank dated May 7, 2010 Incorporated by reference to Exhibit 10.1 to First Mid-Illinois Bancshares, Inc.'s 8-K filed with the SEC on May 7, 2010.
3.1	Restated Certificate of Incorporation and Amendment to Restated Certificate of Incorporation of First Mid-Illinois Bancshares, Inc. Incorporated by reference to Exhibit 3(a) to First Mid-Illinois Bancshares, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1987.
3.2	Amended and Restated Bylaws of First Mid-Illinois Bancshares, Inc. Incorporated by reference to Exhibit 3.2 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on November 14, 2007.
3.3	Certificate of Designation, Preferences and Rights of Series B 9% Non-Cumulative Perpetual Convertible Preferred Stock of the Company Incorporated by reference to Exhibit 4.1 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on February 11, 2009.
3.4	Certificate of Designation, Preferences and Rights of Series C 8% Non-Cumulative Perpetual Convertible Preferred Stock of the Company Incorporated by reference to Exhibit 4.1 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on February 11, 2011.
4.1	Rights Agreement, dated as of September 22, 2009, between First Mid-Illinois Bancshares, Inc. and Harris Trust and Savings Bank, as Rights Agent Incorporated by reference to Exhibit 4.1 to First Mid-Illinois Bancshares, Inc.'s Registration Statement on Form 8-A filed with the SEC on September 24, 2009.
4.2	Form of Registration Rights Agreement Incorporated by reference to Exhibit 4.2 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on February 11, 2009.
4.3	Form of Registration Rights Agreement Incorporated by reference to Exhibit 4.2 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on February 11, 2011.
4.4	Form of Promissory Note Incorporated by reference to Exhibit 4.1 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on November 21, 2011.
10.1	Employment Agreement between the Company and William S. Rowland Incorporated by reference to Exhibit 10.1 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on December 16, 2010.

10.2	Employment Agreement between the Company and Joseph R. Dively Incorporated by reference to Exhibit 10.1 to First Mid-Illinois Bancshares, Inc.'s Report on Form 8-K filed with the SEC on April 27, 2011.
10.3	Employment Agreement between the Company and John W. Hedges Incorporated by reference to Exhibit 10.2 to First Mid-Illinois Bancshares, Inc.'s Report on Form 8-K filed with the SEC on April 27, 2011.
10.4	Employment Agreement between the Company and Michael L. Taylor Incorporated by reference to Exhibit 10.1 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on May 3, 2010.
10.5	Employment Agreement between the Company and Laurel G. Allenbaugh Incorporated by reference to Exhibit 10.2 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on May 3, 2010.
10.6	Employment Agreement between the Company and Charles A. LeFebvre Incorporated by reference to Exhibit 10.3 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on May 3, 2010.
10.9	Employment Agreement between the Company and Eric S. McRae Incorporated by reference to Exhibit 10.1 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on February 24, 2009.
10.10	Amended and Restated Deferred Compensation Plan Incorporated by reference to Exhibit 10.4 to First Mid-Illinois Bancshares, Inc.'s Annual Report on Form 10-K for the for the year ended December 31, 2005.

Exhibit Number	Exhibit Index to Annual Report on Form 10-K Description and Filing or Incorporation Reference
10.11	2007 Stock Incentive Plan Incorporated by reference to Exhibit 10.1 to First Mid-Illinois Bancshares, Inc.’s Current Report on Form 8-K filed with the SEC on May 23, 2007.
10.12	First Amendment to 2007 Stock Incentive Plan Incorporated by reference to Exhibit 10.12 to First Mid-Illinois Bancshares, Inc.’s Annual Report on Form 10-K for the for the year ended December 31, 2009.
10.13	1997 Stock Incentive Plan Incorporated by reference to Exhibit 10.5 to First Mid-Illinois Bancshares, Inc.’s Annual Report on Form 10-K for the for the year ended December 31, 1998.
10.14	Form of 2007 Stock Incentive Plan Stock Option Agreement Incorporated by reference to Exhibit 10.1 to First Mid-Illinois Bancshares, Inc.’s Current Report on Form 8-K filed with the SEC on December 12, 2007.
10.15	Form of Stock Award/Stock Unit Award Agreement Incorporated by reference to Exhibit 10.1 to First Mid-Illinois Bancshares, Inc.’s Current Report on Form 8-K filed with the SEC on September 27, 2011.
10.16	Form of Stock Unit Award Agreement Incorporated by reference to Exhibit 10.1 to First Mid-Illinois Bancshares, Inc.’s Current Report on Form 8-K filed with the SEC on September 27, 2011.
10.17	Supplemental Executive Retirement Plan Incorporated by reference to Exhibit 10.8 to First Mid-Illinois Bancshares, Inc.’s Annual Report on Form 10-K for the for the year ended December 31, 2005.
10.18	First Amendment to Supplemental Executive Retirement Plan Incorporated by reference to Exhibit 10.9 to First Mid-Illinois Bancshares, Inc.’s Annual Report on Form 10-K for the for the year ended December 31, 2005.
10.19	Participation Agreement (as Amended and Restated) to Supplemental Executive Retirement Plan between the Company and William S. Rowland Incorporated by reference to Exhibit 10.10 to First Mid-Illinois Bancshares, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2005.
10.20	Description of Incentive Compensation Plan Incorporated by reference to Exhibit 10.16 to First Mid-Illinois Bancshares, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2008.

11.1	Statement re: Computation of Earnings Per Share (Filed herewith)
21.1	Subsidiaries of the Company (Filed herewith)
23.1	Consent of BKD LLP (Filed herewith)
31.1	Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
31.2	Certification of Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)