Banking on the Future

First Bankers Trustshares, Inc.

1999 Annual Report

Corporate Description

First Bankers Trustshares, Inc. is the holding company for First Bankers Trust Company, N.A. The company was incorporated on August 25, 1988 and is headquartered in Quincy, Illinois.

First Bankers Trustshares' mission, through its bank, is to provide comprehensive financial products and services to its retail, institutional, and corporate customers in the Tri-State area of West Central Illinois and Northeastern Missouri.

As a community oriented financial institution, the Bank, which traces its beginnings to 1946, operates four banking facilities located in Quincy, Illinois, one facility in Mendon, Illinois in northern Adams County and facilities located in Chicago, Illinois and Phoenix, Arizona that provide trust services.

For additional financial information contact:

Joe J. Leenerts, Senior Vice President/Treasurer
First Bankers Trustshares, Inc.
Telephone (217) 228-8000

Stockholder Information

Common shares authorized: 6,000,000

Common shares outstanding: 1,289,615

Stockholders of record: 245*
*As of December 31, 1999

Inquiries regarding transfer requirements, lost certificates, changes of address and account status should be directed to the corporation's transfer agent:

First Bankers Trust Company
(Attn: Carmen Walch)
1201 Broadway
P.O. Box 3566
Quincy, IL 62305-3566

Corporate Address

First Bankers Trustshares, Inc.
P.O. Box 3566
Quincy, IL 62305-3566

Independent Auditors

McGladrey & Pullen, LLP
220 N. Main, Suite 900
Davenport, IA 52801

General Counsel

Hinshaw and Culbertson
222 N. LaSalle, Suite 300
Chicago, IL 60601-1081

Board of Directors
First Bankers Trustshares, Inc.

David E. Connor
Chairman of the Board
First Bankers Trustshares, Inc.
President
David E. Connor & Associates

David G. Cosby
Senior Vice President
Commerce Bank St. Louis

William D. Daniels
Chairman of the Board
First Bankers Trust Company, N.A.
Member
Harborstone Group, LLC.

Donald K. Gnuse
President & Chief Executive Officer
First Bankers Trustshares, Inc.
President & Chief Executive Officer
First Bankers Trust Company, N.A.

Steven E. Siebers
Secretary of the Board
First Bankers Trustshares, Inc.
Attorney
Scholz, Loos, Palmer, Siebers & Duesterhaus

Dennis R. Williams
Consultant
Self Employed

EXECUTIVE OFFICERS

Donald K. Gnuse
President and CEO

Joe J. Leenerts
Senior Vice President/Treasurer

Steven E. Siebers
Secretary

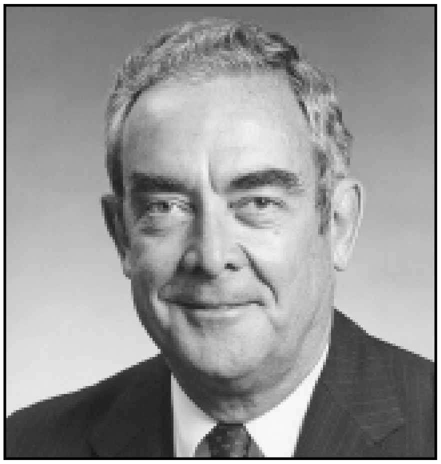
FIRST BANKERS TRUSTSHARES, INC. Stock Prices

Market Value	12/31/99	09/30/99	06/30/99	03/31/99	12/31/98
High	$ 27.50	$ 27.50	$ 26.75	$ 26.50	$ 23.00
Low	$ 26.25	$ 26.75	$ 26.50	$ 23.00	$ 22.00
Period End Close	$ 26.25	$ 27.50	$ 26.75	$ 26.50	$ 23.00

The following companies make a market in FBTI common stock:

Howe Barnes Investments, Inc.
135 South LaSalle Street
Chicago, IL 60603
Phone (800) 800-4693

First Union Securities, Inc.
Maine Center, 535 Maine
Quincy, IL 62301
Phone (800) 223-1037



***Dear Shareholder**,*

"The future ain't what it used to be." "Ninety percent of the game is half mental."

-Yogi Berra

*Those who bother to read my "Letters to Shareholders" in First Bankers annual reports will know that I like to use quotations to make a point – an apt point, I hope. And that I often quote accomplished practitioners from the world of sports. My friends know that I am a rather indifferent sports fan (after all, I follow the Chicago Cubs – which should prove my point), but I'm not indifferent to the high level of skill practiced by those who **manage** sports.*

Among the rare breed of first-class managers of athletes is Yogi Berra – one of the best at this trade – fourteen World Series with the Yankees, an American League Pennant winner managing the Yankees, a National League Pennant managing the Mets, and so on. However, it is safe to say that Berra's fame today rests more on his distinctive aphorisms about managing life than his obvious many skills in the world of baseball. Who has not heard "When you come to a fork in the road, take it," or "Nobody goes there anymore. It's too crowded."

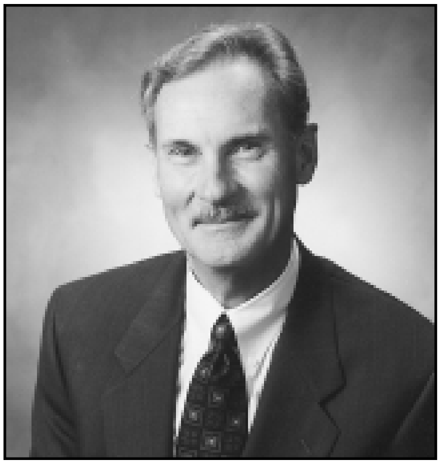
Obviously, great talent and skill are necessary to excel in any line of work, but as Yogi says – in spite of the obvious truth of that comment, to him an to most managers of men (and women) and money – most of any game is mental. Another successful manager (Tom Watson of IBM) though so much of this train of thought that he made the word "think" the IBM watchword. Whatever it was in the past, tomorrow's banking is a thinking person's game.

*For as Yogi Berra pointed out in another of his wonderful aphorisms, "The future ain't what it used to be." Although it is highly risky to interpret Berra, what I think he means by this remark is that currently the future is significantly more unclear than usual. It is particularly dangerous today to try to judge what **will** happen by what **has** happened – even by what **is** happening.*

Electronic branches, Internet banking, E-Commerce, on-line buying, stock market price earnings ratios upwards of 200! Yogi didn't know the half of it! It has long been true that the one constant in business is change. But what isn't constant lately is the rate of change. It is accelerating beyond all norms to which we have become accustomed – especially in the world of banking.

Hence the critical emphasis at First Bankers Trust on the "Ninety percent of the game that is half mental." Our staff spend a considerable portion of their time observing the banking environment, identifying trends, judging among options to expand our market – profitably – while measuring probable risks likely to be involved in alternative plans. When we come to that "fork in the road," we at First Bankers Trust Company will be in a superb position to "take it" as Yogi has directed.

David E. Connor
Chairman
Board of Directors



Dear Shareholder,

When the history of banking in Quincy is written it will record that the last decade of the 20th century was very good to stockholders of First Bankers Trustshares, Inc. The initial investment of stock has grown 606% since the founding of the holding company on June 30, 1989.

The closing year of the millennium (1999) posted good growth in both earnings and assets for your company. We invite you to review the company's performance data on the following pages of this report.

A year ago, in my letter to you, I stated that three new banks were about to open offices in the Quincy community, and remarked that this would make for an interesting challenge for our Bank to continue its high performance. Well, I believe that my remarks were an "understatement." By year-end 1999 there were four new bank offices joining the competition. The major impact of those new offices on our bank has been a modest decline in our interest margins due to fierce competitive pricing for loans and deposits. Yet, I am happy to report that the good news is that we were able to more than offset the margin with fee-based, non-interest income and an increase in loan volume from our very capable lending staff. This has resulted in the highest net income ever for your company.

THE 21st CENTURY

So what is our business plan as we begin the 21st century? While we anticipate even more competition, our management team has rolled out a very ambitious plan with goals and objectives that will make the year 2000 another high performance year.

INTERNET BANKING

We have recently announced to our customers and the general public, our new Express Internet Banking product. As our advertising states, "It's our newest branch office, as close as any home computer linked to the internet." Customers can now pay their bills on the internet, view their daily bank statement, look up checks that have been presented for payment, even transfer funds from one account to another, all from the comfort of their home. We anticipated that customer interest would be high, but the results of the numbers of customers signing up for internet banking have far exceeded our highest expectations.

BROKERAGE SERVICES

We are now in our 15th year of providing brokerage services through INVEST, located in our 12th & Broadway lobby. We are happy to announce that we have entered into an agreement to now offer brokerage services through Investment Planners, Inc. We believe that this new arrangement will allow us to enhance the array of brokerage products and services to our customers.

BUSINESS BANKING TECHNOLOGY

During the past three years, our Information Services Department, has been developing and integrating a highly-sophisticated, computer-driven technology service for major business customers. The resulting product has enabled the Business Development Division to bring a number of new, major clients to our Bank for deposit and loan services. We will be introducing additional innovations in business banking services in future months.

TRUST SERVICES

The year 2000 marks a major accomplishment for our Trust Division with a budgeted trust fee-income figure that should exceed one million dollars for the first time. At year-end 1999, total trust assets exceed $780,000,000.00 with one billion in trust assets now very much in sight. Our Chicago and Phoenix offices continue to enhance our nationwide trust service to clients.

SO WHO TELLS THE STORY?

That's where our marketing staff shines. Whatever it is…the new internet products, Seniors First Club, our "Lookin Good" campaign, or our calling officers taking our story to offices and homes…communication is the key to sales at First Bankers Trust Company.

Indeed, when that history of banking in Quincy is written we believe that it will show the year 2000 to have been another banner year thanks to the loyalty, support and faith that our Directors, customers, stockholders, and staff have placed with us. We thank you.

President/CEO

SELECTED FINANCIAL DATA

(Amount in thousands of dollars, except per share data statistics)

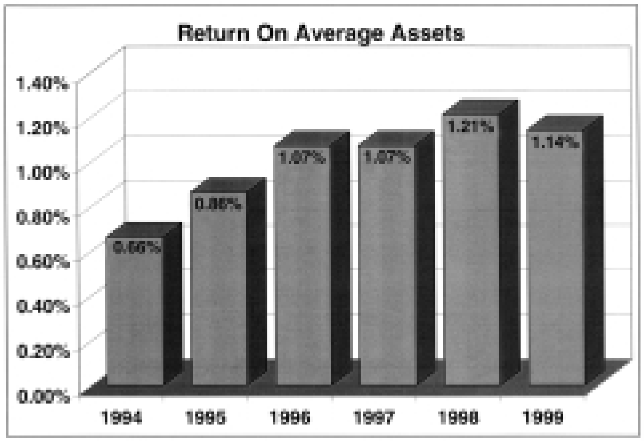
	YEAR ENDED DECEMBER 31,					
PERFORMANCE	**1999**	1998	1997	1996	1995	1994
Net income	**$ 2,710**	$ 2,618	$ 1,921	$ 1,797	$ 1,347	$ 1,010
Preferred stock cash dividends paid	**$ --**	$ 32	$ 64	$ 106	$ 152	$ 160
Common stock cash dividends paid	**$ 309**	204	$ 176	$ 162	$ 149	$ 136
Common stock cash dividend payout ratio	**11.40%**	7.89%	9.52%	9.77%	12.77%	16.42%
Return on average assets	**1.14%**	1.21%	1.07%	1.07%	.86%	.66%
Return on common stockholders' equity[1]	**17.23%**	20.27%	17.33%	18.53%	15.22%	11.99%
PER COMMON SHARE						
Earnings, basic and diluted	**$ 2.10**	$ 2.03	$ 1.47	$ 1.33	$ .94	$ .67
Dividends (Paid)	**$ .24**	$ .16	$ .14	$ .13	$ .12	$ .11
Book value[2]	**$ 12.98**	$ 11.23	$ 9.07	$ 7.75	$ 6.55	$ 5.72
Stock price						
High	**$ 27.50**	$ 23.00	$ 17.00	$ 8.13	$ 6.56	$ 6.25
Low	**$ 23.00**	$ 17.00	$ 8.13	$ 6.56	$ 6.25	$ 5.13
Close	**$ 26.25**	$ 23.00	$ 17.00	$ 8.13	$ 6.56	$ 6.25
Price/Earnings per share (at period end)	**12.5**	11.3	11.6	6.1	7.0	9.3
Market price/Book value[2] (at period end)	**2.02**	2.05	1.87	1.05	1.00	1.09
Weighted average number of shares outstanding	**1,289,615**	1,272,679	1,266,888	1,266,888	1,266,888	1,266,888
AT DECEMBER 31,						
Assets	**$ 258,503**	$ 236,323	$ 222,593	$ 178,644	$ 163,514	$ 158,404
Investment securities	**$ 73,730**	$ 70,384	$ 65,273	$ 41,853	$ 45,672	$ 50,240
Loans	**$ 156,439**	$ 125,867	$ 118,829	$ 111,225	$ 102,186	$ 91,018
Deposits	**$ 199,477**	$ 187,721	$ 174,778	$ 140,104	$ 131,518	$ 125,873
Short-term borrowings and Federal Home Loan Bank advances	**$ 38,436**	$ 27,495	$ 28,786	$ 20,721	$ 15,085	$ 16,918
Note payable	**$ 2,780**	$ 3,980	$ 4,580	$ 4,980	$ 5,380	$ 5,780
Stockholders' equity[3]	**$ 16,737**	$ 14,349	$ 11,993	$ 10,822	$ 9,793	$ 9,147
Stockholders' equity to total assets	**6.47%**	6.07%	5.39%	6.06%	5.99%	5.77%
Tier 1 capital ratio (risk based)	**9.43%**	9.70%	8.74%	8.83%	8.45%	8.15%
Total capital ratio (risk based)	**10.53%**	10.92%	9.94%	10.09%	9.64%	9.11%
Leverage ratio	**6.45%**	6.03%	6.21%	5.66%	5.40%	4.78%

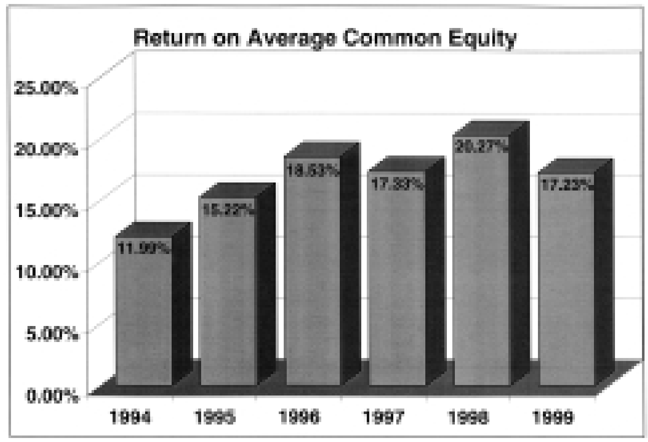
(1) Return on common stockholders’ equity is calculated by subtracting preferred stock dividends from net income and dividing by average common stockholders’ equity. Common stockholders’ equity is defined as equity minus preferred stock equity and plus or minus accumulated other comprehensive income (loss).

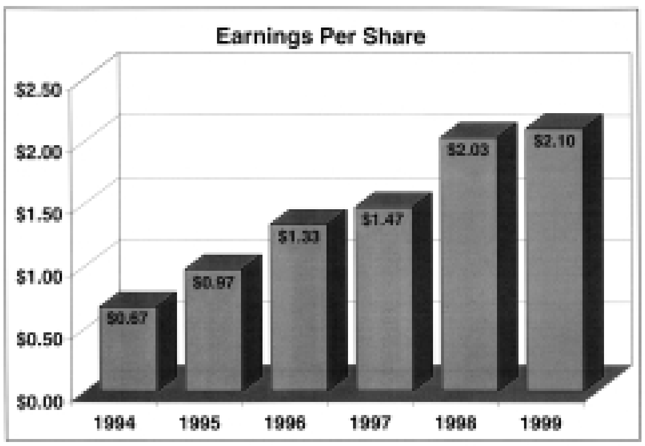
(2) Book value per share is calculated by dividing stockholders’ equity, excluding accumulated other comprehensive income (loss), by outstanding shares.

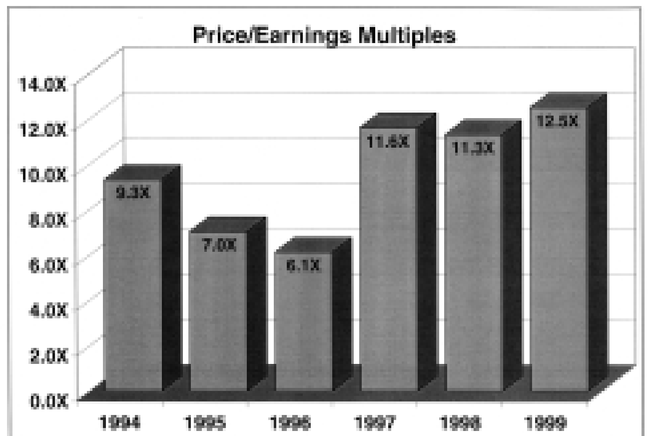
(3) Stockholders’ equity does not include accumulated other comprehensive income (loss).

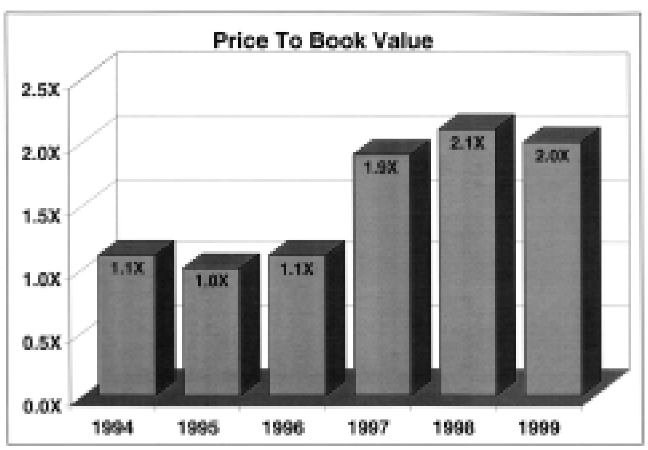
SELECTED FINANCIAL DATA

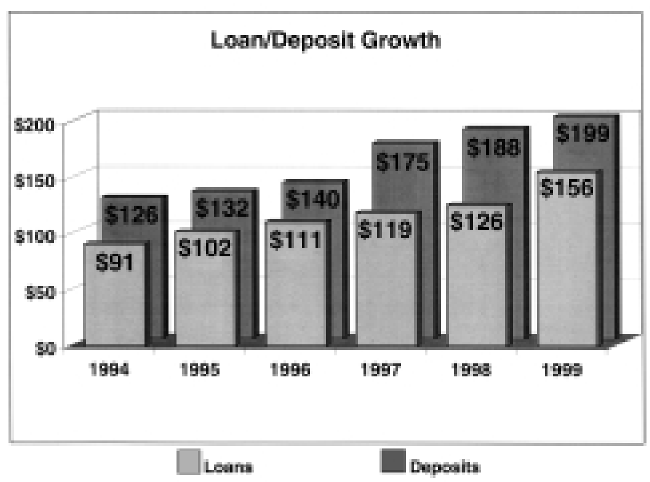












The New Face of Banking in the 21st Century

THE FACTORS OF CHANGE

It would be very difficult to attempt to list, in one report, all of the factors regarding the changes facing the banking industry as it enters the 21st century. Almost all facets of the financial services industry are experiencing some type of modification or change.

The sophistication level of the average customer, the introduction and growth of electronic banking, the proliferation of personal computers in consumer's homes and businesses, the increased level of competition, and the availability of a qualified work force are but a few of those factors being addressed by bank managers all over the world.

First Bankers Trust Company is among those who are working to stay on the leading edge of technology and as a result offering to its customers, innovative and user-friendly products and services.

CUSTOMER SOPHISTICATION

Today's customers expect their banker to be state-of-the-art, innovative, accommodating, and more liberal in their approach to lending and investing. They want to be able to get to their money when they want to. They expect immediate response to questions concerning their accounts, and an increasing number of them want to be able to do it themselves.

As the President stated in his Letter to Shareholders, management anticipated that customer response to internet banking would be high, but the over-whelming response is more evidence of the level of sophistication of our customer base.

The number of bank customers now taking advantage of the investment services, through a licensed broker, located at our 12th & Broadway office, is also an indication of the growing awareness of alternative forms of investment and the increasing popularity of stocks, bonds, mutual funds, and annuities as legitimate items included in one's savings portfolio.

THE ELECTRONIC ARENA

In late 1995, the Directors and Management of First Bankers Trust made a commitment to "electronic banking" and all of its ramifications. It was obvious, as early as that time, that successful banks in the future would be those who entered the electronic arena.

The bank had already been communicating with its correspondents by FM transmission since 1992, and the time and cost-savings were already very visible. First Bankers Trust became the first bank in the area to begin returning cancelled checks to its customers through a process called check imaging. The Express Telephone Banking product has been enabling bank customers to handle their personal financial matters by phone for several years. Automatic teller machine (ATM) and debit card usage has sky-rocketed in all areas of the country and across all demographics.

In 1999, First Bankers introduced its Express Business Banking product to a number of major customers. The product enables those businesses to streamline a number of procedures in their organizations, experiencing large cost-savings and reducing the number of man-hours necessary to handle the company's financial operations.

The bank is currently in the process of introducing its new Express Internet Banking product to the general public. The product offers a convenient, easy way to keep track of all accounts, quickly obtain balance information, and even pay bills. The service also allows customers instant access to statements, enables the transferring of funds between accounts, permits the down-loading of account information directly into the customer's financial management software, and even send and receive secure electronic messages between themselves and the bank.

The bank is very aware of the customer's concern for security. To that end, extra measures have been taken to utilize high-end firewalls and exclusive encryption software to prevent outside interference. Internet banking can be accessed through the bank's web site at www.firstbankers.com.

PC PROLIFERATION

Other than television and the automobile, there are not many products that have so drastically changed human life. The number of personal computers in homes, offices, and even on the laps of travelers continues to grow on a daily basis. It has dramatically affected the way people correspond, handle business affairs, entertain themselves, perform homework and research, and the way they take care of their finances.

From an operations standpoint, First Bankers Trust has also become increasingly dependent upon personal computers. All departments and offices of the company are now linked by a network, headed by its own Administrator. The Information Services (IS) Department is the fastest growing division of the company demanding constant monitoring and continual education. Upgrading of software is now a continual process and has placed new pressure on Human Resources in the area of employee training.

INCREASED COMPETITION

In addition to the new banks in the community alluded to by the President in his letter, the bank is very aware of the increased competition for consumer business. Government deregulation has created a number of new competitors who are new to the industry. Insurance companies, brokerage firms, discount loan offices, under-regulated credit unions, and e-finance companies of all types are now vying for the same business that was mostly exclusive to banks and savings & loans only a few years ago.

While pricing, simplicity, and accessibility have become paramount in winning and retaining a customer's loyalty, First Bankers Trust still believes that personal service plays a monumental role. As the number of players and employees in the industry continues to increase, the character and professionalism of those providing the service becomes more of a factor for continued growth.

QUALITY WORK FORCE

At First Bankers Trust Company, we are extremely proud of our staff. Regardless of the quality of product, pricing and convenience of service, or the sophistication level of the buyer, the success of any company can be made or broken by the quality of its workforce. The rapid growth of the bank's Trust Department, Information Services Department, and entrance into electronic banking have placed additional burdens on Human Resources to attract and hire the very best from a limited pool of available employees. Every effort will be made in the years ahead to hire, retain, nurture, and reward those individuals who exemplify the attributes necessary in a quality institution.

A NEW MILLENNIUM

Many things have been said and promised by companies and individuals everywhere with regard to facing the new millennium. At First Bankers Trust, the years after 2000 are being treated as nothing more than years of business which must be confronted and planned for like any other.

However, part of that planning process involves forward thinking, and constant monitoring of customer's wants and needs, while protecting and enhancing the investment made by the company's stockholders

To The Stockholders:

Management of First Bankers Trustshares, Inc. has prepared and is responsible for the integrity and consistency of the financial statements and other related information contained in this Annual Report. In the opinion of Management, the financial statements, which necessarily include amounts based on Management estimates and judgements, have been prepared in conformity with generally accepted accounting principles appropriate to the circumstances.

In meeting its responsibility, First Bankers Trustshares maintains a system of internal controls and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with established policies and practices, and that transactions are properly recorded so as to permit preparation of financial statements that fairly present financial position and results of operations in conformity with generally accepted accounting principles. Internal controls and procedures are augmented by written policies covering standards of personal and business conduct and an organization structure providing for division of responsibility and authority.

The effectiveness of, and compliance with, established control systems is monitored through a continuous program of internal audit and credit examinations. In recognition of cost-benefit relationships and inherent control limitations, some features of the control systems are designed to detect rather than prevent errors, irregularities and departures from approved policies and practices. Management believes the system of controls has prevented or detected, on a timely basis, any occurrences that could be material to the financial statements and that timely corrective actions have been initiated when appropriate. First Bankers Trustshares engaged the firm of McGladrey & Pullen, LLP, Independent Auditors, to render an opinion on the consolidated financial statements. To the best of our knowledge, the Independent Auditors were provided with access to all information and records necessary to render their opinion.

The Board of Directors exercises its responsibility for the financial statements and related information through the Audit Committee, which is composed entirely of outside directors. The Audit Committee meets regularly with Management, the internal auditor and the Independent Auditors to assess the scope of the annual audit plan and to discuss audit, internal control and financial reporting issues, including major changes in accounting policies and reporting practices. The Independent Auditors also meet with the Audit Committee, without Management being present, to afford them the opportunity to discuss the adequacy of compliance with established policies and procedures and the quality of financial reporting.

Donald K. Gnuse
President and Chief Executive Officer

Joe J. Leenerts
Senior Vice President/Treasurer
and Chief Financial Officer

CONTENTS

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following discussion of the financial condition and results of operations of First Bankers Trustshares, Inc. provides an analysis of the consolidated financial statements included in this annual report and focuses upon those factors which had a significant influence on the overall 1999 performance.

The discussion should be read in conjunction with the Company's consolidated financial statements and notes thereto appearing elsewhere in this Annual Report.

The Company was incorporated on August 25, 1988, and acquired First Midwest Bank/ M.C.N.A. (the Bank) on June 30, 1989. The Bank acquisition was accounted for using purchase accounting. Prior to the acquisition of the Bank, the Company did not engage in any significant business activities.

Financial Management

The primary business of the Company is that of a community-oriented financial institution offering a variety of financial services to meet the needs of the communities it serves. The Company attracts deposits from the general public and uses such deposits, together with borrowings and other funds, to originate one-to-four family residential mortgage loans, consumer loans, small business loans and agricultural loans in its primary market area. The Company also invests in mortgage-backed securities, investment securities consisting primarily of U.S. government or agency obligations, financial institution certificates of deposit, and other liquid assets.

The Company's goal is to achieve consistently high levels of earning assets and loan/deposit ratios while maintaining effective expense control and high customer service levels. The term "high level" means the ability to profitably increase earning assets. As deposits have become fully deregulated, sustained earnings enhancement has focused on "earning asset" generation. The Company will focus on lending money profitably, controlling credit quality, net interest margin, operating expenses and on generating fee income from services.

Consolidated Assets (Amounts in thousands of dollars)									5 Year Growth
Assets	**1999**	**Change**	1998	Change	1997	1996	1995	1994	Rate
Cash and due from banks:									
Non-interest bearing	**$ 6,964**	**21.96 %**	$ 5,710	17.90 %	$ 4,843	$ 7,483	$ 4,899	$ 5,578	24.85 %
Interest bearing	**981**	**(86.51)**	7,274	(33.45)	10,930	3,366	1,012	1,369	(28.34)
Securities	**73,730**	**4.75**	70,384	7.83	65,273	41,853	45,672	50,240	46.76
Federal funds sold	**13,425**	**(34.83)**	20,600	21.18	17,000	10,200	4,700	5,650	137.61
Net loans	**154,520**	**24.61**	124,007	6.00	116,983	109,283	100,616	89,463	72.22
Other assets	**8,883**	**6.41**	8,348	10.36	7,564	6,459	6,615	6,104	45.53
Total Assets	**$ 258,503**	**9.39%**	$ 236,323	6.17 %	$ 222,593	$ 178,644	$ 163,514	$ 158,404	63.19 %
Liabilities & Stockholders' Equity									
Deposits	**$ 199,477**	**6.26 %**	$ 187,721	7.41 %	$ 174,778	$ 140,104	$ 131,518	$ 125,873	58.47 %
Short-term borrowings	**26,436**	**95.89**	13,495	(47.67)	25,786	15,721	8,085	13,918	89.94
Federal Home Loan Bank advances	**12,000**	**(14.29)**	14,000	366.67	3,000	5,000	7,000	3,000	300.00
Note payable	**2,780**	**(30.15)**	3,980	(13.10)	4,580	4,980	5,380	5,780	(51.90)
Other liabilities	**2,538**	**(3.90)**	2,641	16.29	2,271	1,901	1,608	1,399	81.42
Stockholders' equity	**15,272**	**5.43**	14,486	18.95	12,178	10,938	9,923	8,434	81.08
Total Liabilities & Stockholders' Equity	**$ 258,503**	**9.39 %**	$ 236,323	6.17 %	$ 222,593	$ 178,644	$ 163,514	$ 158,404	63.19 %

At December 31, 1999, the Company had assets of $258,503,000 compared to $236,323,000 at December 31, 1998. The $22,180,000 (9.39%) increase in total assets during the year ended December 31, 1999 was principally funded through increases of $11,756,000 (6.26%) and $12,941,000 (95.89%) in deposits and short-term borrowings, respectively and a decline of $7,175,000 (34.83%) and $2,000,000 (14.29%) in Federal Funds Sold and Federal Home Loan Bank balances, respectively. These funds were the primary source used to fund increases in loans of $30,572,000 (24.29%) and securities of $3,346,000 (4.75%).

Demand for the Bank's lending products, including commercial lines of credit, residential real estate, and direct consumer loans has traditionally been moderately strong. Gross loans increased $30,572,000 (24.29%) from 1998 year end totals. Commercial (26.94%), agricultural (6.21%), real estate (14.52%), and consumer (47.56%) lending experienced growth during 1999. Approximately $8,790,000 and $1,126,000 of fixed rate long term residential real estate and agricultural real estate loans, respectively, were sold in the secondary market during 1999 while $15,911,000 and $2,691,000, respectively, were sold in 1998. In addition, under the Company's student loan program, approximately $523,000 in student loans were sold to Sallie Mae during 1999 compared to $1,199,000 sold in 1998. Management continues to place emphasis on the quality versus the quantity of the credits placed in the portfolio.

In addition to lending, the Company has focused on maintaining and enhancing high levels of fee income for its existing services and new services. Generation of fee income will be a goal of the Company and should be a source of continued revenues in the future.

Results of Operations Summary

The Company's earnings are primarily dependent on net interest income, the difference between interest income and interest expense. Interest income is a function of the balances of loans, securities and other interest earning assets outstanding during the period and the yield earned on such assets. Interest expense is a function of the balances of deposits and borrowings outstanding during the same period and the rates paid on such deposits and borrowings. The Company's earnings are also affected by provisions for loan losses, service charges, trust income, other non-interest income and expense and income taxes.

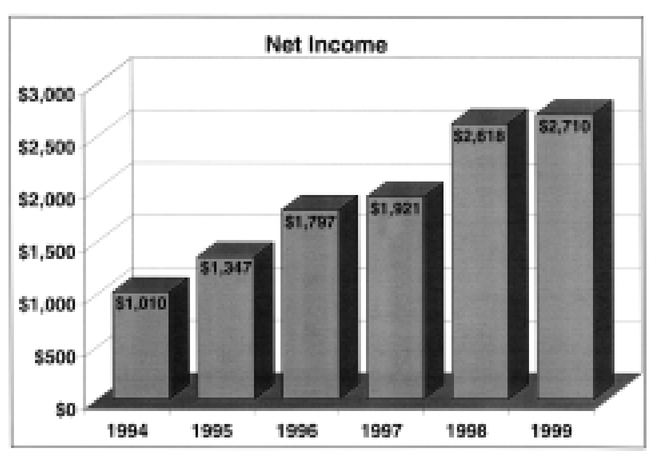
Non-interest expense consists primarily of employee compensation and benefits, occupancy and equipment expenses, amortization and general and administrative expenses.

Prevailing economic conditions as well as federal regulations concerning monetary and fiscal policies as they pertain to financial institutions significantly affect the Company. Deposit balances are influenced by a number of factors including interest rates paid on competing personal investments and the level of personal income and savings within the institution's market. In addition, growth of deposit balances is influenced by the perceptions of customers regarding the stability of the financial services industry. Lending activities are influenced by the demand for housing, competition from other lending institutions, as well as lower interest rate levels, which may stimulate loan refinancing. The primary sources of funds for lending activities include deposits, loan payments, borrowing and funds provided from operations.

For the year ended December 31, 1999, the Company reported consolidated net income of $2,710,000, a $92,000 (3.51%) increase from 1998. Net interest income for the periods being compared increased $689,000 or 8.85%. Other income increased $312,000 (15.77%) while other expenses increased $679,000 (11.72%) over 1998 totals.

Analysis of Net Income

The Company's assets are primarily comprised of interest earning assets including commercial, agricultural, consumer and real estate loans, as well as federal funds sold, interest bearing deposits in banks and securities. Average earning assets equaled $226,302,000 for the year ended December 31, 1999. A combination of interest bearing and non-interest bearing deposits, long term debt, federal funds purchased, securities sold under agreement to repurchase, other borrowings and capital funds are employed to finance these assets.



Consolidated Income Summary (Amounts in thousands of dollars)	1999	Change	1998	Change	1997	1996	1995	1994	5 Year Growth Rate
Interest income	$ 16,675	6.44 %	$ 15,666	17.04 %	$ 13,385	$ 12,445	$ 11,397	$ 10,140	64.45 %
Interest expense	(8,204)	4.06	(7,884)	17.62	(6,703)	(6,415)	(5,674)	(4,400)	86.45
Net interest income	$ 8,471	8.85 %	$ 7,782	16.46 %	$ 6,682	$ 6,030	$ 5,723	$ 5,740	47.58 %
Provision for loan losses	(240)	66.67	(144)	380.00	(30)	(67)	(180)	(180)	33.33
Net interest income after provision for loan losses	$ 8,231	7.76 %	$ 7,638	14.82 %	$ 6,652	$ 5,963	$ 5,543	$ 5,560	48.04 %
Other income	2,291	15.77	1,979	56.44	1,265	967	970	1,058	116.54
Other expense	(6,474)	11.72	(5,795)	12.63	(5,145)	(4,419)	(4,709)	(5,080)	27.44
Income before taxes	$ 4,048	5.91 %	$ 3,822	37.88 %	$ 2,772	$ 2,511	$ 1,804	$ 1,538	163.20 %
Income tax expense	(1,338)	11.13	(1,204)	41.48	(851)	(714)	(457)	(528)	153.41
Net income	$ 2,710	3.51 %	$ 2,618	36.28 %	$ 1,921	$ 1,797	$ 1,347	$ 1,010	168.32 %

	For the Years Ended December 31, (Amounts in thousands of dollars)		
	1999	**1998**	1997
Interest Income	**$ 16,329**	**$ 15,358**	$ 13,110
Loan Fees	**346**	**308**	275
Interest Expense	**(8,204)**	**(7,884)**	(6,703)
Net Interest Income	**$ 8,471**	**$ 7,782**	$ 6,682
Average Earning Assets	**$ 226,302**	**$ 205,299**	$ 170,133
Net Interest Margin	**3.74%**	**3.79%**	3.93%

The yield on average earning assets for the year ended 1999 was 7.37% while the average cost of funds for the same period was 4.33% on average interest bearing liabilities of $189,592,000. The yield on average earning assets for the year ended 1998 was 7.63%, while the average cost of funds for the same period was 4.58% on average interest bearing liabilities of $172,295,000. The increase in net interest income can be attributed to the $3,706,000 (11.23%) increase in average net earning assets during the period. This increase offset the decrease in both interest spread (1 basis point) and net interest margin (5 basis points).

Provision for Loan Losses

The allowance for loan losses as a percentage of net loans outstanding is 1.23% at December 31, 1999, compared to 1.48% at December 31, 1998. Net loan charge-offs totaled $181,000 for the year ended December 31, 1999 compared to $130,000 in 1998.

The amounts recorded in the provision for loan losses are determined from management's quarterly evaluation of the quality of the loan portfolio. In this review, such factors as the volume and character of the loan portfolio, general economic conditions and past loan loss experience are considered. Management believes that the allowance for loan losses is adequate to provide for losses in the portfolio at December 31, 1999.

Other Income

Other income may be divided into two broad categories - recurring and non-recurring. Trust fees and service charges on deposit accounts are the major sources of recurring other income. Investment securities gains and other income vary annually. Other income for the period ended December 31, 1999 was $2,291,000, an increase of $312,000 (15.77%) from 1998.

Other Expense

Other expenses for the period ended December 31, 1999 totaled $6,474,000, an increase of $679,000 (11.72%) from 1998 year-end totals. Salaries and employee benefits expense aggregated 52.58% and 53.08% of total other expense for the year ended December 31, 1999 and 1998, respectively.

Income Taxes

The Company files its Federal income tax return on a consolidated basis with the Bank. See Note 15 to the consolidated financial statements for detail of income taxes.

Non-accrual, Restructured and Past Due Loans and Leases and Other Real Estate Owned

(Amounts in thousands of dollars)

At December 31,	1999	1998	1997	1996	1995	1994
Non-accrual loans and leases	$ 147	$ 88	$ 298	$ 275	$ 51	$ 438
Other real estate owned	113	-	49	-	-	120
Total non-performing assets	$ 260	$ 88	$ 347	$ 275	$ 51	$ 558
Loans and leases past due 90 days or more	258	31	61	298	32	68
Total non-performing assets and 90-day past due loans and leases	$ 518	$ 119	$ 408	$ 573	$ 83	$ 626
Interest income as originally contracted on non-accrual and restructured loans and leases	$ 10	$ 9	$ 53	$ 25	$ 4	$ 39
Interest income recognized on non-accrual and restructured loans and leases	-	-	-	-	-	1
Reduction of interest income due to non-accrual and restructured loans and leases	$ 10	$ 9	$ 53	$ 25	$ 4	$ 38
Reduction in basic and diluted earnings per share due to non-accrual and restructured loans and leases	$ .01	$ .00	$ .02	$ .01	$ .00	$ .02

Liquidity

The concept of liquidity comprises the ability of an enterprise to maintain sufficient cash flow to meet its needs and obligations on a timely basis. Bank liquidity must thus be considered in terms of the nature and mix of the institution's sources and uses of funds.

Bank liquidity is provided from both assets and liabilities. The asset side provides liquidity through regular maturities of investment securities and loans. Investment securities with maturities of one year or less, deposits with banks and federal funds sold are a primary source of asset liquidity. On December 31, 1999, these categories totaled $23,202,000 or 8.98% of assets, compared to $43,095,000 or 18.24% the previous year.

As of December 31, 1999, securities held to maturity included $62,000 of gross unrealized gains and $551,000 of gross unrealized losses on securities which management intends to hold until maturity. Such amounts are not expected to have a material effect on future earnings beyond the usual amortization of premium and accretion of discount.

Closely related to the management of liquidity is the management of rate sensitivity (management of variable rate assets and liabilities) which focuses on maintaining a stable net interest margin, an important factor in earnings growth and stability. Emphasis is placed on maintaining an evenly balanced rate sensitivity position to avoid wide swings in margins and minimize risk due to changes in interest rates.

The Company's Asset/Liability Committee is charged with the responsibility of prudently managing the volumes and mixes of assets and liabilities of the subsidiary Bank.

Management believes that it has structured its pricing mechanisms such that the net interest margin should maintain acceptable levels in 2000, regardless of the changes in interest rates that may occur. The following table shows the repricing period for interest-earning assets and interest-bearing liabilities and the related repricing gap (Amounts in thousands of dollars):

	As of December 31, 1999 Repricing Period		
	Through One year	After one Year through Five years	After Five years
Interest-earning assets	$ 82,236	$ 95,426	$ 66,987
Interest-bearing liabilities	167,425	35,221	4,000
Repricing gap (repricing assets minus repcing liabilities)	$ (85,115)	$ 60,243	$ 62,987

	As of December 31, 1998 Repricing Period		
	Through One year	After one Year through Five years	After Five years
Interest-earning assets	$ 101,468	$ 82,349	$ 41,149
Interest-bearing liabilities	145,794	28,947	6,000
Repricing gap (repricing assets minus repcing liabilities)	$ (44,326)	$ 53,495	$ 35,149

Effects of Inflation

Until recent years, the economic environment in which the Company operates has been one of significant increases in the prices of most goods and services and a corresponding decline in the purchasing power of the dollar.

Banks are affected differently than other commercial enterprises by the effects of inflation. Some reasons for these disparate effects are a) premises and equipment for banks represent a relatively small proportion of total assets; b) a bank's asset and liability structure is substantially monetary in nature, which can be converted into a fixed number of dollars regardless of changes in prices, such as loans and deposits; and c) the majority of a bank's income is generated through net interest income and not from goods or services rendered.

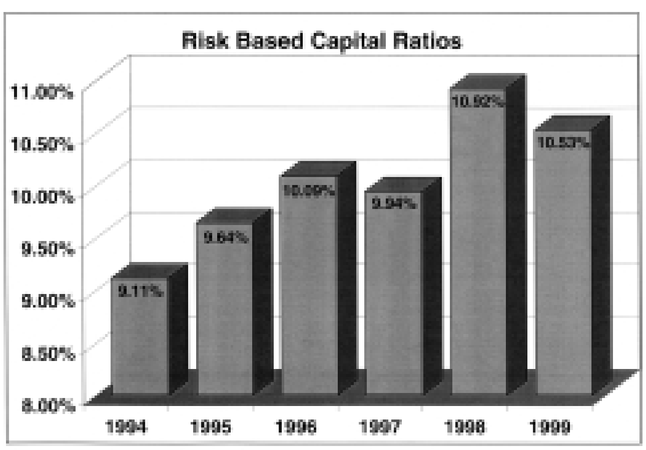
Although inflation may impact both interest rates and volume of loans and deposits, the major factor that affects net interest income is how well a bank is positioned to cope with changing interest rates.

Capital

The ability to generate and maintain capital at adequate levels is critical to the Company's long term success. A common measure of capitalization for financial institutions is primary capital as a percent of total assets.

Regulations also require the Company to maintain certain minimum capital levels in relation to consolidated Company assets. Regulations require a ratio of capital to risk-weighted assets of 8.00 percent.

The Company's capital, as defined by the regulations, was 10.53 percent of risk-weighted assets at December 31, 1999. In addition, a leverage ratio of at least 4.00 percent is to be maintained. At December 31, 1999, the Company's leverage ratio was 6.45 percent.



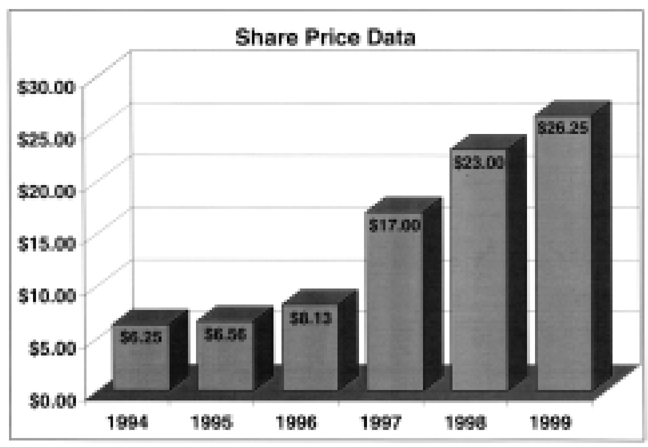
Asset Liability Management

Since changes in interest rates may have a significant impact on operations the Company has implemented, and currently maintains, an asset liability management committee at the Bank to monitor and react to the changes in interest rates and other economic conditions. Research concerning interest rate risk is supplied by the Company from information received from a third party source. The committee acts upon this information by adjusting pricing, fee income parameters, and/or marketing emphasis.

Common Stock Information and Dividends

The Company's common stock is held by 245 shareholders as of December 31, 1999, and is traded in a limited over-the-counter market.

On December 31, 1999 the market price of the Company's common stock was established by Howe Barnes Investments, Inc. at $26.25 a share. Cash dividends on common stock of $322,000 were declared by the Board of Directors of the Company for the year ended December 31, 1999.



Year 2000 Compliance

The Year 2000 Issue is the result of computer programs using two-digits instead of four-digits to represent the year. These computer systems, if not renovated, will be unable to interpret dates past 1999, which could cause a system failure or other computer errors, leading to a disruption in operations. The Company developed a five-phase program for year 2000 compliance, as outlined by the Federal Financial Institutions Examination Council (FFIEC) in a supervisory letter. These phases are Awareness, Assessment, Renovation, Validation, and Implementation.

Subsequent to December 31, 1999, the transition into the year 2000 occurred and no problems were experienced. The Company continues to monitor its computer systems to ensure they are operating properly.

The Year 2000 Issue also has a potential impact on the Company's borrowing customers and their ability to repay. Loan officers have been in constant communication with key bank borrowing customers to evaluate any problems related to computer and other system malfunction as a result of the Year 2000 Issue. To date, we have not been advised of any material year 2000 related problems by our customers.

Financial Report

Upon written request of any shareholder of record on December 31, 1999, the Company will provide, without charge, a copy of its 1999 Annual Report including financial statements and schedules.

The Company filed a Form 15 with the Securities and Exchange Commission to discontinue the filing of quarterly (10-Q) and annual (10-K) reports based on the Company's number of stockholders, however, the Company does prepare similar reports to those required under the Securities Exchange Act of 1934.

Notice of Annual Meeting of Stockholders

The annual meeting of stockholders will be May 9, 2000 at 9:00 A.M. at the Quincy Holiday Inn, 201 South 3rd Street, Quincy, Illinois.

McGLADREY & PULLEN, LLP
Certified Public Accountants

RSM international

To the Board of Directors
First Bankers Trustshares, Inc.
Quincy, Illinois

We have audited the accompanying consolidated balance sheets of First Bankers Trustshares, Inc. and subsidiary as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 1999, 1998 and 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Bankers Trustshares, Inc. and subsidiary as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years ended December 31, 1999, 1998 and 1997, in conformity with generally accepted accounting principles.

McGladrey & Pullen, LLP

Davenport, Iowa
February 11, 2000

FIRST BANKERS TRUSTSHARES, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands of dollars, except share and per share data)

	December 31,	
Assets	**1999**	1998
Cash and due from banks (Note 3)		
Non-interest bearing	**$ 6,964**	$ 5,710
Interest bearing	**981**	7,274
	$ 7,945	$ 12,984
Securities held to maturity (Note 4)	**$ 12,629**	$ 12,648
Securities available for sale (Note 4)	**61,101**	57,736
Federal funds sold	**13,425**	20,600
Loans held for sale	**74**	841
Loans (Notes 5 and 9)	**156,439**	125,867
Less allowance for loan losses	**(1,919)**	(1,860)
Net loans	**$ 154,520**	$ 124,007
Premises, furniture and equipment, net (Note 6)	**$ 4,132**	$ 4,031
Accrued interest receivable	**1,758**	1,649
Other assets	**2,919**	1,827
TOTAL ASSETS	**$ 258,503**	$ 236,323
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing demand	**$ 34,047**	$ 38,455
Interest bearing demand	**36,652**	35,343
Savings	**36,704**	32,061
Time (Note 7)	**92,074**	81,862
Total Deposits	**$ 199,477**	$ 187,721
Short-term borrowings (Note 8)	**26,436**	13,495
Federal Home Loan Bank advances (Note 9)	**12,000**	14,000
Note payable (Note 9)	**2,780**	3,980
Accrued interest payable	**1,419**	1,520
Other liabilities	**1,119**	1,121
TOTAL LIABILITIES	**$ 243,231**	$ 221,837
Commitments and Contingencies (Note 10)		
Stockholders' Equity (Note 13):		
Preferred stock, Series A, nonvoting, variable rate, cumulative, no par value, $50 stated value; authorized 50,000 shares; issued and outstanding none (Note 12)	**--**	--
Common stock, $1 par value, authorized 6,000,000 shares; issued and outstanding 1,289,615 shares	**1,290**	1,290
Additional paid in capital	**3,541**	3,541
Retained earnings	**11,906**	9,518
Accumulated other comprehensive income (loss)	**(1,465)**	137
TOTAL STOCKHOLDERS' EQUITY	**$ 15,272**	$ 14,486
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 258,503**	$ 236,323

See notes to consolidated financial statements

FIRST BANKERS TRUSTSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands of dollars, except per share data)

	Years Ended December 31,		
Interest income:	**1999**	1998	1997
Interest and fees on loans:			
Taxable	**$ 11,589**	$ 10,662	$ 9,929
Non-taxable	**130**	130	114
Interest on securities:			
Taxable	**3,550**	3,453	2,193
Non-taxable	**774**	689	559
Interest on federal funds sold	**498**	468	448
Interest on interest bearing deposits in banks	**134**	264	142
Total interest income	**$ 16,675**	$ 15,666	$ 13,385
Interest expense:			
Interest on deposits:			
Interest bearing demand and savings	**$ 1,859**	$ 1,863	$ 1,349
Time	**4,731**	4,390	3,965
Total interest on deposits	**$ 6,590**	$ 6,253	$ 5,314
Interest on short-term borrowings	**716**	891	761
Interest on Federal Home Loan Bank advances	**649**	408	316
Interest on note payable	**249**	332	312
Total interest expense	**$ 8,204**	$ 7,884	$ 6,703
Net interest income	**$ 8,471**	$ 7,782	$ 6,682
Provision for loan losses (Note 5)	**$ 240**	$ 144	$ 30
Net interest income after provision for loan Losses	**$ 8,231**	$ 7,638	$ 6,652
Other income:			
Trust department	**$ 966**	$ 793	$ 541
Service charges on deposit accounts	**384**	338	303
Investment securities gains, net (Note 4)	**2**	37	--
Other income	**939**	811	421
Total other income	**$ 2,291**	$ 1,979	$ 1,265
Other expenses:			
Salaries and employee benefits	**$ 3,404**	$ 3,076	$ 2,691
Occupancy expense, net	**487**	456	420
Equipment expense	**571**	528	460
Computer processing	**309**	236	181
Professional services	**98**	84	114
Amortization of intangibles	**134**	134	162
Other	**1,471**	1,281	1,117
Total other expenses	**$ 6,474**	$ 5,795	$ 5,145
Income before income taxes	**$ 4,048**	$ 3,822	$ 2,772
Income taxes (Note 15)	**1,338**	1,204	851
Net income	**$ 2,710**	$ 2,618	$ 1,921
Net income applicable to common stock	**$ 2,710**	$ 2,586	$ 1,857
Earnings per share of common stock, basic and diluted	**$ 2.10**	$ 2.03	$ 1.47

See notes to consolidated financial statements

FIRST BANKERS TRUSTSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts in thousands of dollars, except per share data)

Years Ended December 31, 1999, 1998 and 1997

	Preferred Stock	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income	Total
Balance, December 31, 1996	$ 1,000	$ 317	$ 4,014	$ 5,491	$ 116		$ 10,938
Comprehensive income:							
Net income	--	--	--	1,921	--	$ 1,921	1,921
Other comprehensive income, net of tax, unrealized gains on securities available for sale, net of reclassification adjustment (Note 2)	--	--	--	--	69	69	69
Comprehensive income						$ 1,990	
Adjustment to reflect four for one common stock split		950	(950)				
Preferred stock redemption	(500)	--	--	--	--		(500)
Dividends declared on preferred stock (amount per share $4.26)	--	--	--	(64)	--		(64)
Dividends declared on common stock (amount per share $.15)	--	--	--	(186)	--		(186)
Balance, December 31, 1997	$ 500	$ 1,267	$ 3,064	$ 7,162	$ 185		$ 12,178
Comprehensive income:							
Net income	--	--	--	2,618	--	2,618	2,618
Other comprehensive (loss), net of tax, unrealized (losses) on securities available for sale, net of reclassification adjustment (Note 2)	--	--	--	--	(48)	(48)	(48)
Comprehensive income						$ 2,570	
Preferred stock conversion to Common stock ($22.00 conversion price) (Note 12)	(500)	23	477	--	--		--
Dividends declared on preferred stock (amount per share $3.19)	--	--	--	(32)	--		(32)
Dividends declared on common stock (amount per share $.18)	--	--	--	(230)	--		(230)
Balance, December 31, 1998	$ --	$ 1,290	$ 3,541	$ 9,518	$ 137		$ 14,486
Comprehensive income:							
Net income	--	--	--	**2,710**	--	**2,710**	**2,710**
Other comprehensive (loss), net of tax, unrealized (losses) on securities available for sale, net of reclassification adjustment (Note 2)	--	--	--	--	**(1,602)**	**(1,602)**	**(1,602)**
Comprehensive income						**$ 1,108**	
Dividends declared on common stock (amount per share $.25)	--	--	--	**(322)**	--		**(322)**
Balance, December 31, 1999	**$ --**	**$ 1,290**	**$ 3,541**	**$ 11,906**	**$ (1,465)**		**$ 15,272**

See notes to consolidated financial statements

FIRST BANKERS TRUSTSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands of dollars)

	Years Ended December 31,		
Cash Flows From Operating Activities	**1999**	1998	1997
Net income	**$ 2,710**	$ 2,618	$ 1,921
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**240**	144	30
Amortization of goodwill	**134**	134	162
Depreciation	**615**	546	471
Amortization/accretion of premiums/discounts on securities, net	**155**	58	44
Investment securities gains, net	**(2)**	(37)	--
Loans originated for resale	**(9,672)**	(20,350)	(6,952)
Proceeds from loans sold	**10,554**	19,981	6,846
Gain on sale of loans	**(115)**	(180)	(68)
Deferred income taxes	**(38)**	(188)	(11)
(Increase) decrease in accrued interest receivable and other assets	**(203)**	19	(555)
Increase (decrease) in accrued interest payable and other liabilities	**(116)**	344	371
Net cash provided by operating activities	**$ 4,262**	$ 3,089	$ 2,259
Cash Flows From Investing Activities			
Purchase of securities available for sale	**$ (34,015)**	$ (47,877)	$ (36,754)
Purchase of securities held to maturity	**(2,106)**	(3,209)	(3,455)
Proceeds from sales of securities available for sale	**3,633**	11,043	4,429
Proceeds from maturities, calls and principal reductions of securities available for sale	**24,292**	31,815	11,084
Proceeds from maturities, calls and principal reductions of securities held to maturity	**2,114**	3,017	1,348
Increase in loans, net	**(30,866)**	(7,168)	(7,730)
Increase (decrease) in federal funds sold	**7,175**	(3,600)	(6,800)
Purchase of premises, furniture and equipment	**(716)**	(715)	(1,045)
Net cash (used in) investing activities	**$ (30,489)**	$ (16,694)	$ (38,923)
Cash Flows From Financing Activities			
Net increase in deposits	**$ 11,756**	$ 12,943	$ 34,674
Principal payments on note payable	**(1,200)**	(600)	(400)
Redemption of preferred stock	**--**	--	(500)
Cash dividends paid on preferred stock	**--**	(32)	(75)
Cash dividends paid on common stock	**(309)**	(204)	(176)
Increase (decrease) in short-term borrowings	**12,941**	(12,291)	10,065
Proceeds from Federal Home Loan Bank advances	**5,000**	11,000	3,000
Repayments of Federal Home Loan Bank advances	**(7,000)**	--	(5,000)
Net cash provided by financing activities	**$ 21,188**	$ 10,816	$ 41,588
Net increase (decrease) in cash and due from banks	**$ (5,039)**	$ (2,789)	$ 4,924
Cash and Due From Banks:			
Beginning	**$ 12,984**	$ 15,773	$ 10,849
Ending	**$ 7,945**	$ 12,984	$ 15,773

(continued)

FIRST BANKERS TRUSTSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands of dollars, except share and per share data)

	Years Ended December 31,		
Supplemental disclosure of cash flow information, Cash payments for:	**1999**	1998	1997
Interest	**$ 8,305**	$ 7,819	$ 6,372
Income taxes	**$ 1,332**	$ 1,232	$ 934
Supplemental schedule of noncash investing and financing activities:			
Net change in accumulated other comprehensive income (loss), unrealized gains (losses) on securities available for sale, net	**$ (1,602)**	$ (48)	$ 69
Conversion of 10,000 shares of preferred stock to 22,727 shares of common stock	**$ --**	$ 500	$ --
Transfer of loans to other real estate owned	**$ 113**	$ --	$ --

See notes to consolidated financial statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
First Bankers Trustshares, Inc. (the “Company”) is a bank holding company that through its subsidiary is engaged in banking and banking related services to a market area consisting primarily of Adams and adjacent Illinois counties, and Marion, Lewis and Shelby counties in Missouri. Trust services are provided through trust offices located in Quincy and Chicago, Illinois and Phoenix, Arizona.

Significant Accounting Policies
The accounting and reporting policies of First Bankers Trustshares, Inc. and its subsidiary conform to generally accepted accounting principles and general practices within the banking industry. The following is a summary of the more significant of these policies.

Accounting Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. A significant estimate which is particularly susceptible to change in a short period of time relates to the determination of the allowance for loan losses. Actual results could differ from those estimates.

Basis of Consolidation
The consolidated financial statements include the accounts of First Bankers Trustshares, Inc. and its wholly-owned subsidiary, First Bankers Trust Company, National Association (the “Bank”). All significant intercompany accounts and transactions have been eliminated in consolidation.

Presentation of Cash Flows
For purposes of reporting cash flows, cash and due from banks includes cash on hand and amounts due from banks, including cash items in process of clearing. Cash flows from loans to customers, deposits, short-term borrowings and federal funds sold are reported net.

Trust Department Assets
Trust assets, other than cash deposits held by the Bank, are not assets of the Bank and, accordingly are not included in these consolidated financial statements.

Securities
Securities held to maturity are those for which the Bank has the ability and intent to hold to maturity. Securities meeting such criteria at the date of purchase and as of the balance sheet date are carried at amortized cost, adjusted for amortization of premiums and discounts, computed by the interest method over their contracted lives.

Securities available for sale are accounted for at fair value and the unrealized holding gains or losses, net of their deferred income tax effect, are presented as increases or decreases in accumulated other comprehensive income, as a separate component of equity.

Realized gains and losses on sales of securities are based upon the adjusted book value of the specific securities sold and are included in earnings.

There were no trading securities at December 31, 1999 and 1998.

Loans
Loans are stated at the principal amount outstanding, net of allowance for loan losses. Interest on loans is credited to operations as earned, based upon the principal amount outstanding.

It is the Bank’s policy to discontinue the accrual of interest income on any loan when, in the opinion of management, there is reasonable doubt as to the timely collection of interest or principal. Interest on these loans is credited to income only when the loan is removed from nonaccrual status. Nonaccrual loans are returned to an accrual status when, in the opinion of management, the financial position of the borrower and other relevant factors indicate there is no longer any reasonable doubt as to the timely payment of principal or interest.

The Bank grants agribusiness, commercial, residential, and consumer loans to customers throughout the Bank’s market area. The Bank’s policy for requiring collateral is consistent with prudent lending practice and anticipates the potential for economic fluctuations. Collateral varies but may include accounts receivable, inventory, property, equipment and income-producing commercial properties. It is the Bank’s policy to file financing statements and mortgages covering collateral pledged.

NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of December 31, 1999 and 1998, the Bank had loan concentrations in agribusiness of 7.71% and 9.02%, respectively and hotels of 3.22% and 3.97%, respectively, of outstanding loans. The Bank had no additional industry loan concentrations which, in management's judgment, were considered to be significant. The Bank had no foreign loans outstanding as of December 31, 1999.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans and commitments to extend loans based on evaluations of the collectibility and prior loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans and commitments, and current and anticipated economic conditions that may affect the borrower's ability to pay.

Loans are considered impaired when, based on current information and events, it is probable the Bank will not be able to collect all amounts due under the loan agreement. The portion of the allowance for loan losses applicable to impaired loans is computed based on the present value of the estimated future cash flows of interest and principal discounted at the loan's effective interest rate or on the fair value of the collateral for collateral dependent loans. The entire change in present value of expected cash flows of impaired loans is reported as bad debt expense in the same manner in which impairment initially was recognized or as a reduction in the amount of bad debt expense that otherwise would be reported. The Bank recognizes interest income on impaired loans on a cash basis.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under lines of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Premises, Furniture and Equipment

Premises, furniture and equipment are stated at cost less accumulated depreciation. Depreciation is determined using the straight line method over the estimated useful lives of the assets.

Other Real Estate Owned

Other real estate owned (ORE), which is included with other assets, represents properties acquired through foreclosure, in-substance foreclosure or other proceedings. Any write-down to fair value at the time of the transfer to ORE is charged to the allowance for loan losses. Property is evaluated regularly to ensure that the recorded amount is supported by the current fair value. Subsequent write-downs to fair value are charged to earnings.

Intangibles

Goodwill represents the unamortized cost of the investment in the Bank in excess of the fair value of net assets acquired and is being amortized over 15 years. Goodwill totals $601,000 and $735,000 at December 31, 1999 and 1998, respectively.

Earnings Per Share of Common Stock

Basic earnings per share of common stock is computed by dividing net income, after deducting preferred stock dividends, by the weighted average number of shares outstanding during each reporting period. Diluted earnings per share of common stock assumes the conversion, exercise or issuance of all potential common stock (common stock equivalents) unless the effect is to reduce the loss or increase the income per common share from continuing operations. The Company had no common stock equivalents as of and for the years ending December 31, 1999, 1998, and 1997.

Income Taxes
Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in the tax laws and rates on the date of enactment.

Sale of Loans
As part of its management of assets and liabilities, the Company periodically sells residential real estate, agricultural and student loans. Loans which are expected to be sold in the foreseeable future are classified as held for sale and are recorded at the lower of aggregate cost or market value. At December 31, 1999 and 1998, loans held for sale consist of residential real estate loans.

2. COMPREHENSIVE INCOME

Comprehensive income is defined as the change in equity during a period from transactions and other events from non-owner sources. Comprehensive income is the total of net income and other comprehensive income, which for the Company is comprised entirely of unrealized gains and losses on securities available for sale.

Other comprehensive income (loss) is comprised as follows (Amounts in thousands of dollars):

	Before tax	Tax expense (benefit)	Net of tax
Year ended December 31, 1999			
Unrealized gains (losses) on securities available for sale:			
Unrealized holding (losses) arising during the year	**$ (2,581)**	**$ (980)**	**$ (1,601)**
Less reclassification adjustment for gains included in net income	**2**	**1**	**1**
Other comprehensive (loss)	**$ (2,583)**	**$ (981)**	**$ (1,602)**
Year ended December 31, 1998			
Unrealized gains (losses) on securities available for sale:			
Unrealized holding (losses) arising during the year	**$ (42)**	**$ (16)**	**$ (26)**
Less reclassification adjustment for gains included in net income	**37**	**15**	**22**
Other comprehensive (loss)	**$ (79)**	**$ (31)**	**$ (48)**
Year ended December 31, 1997			
Unrealized gains on securities available for sale:			
Unrealized holding gains arising during the year	$ 116	$ 47	$ 69
Less reclassification adjustment for gains included in net income	-	-	-
Other comprehensive income	$ 116	$ 47	$ 69

3. RESTRICTIONS ON CASH AND DUE FROM BANKS

The Bank is required to maintain a reserve balance with the Federal Reserve Bank of St. Louis. The total of the reserve balance was approximately $2,529,000 and $2,031,000 at December 31, 1999 and 1998, respectively.

4. SECURITIES

The amortized cost and fair values of securities held to maturity as of December 31, 1999 and 1998 are as follows (Amounts in thousands of dollars):

	1999			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized (Losses)**	**Fair Value**
U.S. Government agencies and corporations	**$ 1,278**	**$ 5**	**$ (20)**	**$ 1,263**
State and political subdivisions	**11,351**	**57**	**(531)**	**10,877**
	$ 12,629	**$ 62**	**$ (551)**	**$ 12,140**

	1998			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Government agencies and corporations	$ 1,662	$ 26	$ (37)	$ 1,651
State and political subdivisions	10,986	314	(2)	11,298
	$ 12,648	$ 340	$ (39)	$ 12,949

The amortized cost and fair values of securities available for sale as of December 31, 1999 and 1998 are as follows (Amounts in thousands of dollars):

	1999			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized (Losses)**	**Fair Value**
U.S. Treasury securities	**$ 6,004**	**$ 12**	**$ (6)**	**$ 6,010**
U.S. Government agencies and corporations	**51,057**	**48**	**(2,211)**	**48,894**
State and political subdivisions	**4,973**	**8**	**(205)**	**4,776**
Corporate securities	**1,050**	**--**	**--**	**1,050**
Collateralized mortgage obligations	**380**	**--**	**(9)**	**371**
	$ 63,464	**$ 68**	**$ (2,431)**	**$ 61,101**

	1998			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Treasury securities	$ 17,031	$ 161	$ --	$ 17,192
U.S. Government agencies and corporations	37,148	148	(120)	37,176
State and political subdivisions	1,694	37	--	1,731
Corporate securities	1,500	--	--	1,500
Collateralized mortgage obligations	143	--	(6)	137
	$ 57,516	$ 346	$ (126)	$ 57,736

4. SECURITIES (Continued)

The amortized cost and fair value of securities as of December 31, 1999 by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the corporate securities and mortgages underlying the collateralized mortgage obligations may be called or prepaid without penalties. Therefore, these securities are not included in the maturity categories in the following summaries (Amounts in thousands of dollars):

Securities held to maturity:	Amortized Cost	Fair Value
Due in one year or less	$ 1,858	$ 1,838
Due after one year through five years	3,659	3,703
Due after five years through ten years	2,812	2,750
Due after ten years	4,300	3,849
	$ 12,629	$ 12,140

Securities available for sale:	Amortized Cost	Fair Value
Due in one year or less	$ 6,925	$ 6,938
Due after one year through five years	15,168	14,896
Due after five years through ten years	10,402	9,941
Due after ten years	29,539	27,905
	$ 62,034	$ 59,680
Corporate securities	1,050	1,050
Collateralized mortgage obligations	380	371
	$ 63,464	$ 61,101

Proceeds from:	1999	1998	1997
Sales	$ 3,633	$ 11,043	$ 4,429
Gross gains	$ 10	$ 37	--
Gross losses	$ 8	$ --	--

As of December 31, 1999 and 1998 securities with a carrying value of approximately $56,816,000 and $54,657,000 respectively, were pledged to collateralize deposits and securities sold under agreements to repurchase and for other purposes as required or permitted by law.

5. LOANS

The composition of net loans outstanding as of December 31, 1999 and 1998 are as follows (Amounts in thousands of dollars):

	1999	1998
Commercial	$ 73,789	$ 58,127
Agricultural	12,062	11,357
Tax exempt	1,852	1,766
Real estate, mortgage	40,486	35,353
Consumer	27,919	18,920
Other	331	344
	$ 156,439	$ 125,869
Less: Allowance for loan losses	(1,919)	(1,860)
Net loans	$ 154,520	$ 124,007

Loans on which the accrual of interest has been discontinued totaled $147,000 and $88,000 as of December 31, 1999 and 1998, respectively. The foregone interest had the effect of reducing interest income by $10,000 or $.01 on earnings per share of common stock for the year ended December 31, 1999, $9,000 and had no impact on earnings per share of common stock for the year ended December 31, 1998 and $53,000 or $.02 per share of common stock for the year ended December 31, 1997.

Impaired loans were not material at December 31, 1999 and 1998.

5. LOANS (Continued)

Activity in the allowance for loan losses during the years ended December 31, 1999, 1998 and 1997 is summarized below (Amounts in thousands of dollars):

	1999	1998	1997
Balance, beginning of year	**$ 1,860**	**$ 1,846**	$ 1,942
Provision for loan losses	**240**	**144**	30
Loan charge-offs	**(207)**	**(160)**	(154)
Recoveries of loans charged off	**26**	**30**	28
Balance, end of year	**$ 1,919**	**$ 1,860**	$ 1,846

In the ordinary course of business, the Bank has loans with directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (hereafter referred to as related parties). The Bank believes that all such loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with other persons and that such loans do not present more than a normal risk of collectibility or present other unfavorable features. An analysis of the changes in the aggregate amount of these loans during 1999 and 1998 is as follows (Amounts in thousands of dollars):

	1999	1998
Balance, beginning of year	**$ 2,004**	$ 4,051
Advances	**2,673**	1,029
Repayments	**(2,630)**	(3,076)
Balance, end of year	**$ 2,047**	$ 2,004

6. PREMISES, FURNITURE AND EQUIPMENT

The cost, accumulated depreciation and net book value of premises, furniture and equipment as of December 31, 1999 and 1998 is summarized as follows (Amounts in thousands of dollars):

	1999	1998
Land	**$ 625**	$ 625
Building and improvements	**3,451**	3,324
Furniture and equipment	**4,555**	3,995
	$ 8,631	$ 7,944
Less accumulated depreciation	**(4,499)**	(3,913)
	$ 4,132	$ 4,031

7. TIME DEPOSITS

The aggregate amount of time deposits, each with a minimum denomination of $100,000, was approximately $24,103,000 and $18,921,000 at December 31, 1999 and 1998, respectively.

At December 31, 1999, the scheduled maturities of time deposits are as follows (Amounts in thousands of dollars):

2000	**$ 64,888**
2001	**19,387**
2002	**5,977**
2003	**1,108**
2004	**714**
	$ 92,074

8. SHORT TERM BORROWINGS

Securities sold under agreements to repurchase are short-term borrowings that generally mature within 180 days from the dates of issuance. The U.S. Treasury tax and loan note generally matures within 30 days.

The following is a summary of short-term borrowings outstanding as of December 31, 1999 and 1998 (Amounts in thousands of dollars):

	1999	1998
Securities sold under agreement to repurchase	$ 25,036	$ 12,673
U.S. Treasury tax and loan note account	1,400	822
Total short-term borrowings	$ 26,436	$ 13,495

Other information concerning securities sold under agreements to repurchase is summarized as follows (Amounts in thousands of dollars):

	1999	1998
Average balance during the year	$ 16,840	$ 17,694
Average interest rate during the year	4.07%	4.75%
Maximum month end balance during the year	$ 25,036	$ 20,955
Securities underlying the agreements at year end:		
Carrying value	$ 35,236	$ 19,010
Fair value	$ 34,948	$ 19,001

Average balances above are based upon daily average balances and rates. The securities underlying the agreements at year-end were under the Company's control.

9. FEDERAL HOME LOAN BANK ADVANCES AND NOTE PAYABLE

Federal Home Loan Bank (FHLB) advances are summarized as follows at December 31, 1999:

Maturity in year ending December 31:	Weighted Average Interest Rate	Balance Due (Amount in thousands)
2000	6.02%	$ 1,000
2001	5.41	2,000
2004	5.61	5,000
2008	4.57	4,000
		$ 12,000

Advances totaling $9,000,000 maturing in 2004 and 2008 have call features that could be implemented beginning in 2000 through 2003. First mortgage loans of approximately $20,000,000 as of December 31, 1999 are pledged as collateral on FHLB advances.

FHLB advances at December 31, 1998 totaled $14,000,000. These advances had maturity dates between 1999 and 2008 and carried fixed interest rates of 4.41% to 6.02%. First mortgage loans of approximately $23,333,000 as of December 31, 1998 were pledged as collateral on these advances.

The Company has a $2,780,000 note payable which is due March 31, 2001. The Company is in compliance with all covenants of the long term debt agreement. Interest is payable quarterly using a variable rate computation based on the prime lending rate, as described in the agreement. The debt is collateralized by the stock of the subsidiary Bank. At December 31, 1998 $3,980,000 was outstanding on the note payable.

10. COMMITMENTS AND CONTINGENCIES

Financial instruments with off-balance sheet risk:

The Bank, in the normal course of business, is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include unused lines of credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for unused lines of credit and standby letters of credit is represented by the contractual amounts of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the Bank's commitments at December 31, 1999 and 1998 is as follows (Amounts in thousands of dollars):

	1999	1998
Unused lines of credit	**$ 20,141**	$ 18,683
Standby letters of credit	**475**	488

Unused lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The agreements generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the agreements are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customers' credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Bank upon extension of credit is based upon management's credit evaluation of the counter-party. Collateral varies but may include accounts receivable, inventory, property, equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral varies as specified above and is required in instances in which the Bank deems necessary.

Concentration of credit risk:

Aside from cash on hand and in-vault, the majority of the Company's cash is maintained at Mercantile Bank, N.A. and Commerce Bank, N.A. The total amount of cash on deposit and federal funds sold exceeded federal insurance limits by approximately $6,292,000 and $7,927,000, respectively as of December 31, 1999. In the opinion of management, no material risk of loss exists due to the financial condition of the institutions.

11. BENEFITS

The Bank has a retirement plan which covers substantially all full time employees (working over 20 hours per week) after completion of one year of service and attaining the age of 21. The Bank contributes an amount adequate to fund the Target Benefit as determined by various plan assumptions. The Target Benefit is 17.5% of total compensation and is based on the employee's highest consecutive five years of compensation while a participant.

The Bank also has a 401K plan, which is a tax qualified savings plan, to encourage its employees to save for retirement purposes or other contingencies. Substantially all full time (working over 20 hours per week) employees of the Bank are eligible to participate in the Plan on the later of January 1st or July 1st after completion of one year of service and attaining the age of 18. The employee may elect to contribute up to 15% of their compensation before taxes. Based upon profits, as determined by the Bank, a contribution may be made by the Bank. Employees are 100% vested in the Bank's contribution to the plan after five years of service. Employee contributions and vested Bank contributions may be withdrawn only on termination of employment, retirement, or death.

11. BENEFITS (Continued)

Under the Employee Incentive Compensation Plan, the Bank is authorized at its discretion, pursuant to the provisions of the plan, to establish on an annual basis, a bonus fund which will be distributed to certain employees based on their performance. The Employee Incentive Compensation Plan does not become effective unless the Bank exceeds established income levels.

Contributions to the target benefit plan for the years ended December 31, 1999, 1998 and 1997 totaled $112,000, $68,000 and $104,000 respectively. There were no contributions to the 401(k) plan for the years ended December 31, 1999, 1998 and 1997. Incentive compensation was $115,000, $310,000 and $75,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

12. PREFERRED STOCK

Series A Preferred Stock - Fifty thousands shares of Series A preferred stock with a stated value of $50.00 per share are authorized. Preferred Stock was authorized in June 1989. The Company issued thirty-eight thousand shares of Series A Preferred Stock in June 1989 for a total consideration of $1,900,000. The stock pays quarterly cumulative dividends at a per annum rate of 8.50% on the last day of March, June, September, and December. The holders of the Preferred Stock do not have any conversion rights. All shares of Preferred Stock which have been issued are senior to common stock as to dividends and liquidation. The holders of the Preferred Stock will only be allowed to vote to: (a) approve the creation or issuance of any class of securities ranking, as to the payment of dividends or as to the distribution upon liquidation, prior to, or upon a parity with the Preferred Stock; (b) amend any provisions of the Company's Restated Certificate of Incorporation which would affect the designations, preferences, qualifications, limitations or restrictions and special or relative rights of the Preferred Stock; and (c) approve any reduction in the Company's stated capital below levels existing on the date on which the Company sells the Preferred Stock. They will also be allowed to vote on all matters as required by Delaware law. The Company can redeem the Preferred Stock at any time. The redemption amount (and the liquidation preference) will be the face value of the shares plus all accrued and unpaid dividends. The Company redeemed for cash twenty-eight thousand shares of Series A Preferred Stock totaling $1,400,000.00 as of December 31, 1997. On September 30, 1998 the Company redeemed the remaining $500,000 (10,000 shares) in exchange for 22,727 shares of common stock (market value of $22.00) and six dollars in cash.

13. DIVIDENDS AND REGULATORY CAPITAL

The Company's stockholders are entitled to receive such dividends as are declared by the Board of Directors. The ability of the Company to pay dividends in the future is dependent upon its receipt of dividends from the Bank. The Bank's ability to pay dividends is regulated by banking statutes. The timing and amount of dividends will depend on earnings, capital requirements and financial condition of the Company and the Bank as well as general economic conditions and other relevant factors affecting the Company and the Bank.

Under the provisions of the National Bank Act the Bank may not, without prior approval of the Comptroller of the Currency, declare dividends in excess of the total of the current and past two year's earnings less any dividends already paid from those earnings.

The Company and Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators and components, risk weightings, and other factors.

13. DIVIDENDS AND REGULATORY CAPITAL (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 1999, that the Company and Bank meet all capital adequacy requirements to which they are subject.

The most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately or well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Company's and Bank's actual capital amounts and ratios are also presented in the table. (Amounts in thousands of dollars):

	Actual		**For Capital Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
As of December 31, 1999	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital (to Risk Weighted Assets)						
Company	**$18,001**	**10.53%**	**≥$13,682**	**≥8.00%**	**≥$17,103**	**≥10.00%**
Bank	**$19,787**	**11.61%**	**≥$13,634**	**≥8.00%**	**≥$17,043**	**≥10.00%**
Tier I Capital (to Risk Weighted Assets)						
Company	**$16,136**	**9.43%**	**≥$6,841**	**≥4.00%**	**≥$10,262**	**≥6.00%**
Bank	**$17,922**	**10.52%**	**≥$6,817**	**≥4.00%**	**≥$10,226**	**≥6.00%**
Tier I Capital (to Average Assets)						
Company	**$16,136**	**6.76%**	**≥$9,546**	**≥4.00%**	**≥$11,932**	**≥5.00%**
Bank	**$17,922**	**7.57%**	**≥$9,466**	**≥4.00%**	**≥$11,832**	**≥5.00%**
As of December 31, 1998	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets)						
Company	$15,324	10.92%	≥$11,223	≥8.00%	≥$14,029	≥10.00%
Bank	$18,003	12.90%	≥$11,168	≥8.00%	≥$13,961	≥10.00%
Tier I Capital (to Risk Weighted Assets)						
Company	$13,614	9.70%	≥$5,611	≥4.00%	≥$8,417	≥6.00%
Bank	$16,311	11.68%	≥$5,584	≥4.00%	≥$8,376	≥6.00%
Tier I Capital (to Average Assets)						
Company	$13,614	6.03%	>$9,035	≥4.00%	≥$11,294	≥5.00%
Bank	$16,311	7.27%	>$8,971	≥4.00%	≥$11,214	≥5.00%

14. PARENT COMPANY ONLY FINANCIAL STATEMENTS

PARENT COMPANY ONLY BALANCE SHEETS
(Amounts in thousands of dollars)

	December 31,	
	1999	1998
Assets		
Cash	**$ 886**	$ 1,200
Investment in subsidiary	**17,464**	17,561
Other assets	**125**	50
Total assets	**$ 18,475**	$ 18,811
Liabilities and stockholders' equity		
Liabilities:		
Note payable	**$ 2,780**	$ 3,980
Other	**423**	345
Total liabilities	**$ 3,203**	$ 4,325
Total stockholders' equity	**$ 15,272**	$ 14,486
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	**$ 18,475**	$ 18,811

PARENT COMPANY ONLY STATEMENTS OF INCOME
(Amounts in thousands of dollars)

	Years Ended December 31,		
	1999	1998	1997
Income:			
Dividends received from subsidiary	**$ 1,400**	$ 1,400	$ 1.400
Interest	**38**	44	26
Total income	**$ 1,438**	$ 1,444	$ 1,426
Expenses:			
Interest	**$ 249**	$ 332	$ 311
Salary and benefits	**22**	22	18
Other	**97**	106	61
Total expenses	**$ 368**	$ 460	$ 390
Income before income tax benefits and equity in undistributed earnings of subsidiary	**$ 1,070**	$ 984	$ 1,036
Income tax (benefit)	**(135)**	(161)	(159)
Income before equity in undistributed earnings of subsidiary	**$ 1,205**	$ 1,145	$ 1,195
Equity in undistributed earnings of subsidiary	**1,505**	1,473	726
Net income	**$ 2,710**	$ 2,618	$ 1,921

14. PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Amounts in thousands of dollars)

	Years Ended December 31,		
	1999	1998	1997
Cash flows from operating activities			
Net income	**$ 2,710**	$ 2,618	$ 1,921
Adjustments:			
Equity in undistributed earnings of subsidiary	**(1,505)**	(1,473)	(726)
Changes in assets and liabilities			
(Increase) decrease in other assets	**(75)**	(51)	52
Increase in other liabilities	**65**	26	23
Net cash provided by operating activities	**$ 1,195**	$ 1,120	$ 1,270
Cash flows from investing activities	**$ --**	$ --	$ --
Cash flows from financing activities			
Principal payments on note payable	**$ (1,200)**	$ (600)	$ (400)
Redemption of preferred stock	**--**	--	(500)
Cash dividends paid on preferred stock	**--**	(32)	(75)
Cash dividends paid on common stock	**(309)**	(204)	(176)
Net cash (used in) financing activities	**$ (1,509)**	$ (836)	$ (1,151)
Net increase (decrease) in cash	**$ 314**	$ 284	$ 119
Cash beginning	**1,200**	916	797
Cash ending	**$ 886**	$ 1,200	$ 916

15. INCOME TAX MATTERS

The components of income tax expense are as follows for the years ended December 31, 1999, 1998 and 1997 (Amounts in thousands of dollars):

	Years Ended December 31		
	1999	1998	1997
Current	**$ 1,376**	$ 1,392	$ 862
Deferred	**(38)**	(188)	(11)
	$ 1,338	$ 1,204	$ 851

A reconciliation between income tax expense in the statements of income and the amount computed by applying the statutory federal income tax rate to income before income taxes is as follows (Amounts in thousands of dollars):

	1999 Amount	**% of Pretax Income**	1998 Amount	% of Pretax Income	1997 Amount	% of Pretax Income
Federal income tax at statutory rate	**$ 1,376**	**34.0 %**	$ 1,299	34.0 %	$ 942	34.0 %
Changes from statutory rate resulting from:						
State tax, net of federal benefit	**139**	**3.4**	86	2.2	75	2.7
Amortization of goodwill	**45**	**1.1**	45	1.2	45	1.6
Tax exempt interest income, net	**(261)**	**(6.4)**	(228)	(6.0)	(193)	(7.0)
Over (under) accrual of provision and other, net	**39**	**1.0**	2	.1	(18)	(.6)
Income tax expense	**$ 1,338**	**33.1 %**	$ 1,204	31.5 %	$ 851	30.7 %

15. INCOME TAX MATTERS (Continued)

Net deferred tax assets consist of the following components as of December 31, 1999 and 1998 (Amounts in thousands of dollars):

Deferred tax assets:	**1999**	1998
Allowance for loan losses	**$ 657**	$ 580
Loan fees	**2**	3
Nonaccrual loan income	**--**	3
Unrealized losses on securities available for sale, net	**898**	112
Accrued expense	**121**	
	$ 1,678	$ 698
Deferred tax liabilities:		
Premises, furniture and equipment	**$ (309)**	$ (265)
Unrealized gains on securities available for sale, net	**--**	(83)
Stock dividends	**(2)**	(2)
	$ (311)	$ (350)
Net deferred tax assets	**$ 1,367**	$ 348

Net deferred tax assets are included in other assets on the accompanying consolidated balance sheets.

The net change in deferred income taxes is reflected in the financial statements as follows (Amounts in thousands of dollars):

	Years Ended December 31,		
	1999	1998	1997
Provision for income taxes	**$ (38)**	$ (188)	$ (11)
Statement of changes in stockholders' equity, accumulated other comprehensive income (loss), unrealized gains (losses) on securities available for sale, net	**(981)**	(31)	47
	$ (1,019)	$ (219)	$ 36

16. CURRENT ACCOUNTING DEVELOPMENTS

The Financial Accounting Standards Board has issued Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" which is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. Management believes that adoption of this statement will not have an effect on the consolidated financial statements.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB Statement No. 107 "Disclosures about Fair Value of Financial Instruments" requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets, and in many cases, could not be realized in immediate settlement of the instrument. Statement No. 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented are not intended to represent the underlying value of the Company.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and due from banks and federal funds sold: The carrying amounts reported in the balance sheets for cash and due from banks and federal funds sold equal their fair values.

Securities: Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans held for sale: The fair value of loans held for sale is based on quoted market prices of similar loans sold in the secondary market.

Loans: For variable rate loans fair values are equal to carrying values. The fair values for all other types of loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality.

Accrued interest receivable and payable: The fair value of accrued interest receivable and payable is equal to its carrying value.

Deposits: The fair values for demand and savings deposits equal their carrying amounts which represents the amount payable on demand. Fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on time deposits to a schedule of aggregated expected monthly maturities on time deposits.

Short-term borrowings: The fair value of short-term borrowings is considered to equal carrying value due to the borrowings short-term nature.

Federal Home Loan Bank advances: The fair value of Federal Home Loan Bank advances is estimated using discounted cash flow analyses, using interest rates currently being offered for similar borrowings.

Note payable: For the variable rate note payable, the carrying amount is a reasonable estimate of fair value.

Commitments to extend credit: The fair value of these commitments is not material.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The carrying values and estimated fair values of the Company's financial instruments as of December 31, 1999 and 1998 are as follows (Amounts in thousands of dollars):

	1999		**1998**	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets:				
Cash and due from banks	**$ 7.945**	**$ 7,945**	$ 12,984	$ 12,984
Securities held to maturity	**12,629**	**12,140**	12,648	12,949
Securities available for sale	**61,101**	**61,101**	57,736	57,736
Federal funds sold	**13,425**	**13,425**	20,600	20,600
Loans held for sale	**74**	**74**	841	841
Loans	**156,439**	**156,070**	125,867	126,108
Accrued interest receivable	**1,758**	**1,758**	1,649	1,649
Financial liabilities:				
Non-interest-bearing demand deposits	**$ 34,047**	**$ 34,047**	$ 38,455	$ 38,455
Interest-bearing demand deposits	**36,652**	**36,652**	35,343	35,343
Savings deposits	**36,704**	**36,704**	32,061	32,061
Time deposits	**92,074**	**91,938**	81,862	82,256
Short-term borrowings	**26,436**	**26,436**	13,495	13,495
Federal Home Loan Bank advances	**12,000**	**11,842**	14,000	13,963
Note payable	**2,780**	**2,780**	3,980	3,980
Accrued interest payable	**1,419**	**1,419**	1,520	1,520

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President
David E. Connor & Associates

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Steven E. Siebers, Secretary
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