

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attached statement.

Blank lines for providing Internal Revenue Code section(s) and subsection(s).

18 Can any resulting loss be recognized? ▶ See attached statement.

Blank lines for providing information regarding resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ _____

Blank lines for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ Michael L. Taylor Date ▶ 5/1/18

Print your name ▶ Michael L. Taylor Title ▶ Senior Executive Vice President and Chief Operating Officer

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no.			

First Mid-Illinois Bancshares, Inc.
Attached Statement for IRS Form 8937

Item 14

First Mid-Illinois Bancshares, Inc. (“First Mid”) acquired by merger First BancTrust Corporation (“First BancTrust”) pursuant to an Agreement and Plan of Merger, dated as of December 11, 2017, as amended by the First Amendment to Agreement and Plan of Merger entered into as of January 18, 2018 (the “Merger Agreement”). The merger closed on May 1, 2018, and on that date, First BancTrust merged with and into Project Hawks Merger Sub LLC, a wholly-owned subsidiary of First Mid that is treated as a disregarded entity for federal income tax purposes. In the merger, each issued and outstanding share of First BancTrust common stock was converted into (a) \$5.00 in cash and (b) 0.80 share of First Mid common stock, together with cash in lieu of fractional shares, subject to certain adjustments and proration, as set forth in the Merger Agreement.

Item 15

The receipt by a First BancTrust stockholder of cash and First Mid common stock in exchange for First BancTrust common stock in the merger affects such stockholder’s tax basis. Generally, the aggregate tax basis of First Mid common stock received by a First BancTrust stockholder that exchanges its shares of First BancTrust common stock for a portion of the merger consideration will be equal to the aggregate adjusted tax basis of the shares of First BancTrust common stock surrendered, reduced by the amount of cash received by the First BancTrust stockholder pursuant to the merger (excluding any cash received in lieu of a fractional share of First Mid common stock) and increased by the amount of any gain (excluding any gain or loss resulting from the deemed receipt and redemption of fractional shares), if any, recognized by the stockholder on the exchange. The amount of gain recognized is the lesser of (A) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the First Mid common stock received pursuant to the merger over the stockholder’s aggregate tax basis in the shares of First BancTrust common stock surrendered) and (B) the amount of cash received pursuant to the merger (excluding any cash received in lieu of a fractional share of First Mid common stock).

The receipt by a First BancTrust stockholder of cash in lieu of fractional shares of First Mid common stock will be treated as if the fractional shares had been distributed to the First BancTrust stockholder in connection with the merger and then had been sold for cash in a taxable transaction. Gain or loss will be recognized based on the difference between the amount of cash received in lieu of the fractional share and the portion of the stockholder’s aggregate adjusted tax basis of the shares of First BancTrust common stock surrendered that is allocable to the fractional share. The gain or loss generally will be long-term capital gain or loss if the holding period of such shares of First BancTrust common stock is more than one year at the effective time of the merger. The deductibility of capital losses is subject to limitations. See the Proxy Statement/Prospectus of First Mid and First BancTrust on Form 424(B)(3), filed on February 9, 2018 (Registration No. 333-222642) for more information.

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe how you should determine the fair market values of the First Mid common stock and the First BancTrust common stock for purposes of allocating your tax basis. You should consult your tax advisor to determine what measure of fair market value is appropriate.

Item 16

The following example illustrates the method by which a former First BancTrust stockholder would determine his or her basis in the First Mid stock received in the merger. The example assumes that the stockholder is an individual U.S. citizen or resident who acquired his or her First BancTrust stock in one block at the same price for cash and holds such shares as capital assets. The example does not address any special rules that may apply to a particular stockholder, nor does it address the consequences of any state, local or foreign tax laws.

Shares of First BancTrust common stock owned: 96

Assumed tax basis in each share of First BancTrust common stock: \$20.00 per share

Fair market value of each share of First Mid common stock received in the merger: \$37.32 (closing price of First Mid’s common stock on May 1, 2018, the day of the merger). No fractional shares of First Mid common stock were issued in the merger and any fractional share of First Mid common stock was paid at the rate of \$36.31 per share.

Cost basis in First BancTrust Common Stock:	\$1,920.00
(96 shares of First BancTrust common stock multiplied by \$20.00 per share)	

Total Merger Consideration:

Common stock shares received in merger (76 whole shares of First Mid common stock multiplied by \$37.32). Number of shares determined as follows: 96 shares of First BancTrust common stock multiplied by the exchange ratio of .80, rounded down to the nearest whole share): 76 (rounded down from 76.80)	\$2,836.32
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Cash consideration received in the merger (96 shares of First BancTrust common stock multiplied by \$5.00 in cash per share).	+ 480.00
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Value of fractional share of First Mid share received (0.80 shares of First BancTrust common stock multiplied by \$36.31 in cash per share)	+ 29.05
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Total Merger Consideration	\$3,345.37
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Realized Gain

Total Consideration	\$3,345.37
Less: Cost basis in First BancTrust common stock	- 1,920.00
Realized Gain:	\$1,425.37

Recognized Gain

Determined as lesser of Realized Gain or Cash Received (not including cash in lieu of the fractional shares)	\$480.00
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Initial Determination of Tax Basis in First Mid shares received in the Merger (including fractional share)

Basis in First BancTrust Shares	\$1,920.00
Less: Cash Amount Received	- \$480.00
Plus: Recognized Gain	+ \$480.00
Basis in First Mid shares	\$1,920.00

Taxable Gain on Fractional Share

Cash paid in lieu of fractional shares (0.80 multiplied by \$36.31)	\$29.05
Less: Basis attributable to fractional shares determined as follows: <i>Total basis in First Mid stock divided by the amount of First Mid shares received, including fractional shares</i> (\$1,920/76.80): $\$25.00 \times .80 = \20.00	20.00

Taxable Gain	\$9.05
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Final Adjusted Tax Basis in First Mid Shares

Basis in shares received (including fractional shares)	\$1,920.00
Less: Basis attributable to fractional share	- 20.00
Basis in First Mid shares	\$1,900.00
Per Share Basis (\$1,900.00 divided by 76)	\$25.00

Items 17 and 18

The merger was intended to qualify as a “reorganization” within the meaning of Section 368(a) of the Code. In general, the federal income tax consequences to the former First BancTrust stockholders are determined under Sections 356, 358 and 1221 of the Code. Generally, First BancTrust stockholders must recognize gain (but not loss), pursuant to Section 356 of the Code, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and fair market value of the First Mid common stock received in the merger over the stockholder’s adjusted basis in its shares of First BancTrust common stock surrendered, as determined pursuant to Sections 1001 and 1011 of the Code) and (2) the amount of cash received pursuant to the merger (excluding any cash received in lieu of a fractional share of First Mid common stock).