2003

Annual Report

First Bankers Trustshares, Inc.

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Corporate Information

Corporate Description

First Bankers Trustshares, Inc. (FBTI) is a bank holding company for First Bankers Trust Company, N.A., FBIL Statutory Trust I and FBIL Statutory Trust II. The company was incorporated on August 25, 1988 and is headquartered in Quincy, Illinois.

First Bankers Trustshares' mission, through its subsidiaries, 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 five banking facilities located in Quincy, Illinois, one facility in Mendon, Illinois in northern Adams County and facilities located in Chicago, Illinois, Philadelphia, Pennsylvania and Phoenix, Arizona that provide trust services.

FBIL Statutory Trust I and FBIL Statutory Trust II were capitalized in September 2000 and 2003, respectively, for the purpose of issuing Company Obligated Mandatorily Redeemable Preferred Securities.

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: 2,048,574

Stockholders of record: 260*
*As of December 31, 2003

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, N.A.
(Attn: Julie Kenning)
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

Jenkens & Gilchrist
A Professional Corporation
1445 Ross Avenue
Suite 3200
Dallas, Texas 75202

Board of Directors
First Bankers Trustshares, Inc.

David E. Connor
Chairman Emeritus, First Bankers Trustshares, Inc.

Carl Adams, Jr.
President, Illinois Ayers Oil Company

William D. Daniels
Chairman of the Board, First Bankers Trustshares, Inc.
Member, Harborstone Group, LLC.

Mark E. Freiburg
Owner, Freiburg Insurance Agency and Freiburg Development Company, President, Freiburg, Inc.

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

Arthur E. Greenbank
President & Chief Executive Officer, First Bankers Trust Company, N.A.

Phyllis J. Hofmeister
Secretary/Treasurer, Robert Hofmeister, Inc.

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

Dennis R. Williams
Chairman of the Board, Quincy Newspapers, Inc.

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
(For the Three Months Period Ended)

Market Value	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02
High	$ 15.80	$ 17.00	$ 16.00	$ 16.00	$ 14.75
Low	$ 15.00	$ 14.80	$ 14.50	$ 14.00	$ 14.00
Period End Close	$ 15.40	$ 15.75	$ 15.25	$ 14.00	$ 14.75

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

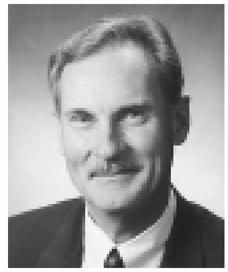
Wachovia Securities
Maine Center, 535 Maine
Quincy, IL 62301
Phone (800) 223-1037

Stifel Nicolas & Co. Inc
Sears Tower
233 Wacker Drive, Suite 850
Chicago, IL 60606-6300
Phone (800) 745-7110

Monroe Securities, Inc.
47 State Street
Rochester, NY 14614
Phone (585) 546-5560

Baird Patrick Co.
20 Exchange Place
New York, NY 10005
Phone (800) 421-0123

William D. Daniels, Chairman



Donald K. Gnuse, President and Chief Executive Officer

Dear Shareholders,

The Year 2003, as in previous years, proved to be a rewarding year for shareholders. Return on average stockholders' equity of 16.31% was again a strong financial return for your investment portfolio. Stated on a per share basis, each share earned $1.52 for the year, compared to $1.49 for the previous year 2002. Due to this continued strong earnings performance your Board of Directors, at their December board meeting, voted to increase the cash dividend for the tenth year in a row.

While many of our employees are shareholders, we would like to focus for a moment on the "investment" in our employees and the communities we serve. As recorded in our financial report, $8,218,000 was expended during 2003 to generate over $20,281,000 in gross revenue. Approximately 54% of that expense was related to employee salary and benefit costs. Those earnings flow from employees through to their families and in turn support their budgets for homes, automobiles, children's education, and support for their churches and charities to name but a few recipients. In summary, a profitable enterprise like First Bankers Trustshares, benefits everyone – shareholders, employees and the communities in which we all live.

Looking at what made the Year 2003 such a good year we simply point to the increase in our trust and mortgage services revenue. Trust revenue increased over 20% when compared to last year's revenue. The increase in new markets and the delivery of new product offerings provided the emphasis for this growth. Our mortgage lending department was stellar in its efforts to maintain quality customer service while managing the dramatic increase in new home and refinanced loans during 2003. We wish to express special thanks to our Home Loan Center staff members for dedicating long, and late hours of work, to meet our customers' request to refinance or purchase their homes and in fact, help many of them to become first-time homebuyers.

The commercial lending department also continued to generate new opportunities with enhanced loan income while at the same time assisting in developing additional commercial businesses within our community. In summary, our diversification of financial services continues to exhibit resiliency in generating strong earnings while building our capital base for more opportunities in the future.

Turning to the Year 2004, our outlook continues to be optimistic. After two years of intensive planning and preparation of volumes of documents and regulatory filings, only one regulator approval remains a necessary action to form our new Trust Company, First Bankers Trust Services, Inc. Upon final regulatory approval, your holding company will own two subsidiaries – a trust company and a bank. Both of these companies will be operating with separate boards of directors and staff members.

In closing, we would point out that due to the ever increasing financial services competition in our local marketplace we continue to be very active in seeking acquisitions and merger opportunities to enhance our earnings and shareholder value. Should we recommend a purchase or merger opportunity, you, as shareholders, will be the first to be advised and turned to for support.

Thank you for your continued investment in First Bankers Trustshares, Inc.

William D. Daniels
Chairman

Donald K. Gnuse
President/CEO

SELECTED FINANCIAL DATA

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

	YEAR ENDED DECEMBER 31,					
PERFORMANCE	**2003**	2002	2001	2000	1999	1998
Net income	**$ 3,123**	$ 3,242	$ 3,457	$ 3,007	$ 2,710	$ 2,618
Preferred stock cash dividends paid	**$ -**	$ -	$ -	$ -	$ -	$ 32
Common stock cash dividends paid	**$ 533**	$ 510	$ 464	$ 361	309	$ 204
Common stock cash dividend payout ratio	**17.07%**	15.73%	13.42%	12.01%	11.40%	7.89%
Return on average assets	**.97%**	1.06%	1.15%	1.11%	1.14%	1.21%
Return on common stockholders' equity[1]	**16.31%**	17.81%	16.40%	16.43%	17.23%	20.27%
PER COMMON SHARE[2]						
Earnings, basic and diluted	**$ 1.52**	$ 1.49	$ 1.34	$ 1.17	$ 1.05	$ 1.02
Dividends (Paid)	**$ .26**	$ .22	$ .18	$ .14	$ .12	$ .08
Book value[3]	**$ 9.86**	$ 8.61	$ 8.66	$ 7.51	$ 6.49	$ 5.62
Stock price						
High	**$ 17.00**	$ 16.50	$ 20.00	$ 19.00	$ 13.75	$ 11.50
Low	**$ 14.00**	$ 14.00	$ 14.00	$ 13.13	$ 11.50	$ 8.50
Close	**$ 15.40**	$ 14.75	$ 14.25	$ 19.00	$ 13.13	$ 11.50
Price/Earnings per share (at period end)	**10.1**	9.9	10.6	16.2	12.5	11.3
Market price/Book value (at period end)	**1.56**	1.71	1.65	2.53	2.02	2.05
Weighted average number of shares outstanding	**2,048,574**	2,175,059	2,579,230	2,579,230	2,579,230	2,545,358
AT DECEMBER 31,						
Assets	**$ 315,670**	$ 311,920	$ 310,668	$ 298,497	$ 258,503	$ 236,323
Investment securities	**53,582**	54,567	76,062	71,897	72,680	68,884
Loans held for sale	**453**	1,175	2,178	417	74	841
Loans	**221,808**	201,931	189,531	176,455	156,439	125,867
Deposits	**258,413**	258,170	256,609	244,362	199,477	187,721
Short-term borrowings and Federal Home Loan Bank advances	**24,114**	23,200	23,473	26,828	38,436	27,495
Note payable	**-**	4,500	-	-	2,780	3,980
Company obligated mandatorily redeemable preferred securites	**10,000**	5,000	5,000	5,000	-	-
Stockholders' equity[4]	**$ 20,206**	$ 17,636	$ 22,324	$ 19,357	$ 16,737	$ 14,349
Total equity to total assets[4]	**6.40%**	5.65%	7.19%	6.48%	6.47%	6.07%
Tier 1 capital ratio (risk based)	**10.90%**	10.05%	13.06%	12.31%	9.43%	9.70%
Total capital ratio (risk based)	**13.14%**	10.98%	14.03%	13.25%	10.53%	10.92%
Leverage ratio	**8.12%**	7.18%	8.68%	8.84%	6.45%	6.03%

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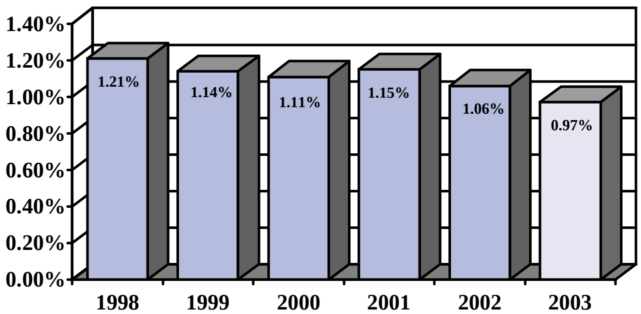
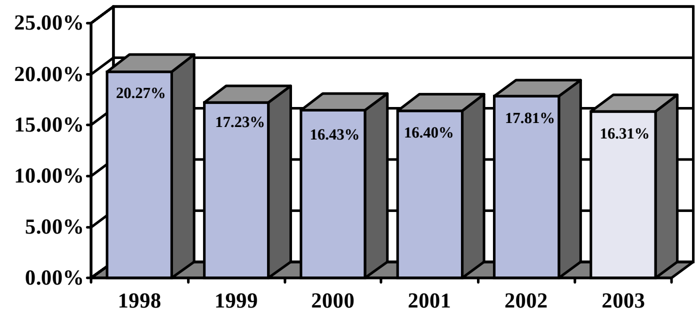
[1] Return on common stockholders' equity is calculated by subtracting preferred stock dividends from net income and dividing by average common stockholders' equity. Common stockholders' equity is defined as equity minus preferred stock equity and plus or minus accumulated other comprehensive income (loss).
[2] Previous year per share data has been converted to reflect the two-for-one stock split effective June 30, 2000.
[3] Book value per share is calculated by dividing stockholders' equity, excluding accumulated other comprehensive income (loss), by outstanding shares.
[4] Stockholders' equity does not include accumulated other comprehensive income (loss).

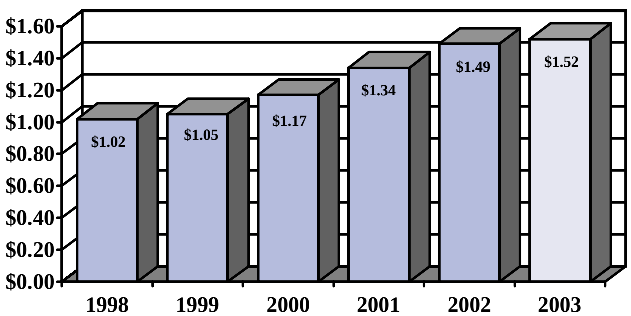
Return On Average Assets



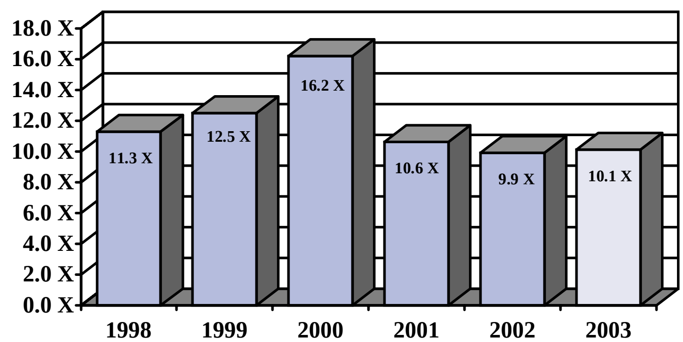
Return On Average Common Equity



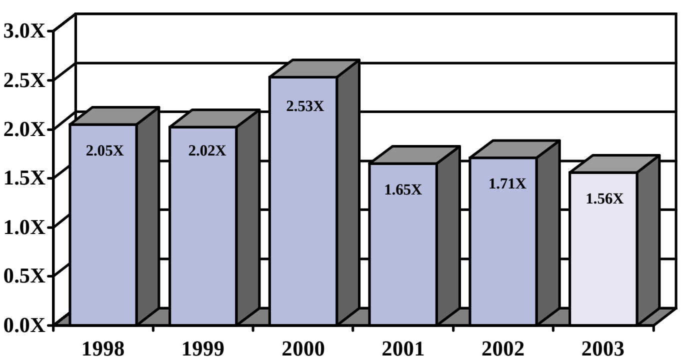
Earnings Per Share



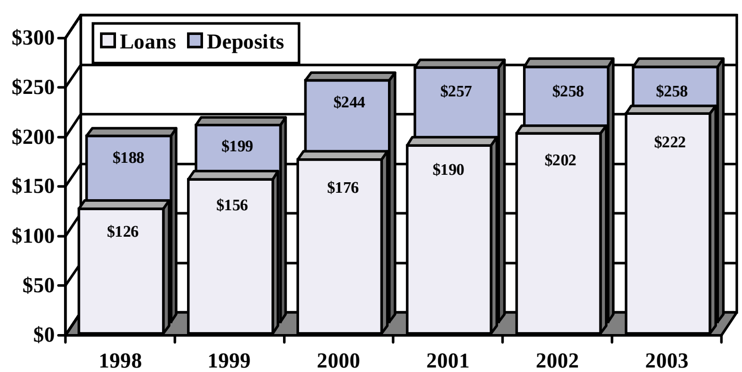
Price/Earnings Multiples



Market Price To Book Value



Loan/Deposit Growth



First Bankers Trust believes in developing a quality relationship with each of the bank's customers. This can only be achieved by offering quality products through a highly effective delivery system of services. Trust means quality relationships, quality products and quality services. Trust is our first priority in all areas: Consumer Lending, Business Lending, Mortgage Lending, Deposit and Customer Services and the Trust Department itself.

Trusted by Customers
Consumer Lending

Individual consumers have many choices available to satisfy their car, truck, boat and RV loan needs within the regional marketplace. Nationwide consumer credit services are also available over the Internet and with the manufacturers themselves.

Hugh Roderick

This places a great deal of importance on making good credit decisions in a very short period of time at competitive rates and terms. To remain competitive in the market, gain the confidence of local dealers and consumers, and enjoy the benefits of repeat business, the bank strives to maintain a high level of customer satisfaction with its product and service.

At First Bankers Trust customers are more than a credit score. A qualified loan specialist reviews the merits of each individual borrower to ensure the terms and conditions of the loan meet the financial needs of the customer. License and title services are also provided to assist the customer in the purchase of their vehicle. First Bankers Trust offers credit life and vehicle warranty insurance to protect the customer's new investment.

Hugh Roderick, Consumer Lending Manager, and his staff have developed an excellent rapport with area dealers and a growing base of repeat business by being responsive to and meeting the needs of each dealer and individual.

First Bankers Trust Company

After retirement, Ron and Betty Bryan wanted to hit the open road. They purchased a 35-foot Winnebago with the idea of travel in mind, and First Bankers Trust assisted them with their purchase.

When Mona Pyatt's three children no longer required the services of car seats in a huge minivan, she wanted to get a smaller and more easily maneuverable car. She was able to get a car with a smaller turning radius through a quick turnaround on a loan.

Trusted in the Local Economy
Commercial Lending

David Rakers

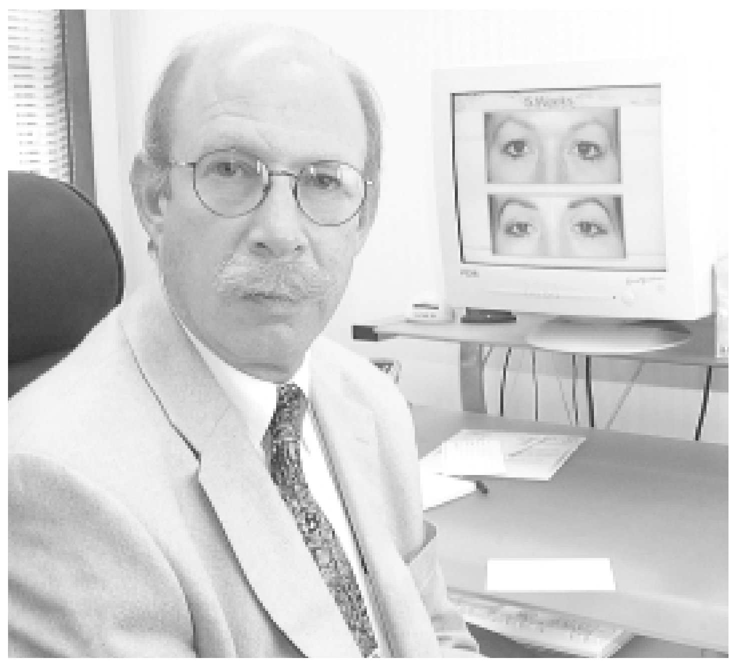
The Commercial Lending department of First Bankers Trust supports the financing needs of some of the largest corporations in the tri-state area.

The Commercial Lending Department has the knowledge and experience to handle any type of business and agricultural lending situation: small business start-ups, major renovations to existing businesses, operational line of credit, letters of credit, equipment purchases or lease financing, inventory purchases, real estate purchases, industry-specific loans and major construction loans.

Senior Vice President David Rakers directs a growing Commercial loan and Agricultural loan service. Dave and his staff of ten lending professionals take the time to meet with each customer, at his or her convenience, to discuss the customer's credit needs and to design a financing plan that meets the customer's cash flow requirements. Local loan decision authority allows the department to focus on meeting the credit needs of our business and farming customers quickly and efficiently. This focus on customer service has helped First Bankers Trust to become one of the largest commercial banks in the market.

First Bankers Trust Company

Dale Koontz has been building on trust for over 30 years. When his sons Scott and Tim returned to live in Quincy after graduating from college, Dale expanded the building business to include them with help from First Bankers Trust. Tim adds: "From our customer's point of view it is a real benefit to have a local bank that can make the lending decisions locally too."



Dr. Richard Shatz also learned that getting help from a bank to establish a new medical practice wasn't difficult. He asked about local banks: "Everyone said to go to First Bankers Trust. So I did. They were great."

Trusted in the Community
Mortgage Lending


Lanse Tomlinson

The purchase of a home is one of the most rewarding and at the same time one of the most stressful of times. Lanse Tomlinson, Senior Vice President of Mortgage Lending, with the eleven employees of the Home Loan Center, has made the ability to finance a home easier. First Bankers Trust has an array of home financing alternatives that can meet the needs of almost any home buying situation. First time homebuyer programs, VA/FHA financing, and 15 to 30 year fixed rate financing are some of the financing alternatives that are available.

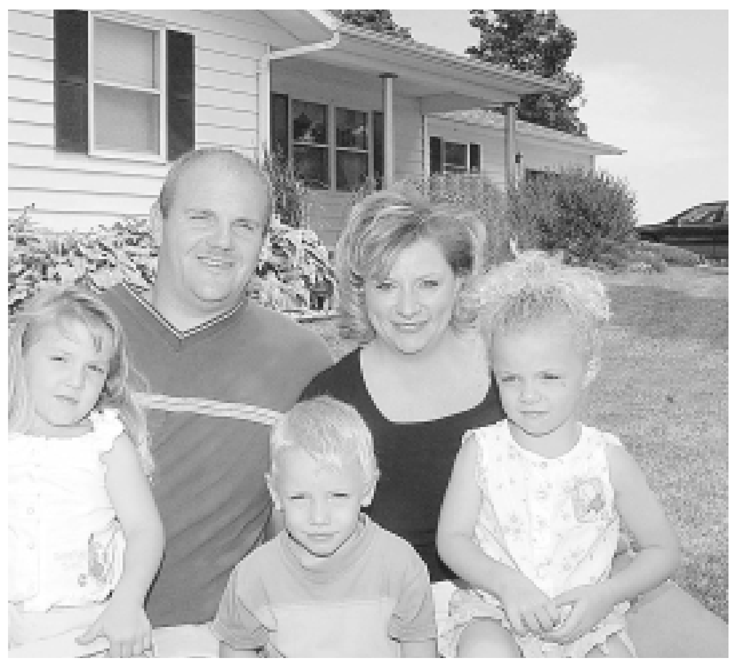
During 2003, First Bankers Trust assisted over 1,300 families in the purchase or refinancing of their most valuable asset, their home. The Home Loan Center staff went the extra mile to ensure the customers received the funding they requested in the time frame they required. Communication is the key. First Bankers Trust Home Loan Center staff of professionals kept the customer informed during each step of the funding process. This commitment to customer service is one of the major reasons First Banker Trust is one of the leading home financing sources in the local market.

Customers concerned with problems associated with mailing their mortgage loan payment to a service provider outside the local area can take advantage of First Bankers Trust local servicing alternative. First Bankers Trust offers competitive long term fixed rate financing while allowing the customer to make a payment at any of First Bankers Trust's six locations.

Customers who are looking to refinance their home or who would like to use the equity in their existing home to make improvements, buy a car or take a vacation trust First Bankers Trust to provide the financing to achieve their dream.

First Bankers Trust Company

Eric and Marsha Lundberg had planned their dream home in Hull, Illinois, for a long time. The Bank helped them complete the rural home on two acres of land where the Lundberg's also have a straw business. Eric says that he would someday like to buy a farm and that First Bankers Trust would be part of that dream too.



James and Peggy Genenbacher did buy a farm, and First Bankers Trust made their 540-acre dream come true. James grew up in farming, and he was impressed that the Bank understood what we need and the background of farming.

Trusted for Reputation and Services
Customer Services

Gretchen McGee

Gretchen McGee, Vice President of Retail Banking, and her staff of dedicated customer service oriented professionals at five branch locations in Quincy and one in Mendon, provide service for the deposit needs of our consumer and business customers. Our products include accounts for checking, interest bearing checking, money market, savings and certificate of deposits, and a full array of deposit products and services to meet the needs of every customer.

First Bankers Trust deposit customers can take advantage of the bank's many product delivery methods: lobby banking, drive-up banking, ATM banking, telephone banking, bank-by-mail, night drop service and on-line banking.

Additional services complete the array of conveniences available to our customers: automatic transfers, loan payments, deposit interest payments along with electronic bill payment, check image statements, debit card, overdraft protection, personal line of credit and credit cards.

Business customers can take advantage of state of the art on-line banking and cash management services. Check image statements, placed on a CD-Rom with a file of all checks paid for each account the customer has with the bank, are included in the service offerings. Business customers can go on-line to make their federal and state income tax payment, review items to be posted to the account, and transfer monies between accounts, thereby maximizing the use of their available cash.

Many of the deposit services offered in the market provide the same functionality; what sets First Bankers Trust apart from its competition is our focus on providing the very best in customer service.

First Bankers Trust Company

For Art and Susan Pierson, the services of a bank are a matter of trust, especially for a creative business like Media Development and Andrew Whitney Productions. Art became accustomed to effective online services when he lived in Chicago, and both he and Susan appreciate the anytime day or night, home or office, features of express internet service. "We trust First Bankers Trust to take care of us and our banking needs."

For David and Angela Wedding, www.firstbankers.com, the online banking service, means that paying bills and reviewing accounts is a lot easier. They can download information into their accounting software and handle the activity of their two businesses in a way that's easy and convenient as well as trustworthy.

Trust in People, Product and Systems

Arthur E. Greenback

The banking system in this country has undergone countless changes over the past 50 years, and the majority of banking regulations have been written in an effort to protect the consumer. This has meant a more complicated system of compliance through economic cycles and changes in business management and technology. Arthur E. Greenbank, President and CEO of First Bankers Trust Company, a native of Quincy who has been with the Bank since 1992 and who brought 15 years of managerial experience from his work at Harris Bank in Chicago, develops the bank's vision of the future and leads the bank in the completion of its strategic plan.

Joe J. Leenerts

Joe J. Leenerts, Executive Vice President, Chief Operations Officer and Chief Financial Officer of the bank, joined the bank in 1986 and uses his 27 years of experience in the financial service industry to manage the day-to-day operations of the Bank. The bank serves over 9,000 consumer and business deposit customers and provides for the credit needs of over 8,000 business, consumer and mortgage customers. These customers generate over 1,500,000 transaction requests annually. Over 5,000,000 checks were processed for the customer with over 130,000 statements produced.

Each of these customers entrusts us with his or her most vital financial information. How do we meet the customer's service standards? We earn this trust each and every day by providing the best in confidential quality customer service to each and every customer. This commitment to customer service excellence begins with the bank's Board of Directors and is embraced by each member of the staff.

Meeting the financial services needs of our customers is not our job; it is our profession.

The Trust Department

The Trust Department is an integral part of the bank's financial success and has passed the $1.2 billion dollar threshold in total assets under management and administration. The department provides traditional trust services for estates, trusts created under a will and guardianships. Nearly 15 years ago, the Trust Department began providing Employee Benefit Trust Services as trustee for Employee Stock Ownership Plans (ESOPs). ESOPs are qualified retirement plans, like a 401(k), but invested primarily in the stock of the plan sponsor. This benefit plan provides a form of ownership to the employee. Additionally, the department also manages 401(k), profit sharing, pension, stock incentive plans, and self directed IRAs to plan sponsors and individuals in more than 30 states across the nation, with sales offices in Chicago, Phoenix, and Philadelphia.

Brian Ippensen

Brian Ippensen, Vice President and Trust Officer, leads the administrative staff in handling the complex issues surrounding its many trust services. Brian's training as a Certified Public Accountant and his experience in employee benefits has made him a sought out speaker on this topic.

A current trust customer, **Bill Donius, President and CEO of Pulaski Bank** had this to say about the Trust Department: "We're delighted with the excellent service that we have received from First Bankers Trust. They are certainly on top of their business and produce a high quality result with a reasonable price." The Trust department services the needs of Pulaski Bank's Employee Stock Ownership Plan and a Deferred Compensation Plan. Pulaski Bank is a $430 million bank serving the customers of metropolitan St. Louis and Kansas City, Missouri.

In 2004 the Trust Department will become a wholly owned subsidiary of First Bankers Trustshares, Inc. The department's success, with the focus on trust services for its traditional customers and on its employee benefit trust services, made the decision an easy one. The Trust Company can better focus on its strength and market potential as a stand-alone entity.

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 accounting principles generally accepted in the United States of America and 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 accounting principles generally accepted in the United States of America. 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 are 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 auditing staff 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

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 2003 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) **Assets**	**2003**	Change	2002	Change	2001	2000	1999	1998	5 Year Growth Rate
Cash and due from banks:									
Non-interest bearing	**$ 9,586**	(14.79)%	$ 11,250	30.34 %	$ 8,631	$ 7,555	$ 6,964	$ 5,710	67.88 %
Interest bearing	**5,424**	(76.08)	22,674	31.61	17,228	16,163	981	7,274	(25.43)
Securities	**53,582**	(1.81)	54,567	(28.26)	76,062	71,897	72,680	68,884	(22.21)
Federal funds sold	**13,500**	-	13,500	42.11	9,500	18,700	13,425	20,600	(34.47)
Loans held for sale	**453**	(61.45)	1,175	(46.05)	2,178	417	74	841	(46.14)
Net loans	**219,545**	9.98	199,626	6.63	187,219	174,504	154,520	124,007	77.04
Other assets	**13,580**	48.77	9,128	(7.33)	9,850	9,261	9,359	9,007	50.77
Total Assets	**$ 315,670**	1.20%	$ 311,920	.40 %	$ 310,668	$ 298,497	$ 258,503	$ 236,323	33.58 %
Liabilities & Stockholders' Equity									
Deposits	**$ 258,413**	.09 %	$ 258,170	.61 %	$ 256,609	$ 244,362	$ 199,477	$ 187,721	37.66 %
Short-term borrowings	**5,114**	21.76	4,200	(59.90)	10,473	17,828	26,436	13,495	(62.10)
Federal Home Loan Bank advances	**19,000**	-	19,000	46.15	13,000	9,000	12,000	14,000	35.71
Note payable	**-**	(100.00)	4,500	-	-	-	2,780	3,980	-
Company obligated manditorily redeemable preferred securities	**10,000**	100.00	5,000	-	5,000	5,000	-	-	100.00
Other liabilities	**2,139**	(13.12)	2,462	(13.64)	2,851	2,972	2,538	2,641	(19.01)
Stockholders' equity	**21,004**	13.00	18,588	(18.24)	22,735	19,335	15,272	14,486	45.00
Total Liabilities & Stockholders' Equity	**$ 315,670**	1.20 %	$ 311,920	.40 %	$ 310,668	$ 298,497	$ 258,503	$ 236,323	33.58 %

At December 31, 2003, the Company had assets of $315,670,000 compared to $311,920,000 at December 31, 2002. The reduction in cash and due from banks (55.75%), securities (1.81%) and the increase in deposits (.09%) were the primary sources used to fund the increase in gross loan outstanding (9.84%) and the purchase of $4,000,000 in Bank Owned Life Insurance. In addition, the Company's long term debt position was extinguished with the funds generated by the issuance of $5,000,000 of Trust Preferred Securities.

Demand for the Bank's lending products, including commercial lines of credit, residential real estate, and consumer loans have traditionally been moderately strong. Commercial (9.32%), consumer (18.35%), residential real estate (6.36) and tax exempt (28.20%) lending experienced growth during 2003. Approximately $10,768,000 of fixed rate long-term residential real estate loans were sold in the secondary market during 2003 while $13,294,000 was sold in 2002. Agricultural real estate loans totaling $1,414,000 were sold in the secondary market during 2003, while $385,000 was sold in 2002. In addition, under the Company's student loan program, approximately $341,000 in student loans was sold to Sallie Mae during 2003 compared to $298,000 sold in 2002. 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, 2003, the Company reported consolidated net income of $3,123,000, a $119,000 (3.67%) decrease from 2002. Net interest income for the periods being compared decreased $385,000 or 3.83%. Other income increased $645,000 (18.70%) and other expenses increased $88,000 (1.08%) over 2002 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 $303,538,000 for the year ended December 31, 2003. 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)	2003	Change	2002	Change	2001	2000	1999	1998	5 Year Growth Rate
Interest income	$ **16,187**	(9.02)%	$ 17,792	(12.16)%	$ 20,255	$ 19,839	$ 16,414	$ 15,414	5.01 %
Interest expense	**(6,530)**	(15.74)	(7,750)	(29.33)	(10,967)	(11,059)	(8,204)	(7,884)	(17.17)%
Net interest income	$ **9,657**	(3.83)	$ 10,042	8.12%	$ 9,288	$ 8,780	$ 8,210	$ 7,530	28.25 %
Provision for loan losses	**(1,285)**	29.80	(990)	50.00	(660)	(240)	(240)	(144)	792.36
Net interest income after provision for loan losses	$ **8,372**	(7.51)%	$ 9,052	4.91 %	$ 8,628	$ 8,540	$ 7,970	$ 7,386	13.35 %
Other income	**4,094**	18.70	3,449	(11.50)	3,897	2,700	2,552	2,231	83.51
Other expense	**(8,218)**	1.08	(8,130)	7.51	(7,562)	(6,951)	(6,474)	(5,795)	41.81
Income before taxes	$ **4,248**	(2.81)%	$ 4,371	(11.93)%	$ 4,963	$ 4,289	$ 4,048	$ 3,822	11.15 %
Income tax expense	**(1,125)**	(.35)	(1,129)	(25.03)	(1,506)	(1,282)	(1,338)	(1,204)	(6.56)
Net income	$ **3,123**	(3.67)%	$ 3,242	(6.22)%	$ 3,457	$ 3,007	$ 2,710	$ 2,618	19.29 %

For the Years Ended December 31, (Amounts in thousands of dollars)	2003	2002	2001
Interest Income	**$ 15,186**	$ 17,270	$ 19,980
Loan Fees	**1,001**	522	275
Interest Expense	**(6,530)**	(7,750)	(10,967)
Net Interest Income	**$ 9,657**	$ 10,042	$ 9,288
Average Earning Assets	**$ 303,538**	$ 289,637	$ 285,259
Net Interest Margin	**3.18%**	3.47%	3.26%

The yield on average earning assets for the year ended 2003 was 5.33% while the average cost of funds for the same period was 2.59% on average interest bearing liabilities of $251,845,000. The yield on average earning assets for the year ended 2002 was 6.14%, while the average cost of funds for the same period was 3.17% on average interest bearing liabilities of $244,760,000. The decrease in net interest income of $385,000 can be attributed to the 81 basis points decline in earning asset yield. The increase in net average earning assets of $6,816,000 and the decrease in cost of funds of 58 basis points was not enough to off set the decrease in net interest income caused by the reduction in earning asset yields.

Provision for Loan Losses

The allowance for loan losses as a percentage of net loans outstanding is 1.02% at December 31, 2003, compared to 1.14% at December 31, 2002. Net loan charge-offs totaled $1,327,000 for the year ended December 31, 2003 compared to $997,000 in 2002.

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 possible losses in the portfolio at December 31, 2003.

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, 2003 was $4,094,000, an increase of $645,000 (18.70%) from 2002. The securities gains of $192,000 were generated from the implementation of an investment strategy that was directed to the enhancement of earnings for future periods.

Other Expense

Other expenses for the period ended December 31, 2003 totaled $8,218,000, an increase of $88,000 (1.08%) from 2002 year end totals. Salaries and employee benefits expense aggregated 53.95% and 53.86% of total other expense for the year ended December 31, 2003 and 2002 respectively.

Non-accrual, Restructured and Past Due Loans and Leases and Other Real Estate Owned
(Amounts in thousands of dollars)

At December 31,	2003	2002	2001	2000	1999	1998
Non-accrual loans and leases	$ 189	$ 104	$ 148	$ 242	$ 147	$ 88
Other real estate owned	206	41	169	-	113	-
Total non-performing assets	$ 395	$ 145	$ 317	$ 242	$ 260	$ 88
Loans and leases past due 90 days or more and still accruing interest	201	58	429	489	258	31
Total non-performing assets and 90-day past due loans and leases	$ 596	$ 203	$ 746	$ 731	$ 518	$ 119
Interest income as originally contracted on non-accrual and restructured loans and leases	$ 9	$ 7	$ 16	$ 26	$ 10	$ 9
Interest income recognized on non-accrual and restructured loans and leases	-	-	-	-	-	-
Reduction of interest income due to non-accrual and restructured loans and leases	$ 9	$ 7	$ 16	$ 26	$ 10	$ 9
Reduction in basic and diluted earnings per share due to non-accrual and restructured loans and leases	$ .00	$ .00	$ .00	.01	$ .00	$ .00

Income Taxes

The Company files its Federal income tax return on a consolidated basis with the Bank. See Note 16 to the consolidated financial statements for detail of income taxes.

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, 2003, these categories totaled $34,656,000 or 10.98% of assets, compared to $49,366,000 or 15.83% the previous year.

As of December 31, 2003, securities held to maturity included $298,000 of gross unrealized gains and $1,000 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 2003, 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, 2003 Repricing Period		
	Through One year	After one Year through Five years	After Five years
Interest-earning assets	$ 130,474	$ 129,738	$ 40,291
Interest-bearing liabilities	170,662	65,631	5,000
Repricing gap (repricing assets minus repricing liabilities)	$ (40,188)	$ 64,107	$ 35,291

	As of December 31, 2002 Repricing Period		
	Through One year	After one Year through Five years	After Five years
Interest-earning assets	$ 126,442	$ 124,085	$ 44,865
Interest-bearing liabilities	163,444	78,448	5,000
Repricing gap (repricing assets minus repricing liabilities)	$ (37,002)	$ 45,637	$ 39,865

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.

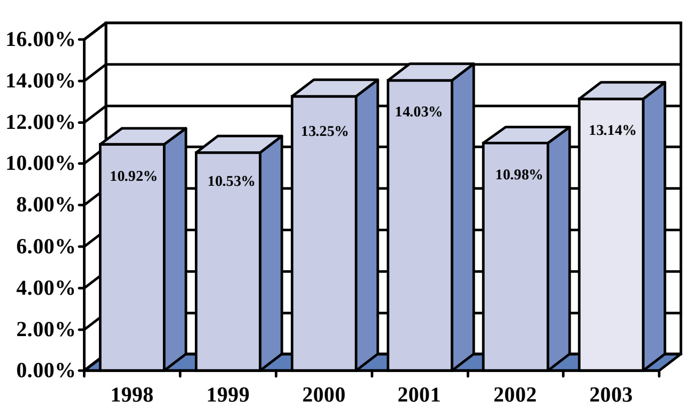
Capital

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 13.14 percent of risk-weighted assets at December 31, 2003. In addition, a leverage ratio of at least 4.00 percent is to be maintained. At December 31, 2003, the Company's leverage ratio was 8.12 percent.

Risked Based Capital Ratios



Asset Liability Management

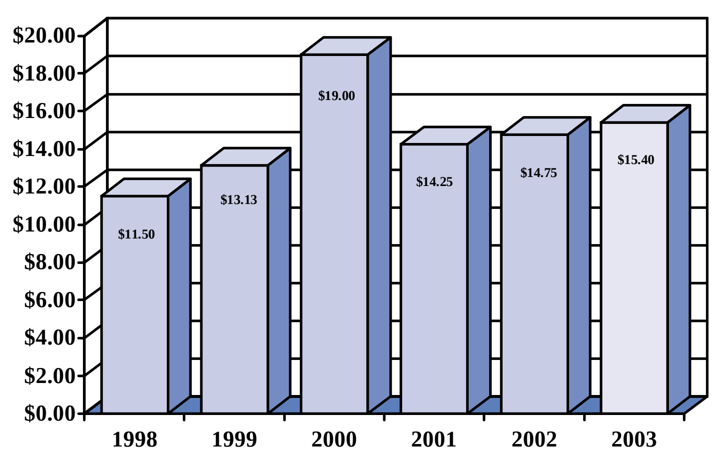
Since changes in interest rates may have a significant impact on operations the Company has implemented, and currently maintains, an asset liability management committee at the Bank to monitor and react to the changes in interest rates and other economic conditions. Research concerning interest rate 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 260 shareholders as of December 31, 2003, and is traded in a limited over-the-counter market.

On December 31, 2003 the market price of the Company's common stock was $15.40. Market price is based on stock transactions in the market. Cash dividends on common stock of $553,000 were declared by the Board of Directors of the Company for the year ended December 31, 2003.

Closing Share Price Data



Financial Report

Upon written request of any shareholder of record on December 31, 2003, the Company will provide, without charge, a copy of its 2003 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 11, 2004 at 9:00 A.M. at the Quincy Holiday Inn, 201 South 3rd Street, Quincy, Illinois.

McGladrey & Pullen
Certified Public Accountants

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 subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2003, 2002 and 2001. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years ended December 31, 2003, 2002 and 2001, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Davenport, Iowa
February 13, 2004

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

	December 31, 2003	December 31, 2002
Assets		
Cash and due from banks (Note 3)		
Non-interest bearing	$ 9,586	$ 11,250
Interest bearing	5,424	22,674
	$ 15,010	$ 33,924
Securities held to maturity (Note 4)	$ 7,231	$ 8,700
Securities available for sale (Note 4)	46,351	45,867
Federal funds sold	13,500	13,500
Loans held for sale	453	1,175
Loans (Note 5 and 9)	221,808	201,931
Less allowance for loan losses	(2,263)	(2,305)
Net loans	$ 219,545	$ 199,626
Premises, furniture and equipment, net (Note 6)	$ 3,727	$ 4,082
Accrued interest receivable	1,364	1,632
Life insurance contracts	4,100	-
Other assets	4,389	3,414
TOTAL ASSETS	$ 315,670	$ 311,920
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Non-interest bearing demand	$ 51,234	$ 43,978
Interest bearing demand	66,978	72,824
Savings	30,407	29,267
Time (Note 7)	109,794	112,101
Total Deposits	$ 258,413	$ 258,170
Short-term borrowings (Note 8)	5,114	4,200
Federal Home Loan Bank advances (Note 9)	19,000	19,000
Note payable (Note 10)	-	4,500
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely subordinated debentures (Note 11)	10,000	5,000
Accrued interest payable	834	1,002
Other liabilities	1,305	1,460
TOTAL LIABILITIES	$ 294,666	$ 293,332
Commitments and Contingencies (Note 12)		
Stockholders' Equity (Note 14)		
Preferred stock, Series A, nonvoting, variable rate, cumulative, no par value, $50 stated value; authorized 50,000 shares; issued and outstanding none	-	-
Common stock, $1 par value; shares authorized 6,000,000; Shares issued 2,579,230 and outstanding 2,048,574	2,580	2,580
Additional paid in capital	2,251	2,251
Retained earnings	22,804	20,234
Accumulated other comprehensive income	798	952
Treasury stock, at cost - 530,656 shares	(7,429)	(7,429)
TOTAL STOCKHOLDERS' EQUITY	$ 21,004	$ 18,588
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 315,670	$ 311,920

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,		
	2003	2002	2001
Interest income:			
Loans, including fee income:			
Taxable	$ **13,651**	$ 13,897	$ 14,874
Non-taxable	**171**	198	138
Securities:			
Taxable	**1,270**	2,460	3,275
Non-taxable	**737**	822	854
Federal funds sold	**130**	146	468
Interest bearing deposits in banks	**132**	188	557
Other	**96**	81	89
Total interest income	$ **16,187**	$ 17,792	$ 20,255
Interest expense:			
Deposits:			
Interest bearing demand and savings	$ **887**	$ 1,440	$ 2,646
Time	**3,955**	4,609	6,714
Total interest on deposits	$ **4,842**	$ 6,049	$ 9,360
Short-term borrowings	**83**	158	553
Federal Home Loan Bank advances	**912**	854	528
Note payable	**102**	159	-
Company obligated mandatorily redeemable preferred securities	**591**	530	526
Total interest expense	$ **6,530**	$ 7,750	$ 10,967
Net interest income	$ **9,657**	$ 10,042	$ 9,288
Provision for loan losses (Note 5)	$ **1,285**	$ 990	$ 660
Net interest income after provision for loan losses	$ **8,372**	$ 9,052	$ 8,628
Other income:			
Trust department	$ **1,671**	$ 1,387	$ 1,445
Service charges on deposit accounts	**1,079**	880	863
Gain on sale of loans	**154**	135	155
Investment securities gains, net	**192**	85	446
Other	**998**	962	988
Total other income	$ **4,094**	$ 3,449	$ 3,897
Other expenses:			
Salaries and employee benefits	$ **4,434**	$ 4,379	$ 4,069
Occupancy expense, net	**535**	551	519
Equipment expense	**636**	699	633
Computer processing	**454**	391	351
Professional services	**273**	197	132
Amortization of goodwill	**-**	-	134
Other	**1,886**	1,913	1,724
Total other expenses	$ **8,218**	$ 8,130	$ 7,562
Income before income taxes	$ **4,248**	$ 4,371	$ 4,963
Income taxes (Note 16)	**1,125**	1,129	1,506
Net income	**3,123**	3,242	3,457
Earnings per share of common stock, basic and diluted	$ **1.52**	$ 1.49	$ 1.34

See notes to consolidated financial statements

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

Years Ended December 31, 2003, 2002 and 2001

	Preferred Stock	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Comprehensive Income	Total
Balance, December 31, 2000	$ -	$ 2,580	$ 2,251	$ 14,526	$ (22)	$ -		$ 19,335
Comprehensive income:								
Net income	-	-	-	3,457	-	-	3,457	3,457
Other comprehensive income, net of tax, (Note 2)	-	-	-	-	433	-	433	433
Comprehensive income						-	$ 3,890	
Dividends declared on common stock (amount per share $.19)	-	-	-	(490)	-	-		(490)
Balance, December 31, 2001	$ -	$ 2,580	$ 2,251	$ 17,493	$ 411	$ -		$ 22,735
Comprehensive income:								
Net income	-	-	-	3,242	-	-	3,242	3,242
Other comprehensive income, net of tax, (Note 2)	-	-	-	-	541	-	541	541
Comprehensive income							$ 3,783	
Purchase of 530,656 shares of common stock for the treasury	-	-	-	-	-	(7,429)		(7,429)
Dividends declared on common stock (amount per share $.23)	-	-	-	(501)	-	-		(501)
Balance, December 31, 2002	$ -	$ 2,580	$ 2,251	$ 20,234	$ 952	$ (7,429)		$ 18,588
Comprehensive income:								
Net income	-	-	-	**3,123**	-	-	**3,123**	**3,123**
Other comprehensive (loss), net of tax, (Note 2)	-	-	-	-	**(154)**	-	**(154)**	**(154)**
Comprehensive income							**$ 2,969**	
Dividends declared on common stock (amount per share $.27)	-	-	-	**(553)**	-	-		**(553)**
Balance, December 31, 2003	**$ -**	**$ 2,580**	**$ 2,251**	**$ 22,804**	**$ 798**	**$ (7,429)**		**$ 21,004**

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	**2003**	2002	2001
Net income	$ **3,123**	$ 3,242	$ 3,457
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**1,285**	990	660
Amortization of goodwill	**-**	-	134
Depreciation	**662**	748	673
Amortization/accretion of premiums/discounts on securities, net	**1,069**	445	154
Investment securities (gains), net	**(192)**	(85)	(446)
Loans originated for resale	**(11,801)**	(12,974)	(18,472)
Proceeds from loans sold	**12,677**	14,112	16,866
Gain on sale of loans	**(154)**	(135)	(155)
Deferred income taxes	**(119)**	(64)	(118)
(Increase) decrease in accrued interest receivable and other assets	**(101)**	743	(308)
(Decrease) in accrued interest payable and other liabilities	**(343)**	(380)	(147)
Net cash provided by operating activities	$ **6,106**	$ 6,642	$ 2,298
Cash Flows From Investing Activities			
Activity in securities portfolio:			
Purchases	$ **(81,079)**	$ (4,626)	$ (34,315)
Sales of securities available for sale	**5,345**	7,998	3,856
Calls, maturities and paydowns	**75,595**	18,632	27,286
Increase in loans, net	**(21,495)**	(13,696)	(13,544)
(Increase) decrease in federal funds sold	**-**	(4,000)	9,200
Purchases of premises, furniture and equipment	**(307)**	(734)	(1,068)
Purchase of life insurance contracts	**(4,000)**	-	-
Increase in cash value of life insurance contracts	**(100)**	-	-
Net cash provided by (used in) investing activities	$ **(26,041)**	$ 3,574	$ (8,585)
Cash Flows From Financing Activities			
Net increase in deposits	$ **243**	$ 1,561	$ 12,247
Issuance of note payable	**-**	6,000	-
Principal payments on note payable	**(4,500)**	(1,500)	-
Purchase of treasury stock	**-**	(7,429)	
Cash dividends paid on common stock	**(533)**	(510)	(464)
Increase (decrease) in short-term borrowings	**914**	(6,273)	(7,355)
Proceeds from Federal Home Loan Bank advances	**-**	6,000	8,000
Repayments of Federal Home Loan Bank advances	**-**	-	(4,000)
Proceeds from issuance of preferred securities of subsidiary trust	**4,897**	-	-
Net cash provided by (used in) financing activities	$ **1,021**	$ (2,151)	$ 8,428
Net increase (decrease) in cash and due from banks	$ **(18,914)**	$ 8,065	$ 2,141
Cash and Due From Banks:			
Beginning	$ **33,924**	$ 25,859	$ 23,718
Ending	$ **15,010**	$ 33,924	$ 25,859

(continued)

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

	Years Ended December 31,		
Supplemental disclosure of cash flow information, Cash payments for:	**2003**	2002	2001
Interest	**$ 6,698**	$ 8,182	$ 11,485
Income taxes	**$ 1,090**	$ 1,433	$ 1,544
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	**$ (154)**	$ 541	$ 433
Transfer of loans to other real estate owned	**$ 291**	$ 299	$ 169

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 providing bank and bank related services through its wholly-owned subsidiaries, First Bankers Trust Company, N.A. (Bank), FBIL Statutory Trust I, and FBIL Statutory Trust II, 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, Philadelphia, Pennsylvania and Phoenix, Arizona.

Significant Accounting Policies
The accounting and reporting policies of First Bankers Trustshares, Inc. and its subsidiaries 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. Actual results could differ from those estimates. The allowance for loan losses is inherently subjective as it requires material estimates that are susceptible to significant change. The fair value disclosure of financial statements is an estimate that can be computed within a range.

Basis of Consolidation
The consolidated financial statements include the accounts of First Bankers Trustshares, Inc. and its wholly-owned subsidiaries. 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 federal funds sold, loans to customers, deposits, and short-term borrowings 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, 2003 and 2002.

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

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

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 practices 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.

As of December 31, 2003 and 2002, the Bank had loan concentrations in agribusiness of 7.07% and 8.13%, hotel and motel industry of 3.76% and 4.66% and senior housing industry of 2.91% and 2.46%, 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, 2003 and 2002.

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, only 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 to pledge or exchange the assets it received, and no condition both constrains the transferee from taking advantage of its right to pledge or exchange and provides more than a modest benefit to the transferor, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

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.

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, 2003 and 2002, loans held for sale consist of residential real estate loans.

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

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 (OREO), 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 OREO 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 equal to $334,000 at December 31, 2003 and 2002 represents the unamortized cost of the investment in the Bank in excess of the fair value of net assets acquired. In July 2001, the Financial Accounting Standards Board issued Statement No. 142, Goodwill and Other Intangible Assets. Statement No. 142 eliminates the amortization of goodwill and other intangibles that are determined to have an indefinite life; and requires, at a minimum, annual impairment tests for goodwill and other intangible assets that are determined to have an indefinite life. For the Company, the provisions of the Statement were effective January 1, 2002. Implementation of Statement No. 142 has impacted the Company's consolidated financial statements in that yearly goodwill amortization of $134,000 is no longer recorded.

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, 2003, 2002, and 2001.

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.

Current Accounting Developments

FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, (FIN 46) establishes accounting guidance for consolidation of variable interest entities (VIE) that function to support the activities of the primary beneficiary. Prior to the implementation of FIN 46, VIEs were generally consolidated by an enterprise when the enterprise had a controlling financial interest through ownership of a majority of voting interest in the entity. The provisions of FIN 46 were effective immediately for all arrangements entered into after January 31, 2003. In December 2003, the FASB issued a revision to FIN 46 (FIN 46R) which clarified certain implementation issues and revised implementation dates for VIEs created before January 31, 2003. Under the new guidance, special effective date provisions apply to enterprises that have fully or partially applied FIN 46 prior to issuance of the revised Interpretation. Otherwise, application of FIN 46R (or FIN 46) is required in financial statements of entities that have interests in special purpose entities effective for the first annual period beginning after December 15, 2004.

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

An unintended consequence of this standard is requiring some companies to conclude deconsolidation is necessary for certain transactions involving the issuance of trust preferred securities. Based upon its interpretation of FIN 46, the Company continues to consolidate its wholly-owned subsidiary trust entities involved with the issuance of its trust preferred securities, but will deconsolidate for the year ending December 31, 2005. Such deconsolidation will have no effect on reported earnings or stockholders' equity. A portion of these securities currently qualify for treatment as Tier 1 capital for the Company. In July 2003, the Board of Governors of the Federal Reserve System issued a supervisory letter instructing bank holding companies to continue to include the trust preferred securities in Tier 1 capital for regulatory capital purposes until notice is given to the contrary. There can be no assurance that the Federal Reserve will continue to permit institutions to include trust preferred securities in Tier 1 capital for regulatory capital purposes. As of December 31, 2003, assuming the Company was not permitted to include the trust preferred securities issued by the trusts in its Tier 1 capital, the Company would still exceed the regulatory required minimums for capital adequacy purposes (see Note 11 of Notes to Consolidated Financial Statements).

The interpretations of FIN 46 and its application to various transaction types and structures are evolving. Management continuously monitors emerging issues related to FIN 46, some of which could potentially impact the Company's financial statements.

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 is comprised as follows (Amounts in thousands of dollars):

	Before tax	Tax expense (benefit)	Net of tax
Year ended December 31, 2003			
Unrealized gains (losses) on securities available for sale:			
Unrealized holding (losses) arising during the year	**$ (55)**	**$ 20**	**$ (35)**
Less reclassification adjustment for gains included in net income	**192**	**73**	**119**
Other comprehensive loss	**$ (247)**	**$ (93)**	**$ (154)**
Year ended December 31, 2002			
Unrealized gains on securities available for sale:			
Unrealized holding gains arising during the year	$ 954	$ 360	$ 594
Less reclassification adjustment for gains included in net income	85	32	53
Other comprehensive income	$ 869	$ 328	$ 541
Year ended December 31, 2001			
Unrealized gains on securities available for sale:			
Unrealized holding gains arising during the year	$ 1,146	$ 437	$ 709
Less reclassification adjustment for gains included in net income	446	170	276
Other comprehensive income	$ 700	$ 267	$ 433

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 $327,000 and $3,357,000 at December 31, 2003 and 2002, respectively.

4. SECURITIES

The amortized cost and fair values of securities held to maturity as of December 31, 2003 and 2002 are as follows (Amounts in thousands of dollars):

	2003			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized (Losses)**	**Fair Value**
U.S. Government agencies and corporations	**$ 111**	**$ 4**	**$ -**	**$ 115**
State and political subdivisions	**7,120**	**294**	**(1)**	**7,413**
	$ 7,231	**$ 298**	**$ (1)**	**$ 7,528**

	2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Government agencies and corporations	$ 160	$ 8	$ -	$ 168
State and political subdivisions	8,540	245	-	8,785
	$ 8,700	$ 253	$ -	$ 8,953

The amortized cost and fair values of securities available for sale as of December 31, 2003 and 2002 are as follows (Amounts in thousands of dollars):

	2003			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized (Losses)**	**Fair Value**
U.S. Government agencies and corporations	**$ 34,108**	**$ 790**	**$ (7)**	**$ 34,891**
State and political subdivisions	**8,014**	**505**	**-**	**8,519**
Corporate securities	**435**	**15**	**-**	**450**
Collateralized mortgage obligations	**2,507**	**-**	**(16)**	**2,491**
	$ 45,064	**$ 1,310**	**$ (23)**	**$ 46,351**

	2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Government agencies and corporations	$ 30,922	$ 1,118	$ -	$ 32,040
State and political subdivisions	8,334	349	(2)	8,681
Corporate securities	1,434	26	-	1,460
Collateralized mortgage obligations	3,643	44	(1)	3,686
	$ 44,333	$ 1,537	$ (3)	$ 45,867

4. SECURITIES (Continued)

All securities which have unrealized losses as of December 31, 2003 have been in the unrealized loss position for less than 12 months. Those securities are summarized as follows:

	Fair Value	Gross Unrealized Losses
Securities held to maturity:		
State and political subdivisions	$ 307	$ (1)
Securities available for sale:		
U.S. Government agencies and Corporations	$ 1,928	$ (7)
Collateralized mortgage obligations	2,334	(16)
	$ 4,262	$ (23)

For all the above investment securities, the unrealized losses are generally due to changes in interest rates and, as such, are considered to be temporary, by the Company.

The amortized cost and fair value of securities as of December 31, 2003 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	**$ 1,041**	**$ 1,056**
Due after one year through five years	**2,019**	**2,105**
Due after five years through ten years	**1,949**	**2,047**
Due after ten years	**2,222**	**2,320**
	$ 7,231	**$ 7,528**

Securities available for sale:	**Amortized Cost**	**Fair Value**
Due in one year or less	**$ 4,996**	**$ 5,105**
Due after one year through five years	**20,952**	**21,338**
Due after five years through ten years	**8,397**	**8,704**
Due after ten years	**7,777**	**8,263**
	$ 42,122	**$ 43,410**
Corporate securities	**435**	**450**
Collateralized mortgage obligations	**2,507**	**2,491**
	$ 45,064	**$ 46,351**

Information on securities sold during the years ended December 31, 2003, 2002 and 2001 follows (Amounts in thousands of dollars):

Proceeds from sales:	**2003**	2002	2001
Securities available for sale	**$ 5,345**	$ 7,998	$ 3,856
Securities held to maturity	**-**	-	-
Gross gains	**$ 192**	$ 104	$ 219
Gross losses	**$ -**	$ 19	$ -

4. SECURITIES (Continued)

As of December 31, 2003 and 2002 securities with a carrying value of approximately $47,390,000 and $37,274,000 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, 2003 and 2002 are as follows (Amounts in thousands of dollars):

	2003	2002
Commercial	$ 115,229	$ 105,405
Agricultural	15,680	16,416
Tax exempt	4,237	3,305
Real estate, mortgage	40,727	38,290
Consumer	45,353	38,321
Other	582	194
	$ 221,808	$ 201,931
Less: Allowance for loan losses	(2,263)	(2,305)
Net loans	$ 219,545	$ 199,626

Nonaccrual, impaired loans and loans past due 90 days or more and still accruing interest were not material at December 31, 2003 and 2002.

Activity in the allowance for loan losses during the years ended December 31, 2003, 2002 and 2001 is summarized below (Amounts in thousands of dollars):

	2003	2002	2001
Balance, beginning of year	$ 2,305	$ 2,312	$ 1,951
Provision for loan losses	1,285	990	660
Loan charge-offs	(1,370)	(1,045)	(337)
Recoveries of loans charged off	43	48	38
Balance, end of year	$ 2,263	$ 2,305	$ 2,312

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans totaled $76,449,000 and $46,534,000 at December 31, 2003 and 2002, respectively.

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 2003 and 2002 is as follows (Amounts in thousands of dollars):

	2003	2002
Balance, beginning of year	$ 2,639	$ 3,320
Advances	4,060	4,959
Repayments	(3,333)	(5,640)
Balance, end of year	$ 3,366	$ 2,639

6. PREMISES, FURNITURE AND EQUIPMENT

The cost, accumulated depreciation and net book value of premises, furniture and equipment as of December 31, 2003 and 2002 is summarized as follows (Amounts in thousands of dollars):

	2003	2002
Land	$ 942	$ 926
Building and improvements	3,635	3,555
Furniture and equipment	4,565	4,884
	$ 9,142	$ 9,365
Less accumulated depreciation	(5,415)	(5,283)
	$ 3,727	$ 4,082

7. TIME DEPOSITS

The aggregate amount of time deposits, each with a minimum denomination of $100,000, was approximately $27,420,000 and $23,540,000 at December 31, 2003 and 2002, respectively.

At December 31, 2003, the scheduled maturities of time deposits are as follows (Amounts in thousands of dollars):

2004	$ 55,918
2005	26,808
2006	14,958
2007	9,146
2008	2,964
	$ 109,794

8. SHORT TERM BORROWINGS

Short-term borrowings outstanding consist of securities sold under agreements to repurchase in the amount of $5,114,000 and $4,120,000 as of December 31, 2003 and 2002, respectively. These borrowings generally mature within 180 days from the date of issuance.

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

	2003	2002
Average daily balance during the year	$ 2,747	$ 4,423
Average interest rate during the year	3.02%	3.50%
Average interest rate at year end	2.14%	2.50%
Maximum month end balance during the year	$ 5,114	$ 6,173
Securities underlying the agreements at year end:		
Carrying value	$ 7,286	$ 6,255
Fair value	$ 7,342	$ 6,572

9. FEDERAL HOME LOAN BANK ADVANCES

Federal Home Loan Bank (FHLB) advances are summarized as follows at December 31, 2003 and 2002:

	2003		2002	
Maturity in year ending December 31:	**Weighted Average Interest Rate**	**Balance Due (Amount in thousands)**	Weighted Average Interest Rate	Balance Due (Amount in thousands)
2004	**4.90%**	**$ 8,000**	4.90%	$ 8,000
2006	**4.55**	**9,000**	4.55	9,000
2008	**4.89**	**2,000**	4.89	2,000
		$ 19,000		$ 19,000

At December 31, 2003, the advances maturing in 2008 have call features that could be implemented in 2004. First mortgage loans of approximately $31,317,000 and $31,667,000 as of December 31, 2003 and 2002, respectively, are pledged as collateral on FHLB advances.

10. NOTE PAYABLE

At December 31, 2002, the Company had a note payable due to a Bank with quarterly payments at LIBOR plus 175 basis points, which was due March 27, 2005. Principal was payable in 2 installments of $500,000 each, beginning March 27, 2003, and annually thereafter, plus a final payment equal to all unpaid principal and interest at maturity. The note was secured by 170,000 shares of common stock of the Bank. At December 31, 2003, the Company has repaid this note payable.

11. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY SUBORDINATED DEBENTURES

During 2003 the Company issued 5,000 shares of Company Obligated Mandatorily Redeemable (COMR) Preferred Securities of FBIL Statutory Trust II Holding Solely Subordinated Debentures. Distributions are paid quarterly. Cumulative cash distributions are calculated at a variable annual rate that is 295 basis points above the 3 month LIBOR rate (4.11% as December 31, 2003). The Company may, at one or more times, defer interest payments on the capital securities for up to 20 consecutive quarterly periods, but not beyond September 17, 2033. At the end of the deferral period, all accumulated and unpaid distributions will be paid. The capital securities will be redeemed on September 17, 2033; however, the Company has the option to shorten the maturity date to a date not earlier than September 17, 2008 at par plus any accrued and unpaid distributions to the date of the redemption. If a special event occurs prior to September 17, 2008, providing the Company the right of redemption in whole, but not in part, the redemption price will vary depending on how close to the issue date the redemption occurs. The redemption price is a maximum of 104.3% of the principal amount of the debentures at March 17, 2004 declining by approximately 30 basis points each quarter until September 17, 2007 and thereafter at which time the redemption price will be at par. Any accrued and unpaid distributions to the date of redemption must also be paid.

During 2000 the Company issued 5,000 shares of Company Obligated Mandatorily Redeemable (COMR) Preferred Securities of FBIL Statutory Trust I Holding Solely Subordinated Debentures. Distributions are paid semi-annually. Cumulative cash distributions are calculated at a 10.60% annual rate. The Company may, at one or more times, defer interest payments on the capital securities for up to 10 consecutive semi-annual periods, but not beyond September 7, 2030. At the end of the deferral period, all accumulated and unpaid distributions will be paid. The capital securities will be redeemed on September 7, 2030; however, the Company has the option to shorten the maturity date to a date not earlier than September 7, 2010. The redemption price begins at 105.300% to par and is reduced by 53 basis points each year until September 7, 2020 when the capital securities can be redeemed at par. Any accrued and unpaid distributions to the date of the redemption must also be paid.

11. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY SUBORDINATED DEBENTURES (Continued)

Holders of the capital securities have no voting rights, are unsecured and rank junior in priority of payment to all of the Company's indebtedness and senior to the Company's capital stock.

The debentures are included on the balance sheet at December 31, 2003 and 2002 as liabilities. For regulatory purposes, approximately $6,735,000 and $5,000,000 of the capital securities were allowed in the calculation of Tier I capital with the remainder allowed as Tier II capital as of December 31, 2003 and 2002, respectively. See discussion in Note 1 of Notes to Consolidated Financial Statements regarding current accounting developments relating to the inclusion of trust preferred securities in Tier I capital for regulatory purposes.

12. 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, 2003 and 2002 is as follows (Amounts in thousands of dollars):

	2003	2002
Unused lines of credit	**$ 35,684**	$ 28,809
Standby letters of credit	**1,863**	883

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 and, generally, have terms of one year, or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds collateral, as detailed above, supporting those commitments if deemed necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Bank would be required to fund the commitment. The maximum potential amount of future payments the Bank could be required to make is represented by the contractual amount shown in the summary above. If the commitment is funded the Bank would be entitled to seek recovery from the customer. At December 31, 2003 and 2002 no amounts have been recorded as liabilities for the Bank's potential obligations under these guarantees.

The Company has executed contracts for the sale of mortgage loans in the secondary market in the amount of $453,000 and $1,175,000 at December 31, 2003 and 2002, respectively. These amounts are included in loans held for sale at the respective balance sheet dates.

12. COMMITMENTS AND CONTINGENCIES (Continued)

A portion of residential mortgage loans sold to investors in the secondary market are sold with recourse. Specifically, certain loan sales agreements provide that if the borrower becomes 60 days or more delinquent during the first six months following the first payment due, and subsequently becomes 90 days or more delinquent during the first 12 months of the loan, the Bank must repurchase the loan from the subject investor. In the opinion of management, the risk of recourse to the Bank is not significant and, accordingly, no liability has been established.

Concentration of credit risk:

Aside from cash on hand and in-vault, the majority of the Company's cash is maintained at US Bank, N.A., Commerce Bank, N.A., and the Federal Home Loan Bank of Chicago. The total amount of cash on deposit and federal funds sold exceeded federal insurance limits at the respective institutions by approximately $8,363,000, $6,997,000, and $3,256,000, respectively as of December 31, 2003. In the opinion of management, no material risk of loss exists due to the financial condition of the institutions.

13. BENEFITS

The Bank's retirement plan, which covered substantially all full time employees (working over 20 hours per week) after completion of one year of service and attaining the age of 21 was terminated effective December 31, 2001. Monies associated with the plan were transferred into the Company's 401K plan. The Bank contributed an amount adequate to fund the Target Benefit as determined by various plan assumptions. The Target Benefit was 17.5% of total compensation and is based on the employee's highest consecutive five years of compensation while a participant.

The Bank 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 1000 hours per year) 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 21. 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.

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, 2001 totaled $63,000. Contributions to the 401(k) plan for the years ended December 31, 2003 and 2002 totaled $180,000 and $204,000, respectively. No contributions to the 401K Plan were made in 2001. There were no contributions made to the incentive compensation plan for the years ended December 31, 2003 or 2002. Contributions made to the incentive compensation plan for the year ended December 31, 2001 was $143,000.

14. 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.

14. DIVIDENDS AND REGULATORY CAPITAL (Continued)

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. Prompt corrective action provisions are not applicable to bank holding companies.

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, 2003, 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, 2003	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital (to Risk Weighted Assets)						
Company	**$32,072**	**13.14%**	**≥$19,531**	**≥8.00%**	**N/A**	**N/A**
Bank	**$29,661**	**12.19%**	**≥$19,460**	**≥8.00%**	**≥$24,324**	**≥10.00%**
Tier I Capital (to Risk Weighted Assets)						
Company	**$26,607**	**10.90%**	**≥$9,765**	**≥4.00%**	**N/A**	**N/A**
Bank	**$27,461**	**11.29%**	**≥$9,730**	**≥4.00%**	**≥$14,595**	**≥6.00%**
Tier I Capital (to Average Assets)						
Company	**$26,607**	**8.12%**	**≥$13,113**	**≥4.00%**	**N/A**	**N/A**
Bank	**$27,461**	**8.43%**	**≥$13,032**	**≥4.00%**	**≥$16,290**	**≥5.00%**
As of December 31, 2002	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets)						
Company	$24,360	10.98%	≥$17,744	≥8.00%	N/A	N/A
Bank	$27,879	12.61%	≥$17,690	≥8.00%	≥$22,112	≥10.00%
Tier I Capital (to Risk Weighted Assets)						
Company	$22,302	10.05%	≥$8,873	≥4.00%	N/A	N/A
Bank	$25,821	11.68%	≥$8,845	≥4.00%	≥$13,267	≥6.00%
Tier I Capital (to Average Assets)						
Company	$22,302	7.18%	≥$12,429	≥4.00%	N/A	N/A
Bank	$25,821	8.35%	≥$12,377	≥4.00%	≥$15,471	≥5.00%

15. PARENT COMPANY ONLY FINANCIAL STATEMENTS

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

	December 31,	
	2003	2002
Assets		
Cash	$ **2,118**	$ 828
Investment in First Bankers Trust Company	**28,988**	27,516
Investment in FBIL Statutory Trust I	**160**	160
Investment in FBIL Statutory Trust II	**155**	-
Other assets	**399**	138
Total assets	$ **31,820**	$ 28,642
Liabilities and stockholders' equity		
Liabilities:		
Subordinated debentures	$ **10,310**	$ 5,155
Note payable	**-**	4,500
Other	**506**	399
Total liabilities	$ **10,816**	$ 10,054
Total stockholders' equity	$ **21,004**	$ 18,588
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ **31,820**	$ 28,642

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

	Years Ended December 31,		
	2003	2002	2001
Income:			
Dividends received from First Bankers Trust Company	$ **1,900**	$ 2,125	$ -
Dividends received from FBIL Statutory Trust I	**16**	16	16
Dividends received from FBIL Statutory Trust II	**2**	-	-
Interest	**5**	16	99
Total income	$ **1,923**	$ 2,157	$ 115
Expenses:			
Interest	$ **710**	$ 705	$ 547
Salary and benefits	**90**	51	22
Other	**125**	128	134
Total expenses	$ **925**	$ 884	$ 703
Income (loss) before income tax benefits and equity in undistributed earnings of subsidiaries	$ **998**	$ 1,273	$ (588)
Income tax (benefit)	**(499)**	(335)	(235)
Income (loss) before equity in undistributed earnings of subsidiaries	$ **1,497**	$ 1,608	$ (353)
Equity in undistributed earnings of First Bankers Trust Company	**1,626**	1,634	3,810
Net income	$ **3,123**	$ 3,242	$ 3,457

15. PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

	Years Ended December 31,		
	2003	2002	2001
Cash flows from operating activities			
Net income	$ **3,123**	$ 3,242	$ 3,457
Adjustments:			
Equity in undistributed earnings of subsidiaries	**(1,626)**	(1,634)	(3,810)
Changes in assets and liabilities			
(Increase) decrease in other assets	**(261)**	6	(45)
Increase (decrease) in other liabilities	**87**	(98)	(151)
Net cash provided by (used in) operating activities	$ **1,323**	$ 1,516	$ (247)
Cash flows from investing activities			
Capital infusion, FBIL Statutory Trust II	$ **(155)**	$ -	$ -
Cash flows from financing activities			
Proceeds from issuance of notes payable	$ **-**	$ 6,000	$ -
Principal payments on note payable	**(4,500)**	(1,500)	-
Purchase of treasury stock	**-**	(7,429)	-
Cash dividends paid on common stock	**(533)**	(510)	(464)
Proceeds from issuance of subordinated debentures	**5,155**	-	-
Net cash provided by (used in) financing activities	$ **122**	$ (3,439)	$ (464)
Net increase (decrease) in cash	$ **1,290**	$ (1,923)	$ (711)
Cash beginning	**828**	2,751	3,462
Cash ending	$ **2,118**	$ 828	$ 2,751

16. INCOME TAX MATTERS

The components of income tax expense are as follows for the years ended December 31, 2003, 2002 and 2001 (Amounts in thousands of dollars):

	Years Ended December 31		
	2003	2002	2001
Current	$ **1,244**	$ 1,193	$ 1,624
Deferred	**(119)**	(64)	(118)
	$ **1,125**	$ 1,129	$ 1,506

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):

	2003 Amount	**% of Pretax Income**	2002 Amount	% of Pretax Income	2001 Amount	% of Pretax Income
Federal income tax at statutory rate	$ **1,444**	**34.0 %**	$ 1,483	34.0 %	$ 1,687	34.0 %
Changes from statutory rate resulting from:						
State tax, net of federal benefit	**112**	**2.6**	114	2.6	116	2.3
Amortization of goodwill	**-**	**-**	-	-	45	.9
Tax exempt interest income, net	**(281)**	**(6.6)**	(314)	(7.2)	(291)	(5.9)
State income tax refund, net of federal income tax benefit	**(145)**	**(3.4)**	(143)	(3.3)	-	-
(Under) accrual of provision and other, net	**(5)**	**(0.1)**	(14)	(0.3)	(51)	(1.0)
Income tax expense	$ **1,125**	**26.5 %**	$ 1,129	25.8 %	$ 1,506	30.3 %

16. INCOME TAX MATTERS (Continued)

Net deferred tax assets consist of the following components as of December 31, 2003 and 2002 (Amounts in thousands of dollars):

	2003	2002
Deferred tax assets:		
Allowance for loan losses	$ 905	$ 894
Accrued expenses	144	140
	$ 1,049	$ 1,034
Deferred tax liabilities:		
Premises, furniture and equipment	$ (139)	$ (278)
Unrealized gains on securities available for sale, net	(489)	(582)
Stock dividends	(115)	(80)
	$ (743)	$ (940)
Net deferred tax assets	$ 306	$ 94

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,		
	2003	2002	2001
Provision for income taxes	$ (119)	$ (64)	$ (118)
Statement of changes in stockholders equity, accumulated other comprehensive income (loss), unrealized gains (losses) on securities available for sale, net	(93)	328	267
	$ (212)	$ 264	$ 149

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.

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

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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 represent 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 and Company obligated mandatorily redeemable preferred securities: The fair value of Federal Home Loan Bank advances and fixed rate Company obligated mandatorily redeemable preferred securities is estimated using discounted cash flow analyses, using interest rates currently being offered for similar borrowings. The fair value of variable rate Company obligated mandatorily redeemable preferred securities equals their carrying value.

Note payable: The fair value for the variable rate note payable is equal to its carrying value.

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

The carrying values and estimated fair values of the Company's financial instruments as of December 31, 2003 and 2002 are as follows (Amounts in thousands of dollars):

	2003		2002	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets:				
Cash and due from banks	**$ 15,010**	**$ 15,010**	$ 33,924	$ 33,924
Securities held to maturity	**7,231**	**7,528**	8,700	8,953
Securities available for sale	**46,351**	**46,351**	45,867	45,867
Federal funds sold	**13,500**	**13,500**	13,500	13,500
Loans	**222,261**	**222,852**	203,106	203,930
Accrued interest receivable	**1,364**	**1,364**	1,632	1,632
Financial liabilities:				
Non-interest-bearing demand deposits	**$ 51,234**	**$ 51,234**	$ 43,978	$ 43,978
Interest-bearing demand deposits	**66,978**	**66,978**	72,824	72,824
Savings deposits	**30,407**	**30,407**	29,267	29,267
Time deposits	**109,794**	**111,674**	112,101	114,133
Short-term borrowings	**5,114**	**5,114**	4,200	4,200
Federal Home Loan Bank advances	**19,000**	**19,904**	19,000	20,347
Note payable	**-**	**-**	4,500	4,500
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding soley subordinated debentures	**10,000**	**11,014**	5,000	5,625
Accrued interest payable	**834**	**834**	1,002	1,002

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Vice President
Information Services

First Bankers Trustshares, Inc.
P.O. Box 3566
Quincy, Illinois 62305-3566
Phone: 217-228-8000
Internet: http://www.firstbankers.com
E-Mail: fbti@firstbankers.com