continuing to build on our strength

FIRST BANKERS TRUSTSHARES, INC.

2010 Annual Report

First Bankers Trustshares, Inc.

QUINCY

CARTHAGE

MACOMB

MENDON

PALOMA

RUSHVILLE

SPRINGFIELD

First Bankers Trustshares, Inc.

progression, growth, strength.

2010 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

CORPORATE DESCRIPTION

First Bankers Trustshares, Inc. (FBTI) is a bank holding company for First Bankers Trust Company, N.A., First Bankers Trust Services, Inc., FBIL Statutory Trust I, FBIL Statutory Trust II, and FBIL Statutory Trust III. 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.

First Bankers Trust Company, N.A. is a community-oriented financial institution, which traces its beginnings to 1946, operates 10 banking facilities in Adams, Hancock, McDonough, Sangamon, and Schuyler counties in West Central Illinois.

First Bankers Trust Services, Inc. is a national provider of fiduciary services to individual retirement accounts, personal trusts, and employee benefit trusts. The Trust Company is headquartered in Quincy, IL and operates facilities in Chicago, IL, Phoenix, AZ, Philadelphia, PA, and Springfield, IL.

FBIL Statutory Trust I, FBIL Statutory Trust II, and FBIL Statutory Trust III were capitalized in September 2000 and 2003 and August 2004, respectively, for the purpose of issuing Company Obligated Mandatorily Redeemable Preferred Securities.

For additional financial information contact:
Brian A. Ippensen, Treasurer
First Bankers Trustshares, Inc.
(217) 228-8000

STOCKHOLDER INFORMATION

Common shares authorized:	6,000,000
Common shares outstanding as of December 31, 2010:	2,051,476
Stockholders of record:	350*

**As of December 31, 2010*

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

Illinois Stock Transfer, Inc.
209 West Jackson Blvd., Suite 903
Chicago, IL 60606

CORPORATE ADDRESS

First Bankers Trustshares, Inc.
1201 Broadway
P.O. Box 3566
Quincy, IL 62305

INDEPENDENT AUDITORS

McGladrey & Pullen, LLP
201 N. Harrison, Suite 300
Davenport, IA 52801

GENERAL COUNSEL

Hunton & Williams, LLP
1445 Ross Ave., Suite 3700
Dallas, TX 75202

FIRST BANKERS TRUSTSHARES, INC. BOARD OF DIRECTORS

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

Carl Adams, Jr.
President, Illinois Ayers Oil Company

William D. Daniels
Member, Harborstone Group, LLC.

Mark E. Freiburg
Owner, Freiburg Insurance Agency & Freiburg Development
President, Freiburg, Inc.

Donald K. Gnuse
Chairman of the Board, First Bankers Trustshares, Inc.
Chairman of the Board, First Bankers Trust Company, N.A.
Chairman of the Board, First Bankers Trust Services, Inc.

Arthur E. Greenbank
President/CEO, First Bankers Trust Company, N.A.
President/CEO, First Bankers Trustshares, Inc.

Phyllis J. Hofmeister
Secretary, Robert Hofmeister Farm

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

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

EXECUTIVE OFFICERS

Arthur E. Greenbank *President and CEO*
Brian A. Ippensen *Treasurer*
Steven E. Siebers *Secretary*

FIRST BANKERS TRUSTSHARES, INC. STOCK PRICES

(For the three months period ended)

Market Value	12/31/10	09/30/10	06/30/10	03/31/10	12/31/09
High	$ 22.01	$ 19.00	$ 19.25	$ 18.00	$ 17.10
Low	$ 18.43	$ 18.25	$ 17.25	$ 16.10	$ 15.41
Period End Close	**$ 20.10**	**$ 18.43**	**$ 19.00**	**$ 17.25**	**$ 16.10**

The following companies make a market in FBTI common stock:

Howe Barnes Hoefer & Arnett, Inc.
225 S. Riverside Plaza, 7th Floor
Chicago, IL 60603
(800) 800-4693

Wells Fargo Advisors
510 Maine, 9th Floor
Quincy, IL 62301
(800) 223-1037

Stifel Nicolas & Co. Inc
227 W. Monroe, Suite 1850
Chicago, IL 60606
(800) 745-7110

Monroe Securities, Inc.
100 N. Riverside Plaza, Suite 1620
Chicago, IL 60606
(312) 327-2530

LETTER TO SHAREHOLDERS

Donald K. Gnuse
Chairman of the Board

Arthur E. Greenbank
President/CEO

Dear Shareholders,

Your company, once again, achieved record results in earnings and growth during 2010. These results were achieved in a challenging, but improving, economic environment. We are fortunate that most of our markets in which we compete seem to have held up better than some other parts of the country.

In reviewing last year's letter to shareholders, we mentioned our recently completed acquisitions of an office in Springfield, Illinois and our purchase of some ground in Macomb to construct our eleventh branch office. As an update, our office in Springfield has exceeded our most optimistic expectations. We have a team of experienced bankers that have been a large driver of our growth in 2010. Also, we completed our purchase of a premier location for our office in Macomb and expect to have this branch in operation by the end of this year.

Our financial services industry is changing rapidly, due to the challenging marketplace and a regulatory environment driven from Washington, D. C. which will create very real challenges for all of us. The more we hear about the recently passed Dodd-Frank financial reform and the regulations being passed to implement it, the more our expenses increase and the more controls are being put on our revenues. Both of these are very problematic for your Company. We will stay on top of these developments over the next few years.

Last year we lost a friend, officer, and director of our Trust Company, Norman Rosson. Norman joined us in 1997 and was one of the driving forces in growing our Trust Company into a national competitor in the Trust Services business throughout 40 states. Norman was a representative based in our Chicago office. We want to honor our friend and remember all he did for us over the last years. Norman is being further memorialized on another page in our report.

Lastly, we would like to thank you, our stockholders, for your continued faith and trust in us. Without your investment and support, none of our achievements would be possible.

We look forward to talking with you at our annual meeting on May 24, 2011 at our bank's new 12th & Broadway facility in Quincy, Illinois. The meeting will begin at 9:00 a.m.

Donald K. Gnuse
Chairman of the Board

Arthur E. Greenbank
President/CEO

SELECT FINANCIAL DATA

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

Year Ended December 31,	**2010**	2009	2008	2007	2006	2005
PERFORMANCE						
Net income	**$ 6,440**	$ 5,885	$ 4,729	$ 4,243	$ 3,763	$ 3,635
Common stock cash dividends paid	**$ 943**	$ 942	$ 942	$ 860	$ 778	698
Common stock cash dividend payout ratio [1]	**16.28 %**	17.90 %	19.93 %	20.28 %	20.69 %	19.20 %
Return on average assets [1]	**.88 %**	.89 %	1.01 %	.97 %	.91 %	.89 %
Return on average common stockholders' equity [2]	**13.54 %**	13.79 %	13.77 %	13.90 %	13.68 %	14.86 %
PER COMMON SHARE						
Earnings, basic and diluted	**$ 2.83**	$ 2.57	$ 2.31	$ 2.07	$ 1.84	$ 1.77
Dividends (paid) on common stock	**$ .46**	$ .46	$ .46	$ .42	$ .38	$ .34
Book value[3]	**$ 21.98**	$ 19.62	$ 17.51	$ 15.66	$ 14.02	$ 12.57
Stock price						
High	**$ 22.01**	$ 18.25	$ 21.75	$ 20.00	$ 23.25	$ 24.00
Low	**$ 16.10**	$ 12.00	$ 15.60	$ 18.00	$ 18.05	$ 18.00
Close	**$ 20.10**	$ 16.10	$ 18.00	$ 19.70	$ 19.00	$ 22.00
Price/Earnings per share (at period end)	**7.1**	6.3	7.8	9.5	10.3	12.4
Market price/Book value (at period end)	**0.91**	0.82	1.03	1.26	1.36	1.75
Weighted average number of shares outstanding	**2,050,864**	2,048,574	2,048,574	2 ,048,574	2,048,574	2,048,574
AT DECEMBER 31,						
Assets	**$ 690,644**	$ 623,896	$ 498,028	$ 438,878	$ 423,674	$ 418,248
Investment securities	**278,729**	282,135	146,908	114,616	95,773	96,981
Loans held for sale	**-**	183	187	835	599	1,110
Loans	**337,558**	292,344	288,412	279,915	275,974	260,682
Deposits	**570,436**	511,769	400,844	359,345	355,955	357,876
Short-term borrowings and Federal Home Loan Bank advances	**43,104**	38,717	40,545	27,088	19,537	13,626
Note payable	**-**	-	-	-	-	2,667
Junior subordinated debentures	**15,465**	15,465	15,465	15,465	15,465	15,465
Preferred stock	**10,200**	10,100	-	-	-	-
Stockholders' equity [4]	**$ 55,286**	$ 50,287	$ 35,866	$ 32,079	$ 28,717	$ 25,752
Total equity to total assets [4]	**8.00 %**	8.06 %	7.20 %	7.31 %	6.78 %	6.16 %
Tier 1 capital ratio (risk based)	**14.70 %**	15.44 %	12.44 %	11.78 %	10.39 %	9.58 %
Total capital ratio (risk based)	**15.43 %**	16.60 %	14.36 %	14.05 %	12.93 %	12.53 %
Leverage ratio	**9.83 %**	9.88 %	8.96 %	8.89 %	8.21 %	7.32 %

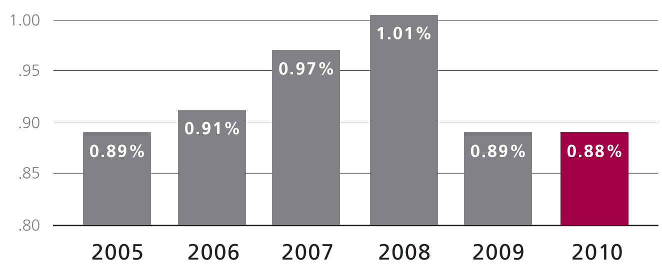
[1] Excludes preferred stock dividends/accretion.

[2] Return on average common stockholders' equity is calculated by dividing net income, excluding preferred stock dividends/accretion, by average common stockholders' equity. Common stockholders' equity is defined as equity less preferred stock and accumulated other comprehensive income or loss.

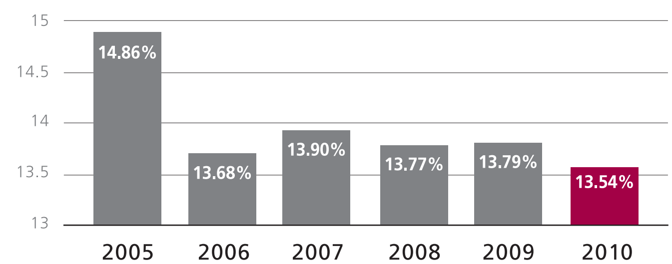
[3] Book value per share is calculated by dividing stockholders' equity, excluding preferred stock and accumulated other comprehensive income or loss, by outstanding common shares.

[4] Stockholders' equity includes preferred stock and excludes accumulated other comprehensive income or loss.

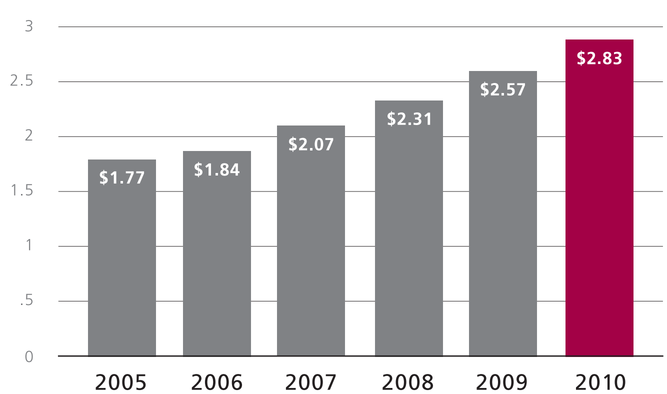
RETURN ON AVERAGE ASSETS



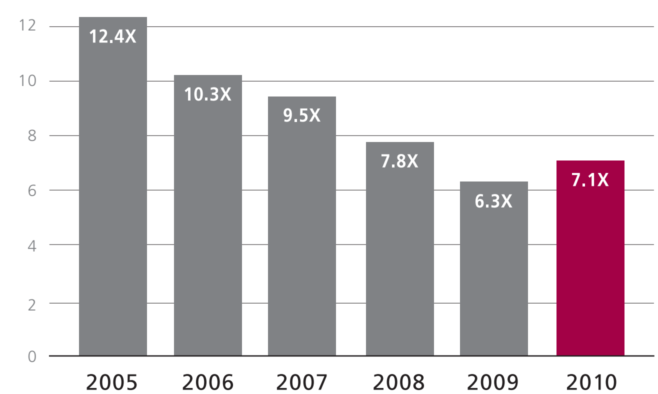
RETURN ON AVERAGE COMMON EQUITY



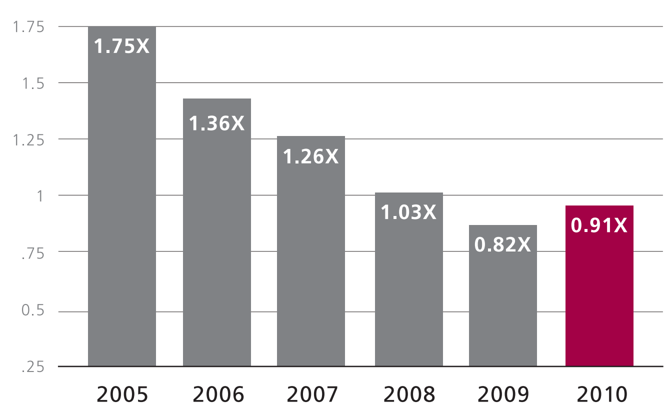
EARNINGS PER SHARE



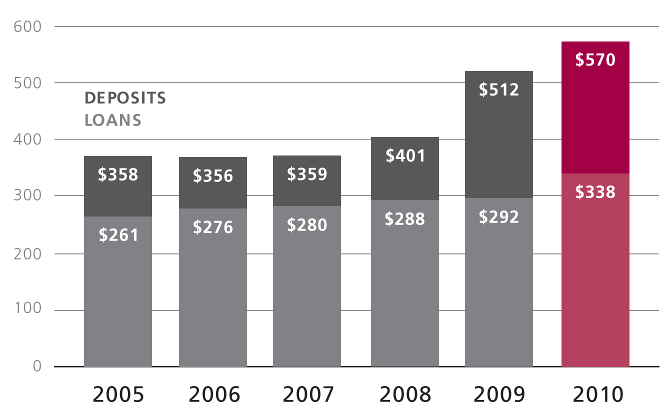
PRICE/EARNINGS MULTIPLES



MARKET PRICE TO BOOK VALUE



LOAN/DEPOSIT GROWTH



MANAGEMENT'S REPORT of Internal Controls Over Financial Reporting

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 judgments, have been prepared in conformity with accounting principles generally accepted in the United States of America and appropriate to the circumstances.

In meeting its responsibilities, First Bankers Trustshares, Inc. 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 organizational structure providing for division of accountability and authority.

The effectiveness of, and compliance with, established control systems are monitored through a continuous program of internal audit, account review, and external audit. In recognition of the cost-benefit relationships and inherent control limitations, some features of the control systems are designated 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 action have been initiated when appropriate.

First Bankers Trustshares, Inc. engaged the accounting firm of McGladrey & Pullen, LLP as 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 manager and staff, and the Independent Auditors to assess the scope of the annual audit plan and to discuss audit, internal control and financial reporting issues. Among the many items discussed are major changes in accounting policies and reporting practices. The Independent Auditors also meet with the Audit Committee, without Management present, to afford them the opportunity to discuss adequacy of compliance with established policies and procedures and the quality of financial reporting.

Arthur E. Greenbank
President/CEO

Brian A. Ippensen
Treasurer

Arthur E. Greenbank
President/CEO

Brian A. Ippensen
Treasurer

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 2010 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 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. In addition, the Company conducts Trust Operations nationwide through its sales representatives.

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 trust and banking operations.

CONSOLIDATED ASSETS *(Amounts in thousands of dollars)*

	2010	**Change**	2009	Change	2008	2007	2006	2005	5 Year Growth Rate
ASSETS									
Cash and due from banks:									
Non-interest bearing	**$ 9,363**	**2.68 %**	$ 9,119	(8.10) %	$ 9,923	$ 13,668	$ 10,738	$ 11,464	(18.33) %
Interest bearing	**25,681**	**202.24**	8,497	(54.18)	18,544	1,658	1,443	12,388	107.31
Securities	**278,729**	**(1.21)**	282,135	92.05	146,908	114,616	95,773	96,981	187.41
Federal funds sold	**2,167**	**639.59**	293	(95.48)	6,483	5,035	14,485	13,620	(84.09)
Loans held for sale	**-**	**(100.00)**	183	(2.14)	187	835	599	1,110	(100.00)
Net loans	**332,538**	**15.58**	287,700	1.17	284,375	276,605	272,835	257,522	29.13
Other assets	**42,166**	**17.23**	35,969	13.80	31,608	26,461	27,801	25,163	67.57
TOTAL	**$ 690,644**	**10.70 %**	$ 623,896	25.27 %	$ 498,028	$ 438,878	$ 423,674	$ 418,248	65.13 %
LIABILITIES & STOCKHOLDERS' EQUITY									
Deposits	**$ 570,436**	**11.46 %**	$ 511,769	27.67 %	$ 400,844	$ 359,345	$ 355,955	$ 357,876	59.39 %
Short-term borrowings	**37,604**	**24.45**	30,217	37.07	22,045	15,088	14,037	2,626	1,331.99
Federal Home Loan Bank advances	**5,500**	**(35.29)**	8,500	(54.05)	18,500	12,000	5,500	11,000	(50.00)
Note payable	**-**	**-**	-	-	-	-	-	2,667	(100.00)
Junior Subordinated Debentures	**15,465**	**-**	15,465	-	15,465	15,465	15,465	15,465	-
Other liabilities	**5,057**	**(4.02)**	5,269	7.53	4,900	4,574	4,535	3,500	44.49
Stockholders' equity	**56,582**	**7.42**	52,676	45.22	36,274	32,406	28,182	25,114	125.30
TOTAL	**$ 690,644**	**10.70 %**	$ 623,896	25.27 %	$ 498,028	$ 438,878	$ 423,674	$ 418,248	65.13 %

At December 31, 2010, the Company had assets of $690,644,000 compared to $623,896,000 at December 31, 2009. The growth in assets is primarily made up of a 202.24% growth in interest bearing deposits and a 15.58% growth in net loans. The growth was primarily funded by an 11.46% growth in deposits.

The growth in the net loan portfolio was primarily made up of growth in commercial loans of $35,966,000 and tax exempt loans of $8,961,000. Consumer loans also increased $1,682,000. Approximately $91,274,000 of fixed rate long-term residential real estate loans were sold in the secondary market during 2010 while $73,392,000 were sold in 2009. Agricultural real estate loans totaling $3,284,000 were sold in the secondary market during 2010, while $1,616,000 were sold in 2009. 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, borrowings and funds provided from operations.

For the year ended December 31, 2010, the Company reported consolidated net income of $6,440,000, a $555,000 (9.43%) increase from 2009. Net interest income after provision for loan losses for the periods being compared increased $508,000 or 3.30%. Other operating income increased $2,071,000 (22.78%) and other expenses increased $1,783,000 (11.06%) from 2009.

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 $611,482,000 for the year ended December 31, 2010. 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)*

	2010	Change	2009	Change	2008	2007	2006	2005	5 Year Growth Rate
Interest income	**$ 25,930**	**(0.85) %**	$ 26,153	1.72 %	$ 25,711	$ 26,912	$ 24,618	$ 21,768	19.12 %
Interest expense	**(8,932)**	**(7.56)**	(9,663)	(12.23)	(11,009)	(14,027)	(11,944)	(8,843)	1.01
Net interest income	**$ 16,998**	**3.08 %**	$ 16,490	12.16 %	$ 14,702	$ 12,885	$ 12,674	$ 12,925	31.51 %
Provision for loan losses	**(1,080)**	**-**	(1,080)	(18.80)	(1,330)	(1,080)	(1,080)	(2,250)	(52.00)
Net interest income after provision for loan losses	**$ 15,918**	**3.30 %**	$ 15,410	15.24 %	$ 13,372	$ 11,805	$ 11,594	$ 10,675	49.11 %
Other income	**11,164**	**22.78**	9,093	16.06	7,835	7,415	6,977	7,058	48.18
Other expenses	**(17,899)**	**11.06**	(16,116)	11.77	(14,419)	(13,377)	(13,503)	(13,036)	37.30
Income before taxes	**$ 9,183**	**9.49 %**	$ 8,387	23.56 %	$ 6,788	$ 5,843	$ 5,068	$ 4,697	95.51 %
Income tax expense	**(2,743)**	**9.63**	(2,502)	21.52	(2,059)	(1,600)	(1,305)	(1,062)	158.29
NET INCOME	**$ 6,440**	**9.43 %**	$ 5,885	24.44 %	$ 4,729	$ 4,243	$ 3,763	$ 3,635	77.17 %

Years Ended December 31,	2010	2009	2008
(Amounts in thousands of dollars)			
Interest Income	**$ 25,375**	$ 25,607	$ 25,111
Loan Fees	**555**	546	600
Interest Expense	**(8,932)**	(9,663)	(11,009)
NET INTEREST INCOME	**$ 16,998**	$ 16,490	$ 14,702
Average Earning Assets	**$ 611,482**	$ 553,127	$ 437,682
Net Interest Margin	**2.78 %**	2.98 %	3.36 %

The yield on average earning assets for the year ended 2010 was 4.24% while the average cost of funds for the same period was 1.67% on average interest bearing liabilities of $535,405,000. The yield on average earning assets for the year ended 2009 was 4.73%, while the average cost of funds for the same period was 2.03% on average interest bearing liabilities of $476,526,000. The increase in the net interest income of $508,000 can be attributed to the 10.55% increase in average earning assets and the 0.36% decrease in average cost of funds, which was partially offset by the 0.49% decrease in yield on earning assets.

PROVISION FOR LOAN LOSSES

The allowance for loan losses as a percentage of net loans outstanding is 1.49% at December 31, 2010, compared to 1.59% at December 31, 2009. Net loan charge-offs totaled $704,000 for the year ended December 31, 2010 compared to $473,000 in 2009.

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, 2010.

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, 2010 was $11,164,000, an increase of $2,071,000 (22.78%) from 2009. An increase in trust services income of $782,000 and security gains of $888,000 primarily accounted for the increase.

OTHER EXPENSE

Other expenses for the period ended December 31, 2010 totaled $17,899,000, an increase of $1,783,000 (11.06%) from 2009 year end totals. Salaries and employee benefits expense aggregated 55.02% and 53.73% of total other expense for the years ended December 31, 2010 and 2009, respectively.

NON-ACCRUAL, RESTRUCTURED AND PAST DUE LOANS, LEASES AND OTHER REAL ESTATE OWNED

(Amounts in thousands of dollars)

At December 31,	**2010**	2009	2008	2007	2006	2005
Non-accrual loans and leases	**$ 5,856**	$ 3,449	$ 3,023	$ 2,152	$ 236	$ 267
Other real estate owned	**1,757**	230	1,370	90	1,327	1,363
Total non-performing assets	**$ 7,613**	$ 3,679	$ 4,393	$ 2,242	$ 1,563	$ 1,630
Loans and leases past due 90 days or more and still accruing interest	**591**	199	717	301	578	1,119
Total non-performing assets and 90-day past due loans and leases	**$ 8,204**	$ 3,878	$ 5,110	$ 2,543	$ 2,141	$ 2,749
Interest income as originally contracted on non-accrual and restructured loans and leases	**$ 315**	$ 205	$ 228	$ 93	$ 39	$ 30
Interest income recognized on non-accrual and restructured loans and leases	**-**	-	-	-	-	-
Reduction of interest income due to non-accrual and restructured loans and leases	**$ 315**	$ 205	$ 228	$ 93	$ 39	$ 30
Reduction in basic and diluted earnings per share due to non-accrual and restructured loans and leases	**$ .10**	$ .07	$ 07	$ .04	$ .01	$ .01

INCOME TAXES

The Company files its Federal income tax return on a consolidated basis with the Bank. See Note 14 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, 2010, these categories totaled $38,987,000 or 5.65% of assets, compared to $21,727,000 or 3.48% the previous year.

As of December 31, 2010, securities held to maturity included $23,000 of gross unrealized gains and $6,000 in 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 2011, 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):*

REPRICING PERIOD As of December 31, 2010

	Through One Year	After One Year Through Five Years	After Five Years
Interest-earning assets	**$ 167,720**	**$ 222,207**	**$ 254,208**
Interest-bearing liabilities	**435,690**	**107,722**	**15,466**
Repricing gap *(repricing assets minus repricing liabilities)*	**$ (267,970)**	**$ 114,485**	**$ 238,742**

REPRICING PERIOD As of December 31, 2009

	Through One Year	After One Year Through Five Years	After Five Years
Interest-earning assets	$ 123,650	$ 220,034	$ 239,768
Interest-bearing liabilities	399,000	85,368	16,782
Repricing gap *(repricing assets minus repricing liabilities)*	$ (275,350)	$ 134,666	$ 222,986

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.

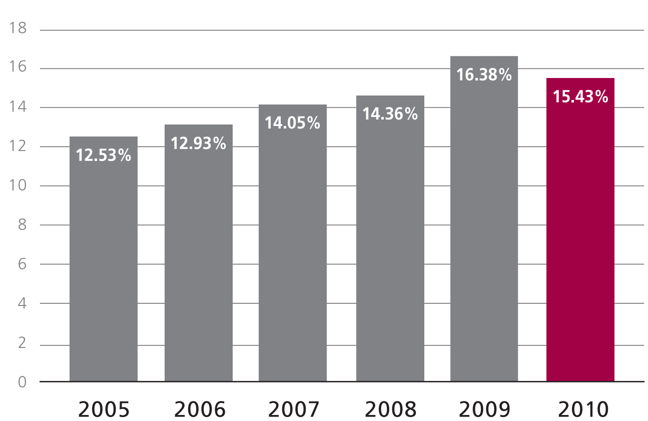
CAPITAL

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 15.43 percent of risk-weighted assets at December 31, 2010. In addition, a leverage ratio of at least 4.00 percent is to be maintained. At December 31, 2010, the Company's leverage ratio was 9.83 percent.

RISK BASED CAPITAL RATIOS



ASSET LIABILITY MANAGEMENT

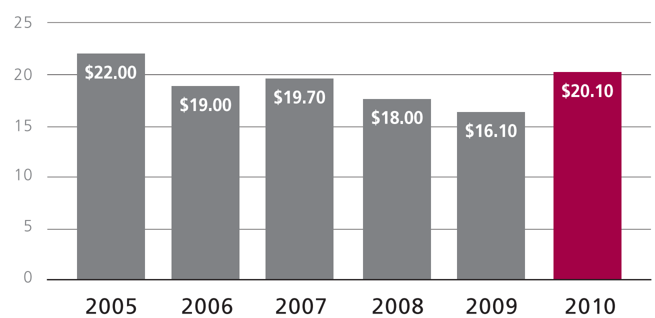
Since changes in interest rates may have a significant impact on operations the Company has implemented, and currently maintains, an asset liability management committee at the Bank to monitor and react to the changes in interest rates and other economic conditions. Research concerning interest rate 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 350 shareholders as of December 31, 2010, and is traded in a limited over-the-counter market.

On December 31, 2010 the market price of the Company's common stock was $20.10. Market price is based on stock transactions in the market. Cash dividends on common stock of $943,000 were declared by the Board of Directors of the Company for the year ended December 31, 2010.

CLOSING SHARE PRICE DATA



FINANCIAL REPORT

Upon written request of any shareholder of record on December 31, 2010, the Company will provide, without charge, a copy of its 2010 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.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The annual meeting of stockholders will be May 24, 2011 at 9:00 A.M. at the corporate headquarters, 1201 Broadway, Quincy, Illinois.

INDEPENDENT AUDITOR'S REPORT

McGladrey & Pullen, LLP
Certified Public Accountants

McGladrey

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, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. 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, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Davenport, Iowa
March 11, 2011

CONSOLIDATED BALANCE SHEETS *(Amounts in thousands of dollars, except share and per share data)*

December 31,		2010		2009
ASSETS				
Cash and due from banks				
Non-interest bearing	$	9,363	$	9,119
Interest bearing		25,681		8,497
	$	35,044	$	17,616
Securities held to maturity (Note 3)	$	1,481	$	2,066
Securities available for sale (Note 3)		277,248		280,069
Federal funds sold		2,167		293
Loans held for sale		-		183
Loans (Note 4 and 8)		337,558		292,344
Less allowance for loan losses		(5,020)		(4,644)
Net loans	$	332,538	$	287,700
Premises, furniture and equipment, net (Note 5)	$	16,303	$	12,380
Accrued interest receivable		3,289		3,399
Life insurance contracts		9,118		8,779
Intangibles (Note 6)		3,385		3,607
Prepaid FDIC insurance assessment		1,798		2,506
Other assets		8,273		5,298
TOTAL ASSETS	$	690,644	$	623,896
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Deposits				
Non-interest bearing demand	$	70,127	$	64,801
Interest bearing demand		184,727		136,315
Savings		33,705		33,333
Time (Note 7)		281,877		277,320
Total Deposits	$	570,436	$	511,769
Securities sold under agreements to repurchase		37,604		30,217
Federal Home Loan Bank advances (Note 8)		5,500		8,500
Junior subordinated debentures (Note 9)		15,465		15,465
Accrued interest payable		1,321		1,313
Other liabilities		3,736		3,956
Total Liabilities	$	634,062	$	571,220
Commitments and Contingencies (Note 11)				
Stockholders' Equity (Note 13)				
Series A Preferred Stock, no par value; shares authorized issued and outstanding 10,000; (Note 10)		9,645		9,526
Series B Preferred Stock; no par value; shares authorized issued and outstanding 500; (Note 10)		555		574
Common stock, $1 par value; shares authorized 6,000,000; Shares issued 2,579,230 and outstanding: 2010 - 2,051,476; 2009 - 2,048,574		2,580		2,580
Additional paid in capital		2,258		2,251
Retained earnings		47,637		42,785
Accumulated other comprehensive income		1,296		2,389
Treasury stock, at cost: 2010 - 527,754 shares; 2009 - 530,656 shares		(7,389)		(7,429)
Total Stockholders' Equity	$	56,582	$	52,676
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	690,644	$	623,896

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME *(Amounts in thousands of dollars, except per share data)*

Years Ended December 31,		**2010**		2009
INTEREST INCOME:				
Loans, including fee income:				
Taxable	**$**	**16,758**	$	16,510
Non-taxable		**301**		236
Securities:				
Taxable		**6,858**		7,780
Non-taxable		**1,916**		1,523
Federal funds sold		**6**		7
Interest bearing deposits in banks		**41**		61
Other		**50**		36
Total interest income	**$**	**25,930**	$	26,153
INTEREST EXPENSE:				
Deposits:				
Interest bearing demand and savings	**$**	**1,564**	$	1,434
Time		**5,880**		6,554
Total interest on deposits	**$**	**7,444**	$	7,988
Securities sold under agreements to repurchase		**115**		95
Federal Home Loan Bank advances		**396**		565
Junior subordinated debentures		**977**		1,015
Total interest expense	**$**	**8,932**	$	9,663
Net interest income	**$**	**16,998**	$	16,490
Provision for loan losses (Note 4)	**$**	**1,080**	$	1,080
Net interest income after provision for loan losses	**$**	**15,918**	$	15,410
OTHER INCOME:				
Trust services	**$**	**4,837**	$	4,055
Service charges on deposit accounts		**1,261**		1,243
Gain on sale of loans		**1,046**		771
Investment securities gains (losses), net:				
Total other-than-temporary impairment losses		**-**		(1,930)
Portion of loss recognized in other comprehensive income before taxes		**(81)**		1,277
Net impairment losses recognized in earnings		**(81)**		(653)
Realized securities gains, net		**1,163**		847
Investment securities gains, net		**1,082**		194
Other		**2,938**		2,830
Total other income	**$**	**11,164**	$	9,093
OTHER EXPENSES:				
Salaries and employee benefits	**$**	**9,848**	$	8,659
Occupancy expense, net		**1,168**		1,017
Equipment expense		**894**		811
Computer processing		**1,271**		1,184
Professional services		**565**		403
Other		**4,153**		4,042
Total other expenses	**$**	**17,899**	$	16,116
Income before income taxes	**$**	**9,183**	$	8,387
Income taxes (Note 14)		**2,743**		2,502
NET INCOME		**6,440**		5,885
Earnings per share of common stock, basic and diluted	**$**	**2.83**	$	2.57

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Amounts in thousands of dollars, except share and per share data) Years Ended December 31, 2010 and 2009

	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Comprehensive Income	Total
Balance, December 31, 2008	$ -	$ -	$ 2,580	$ 2,251	$ 38,464	$ 408	$ (7,429)		$ 36,274
Issuance of 10,000 shares of Series A preferred stock	9,408	-	-	-	-	-	-		9,408
Issuance of 500 shares of Series B preferred stock	-	592	-	-	-	-	-		592
Comprehensive income:									
Net income	-	-	-	-	5,885	-	-	5,885	5,885
Other comprehensive income, net of tax, (Note 2)	-	-	-	-	-	1,981	-	1,981	1,981
Comprehensive income								$ 7,866	
Preferred stock dividends declared	-	-	-	-	(522)	-	-		(522)
Discount accretion on preferred stock, net	118	(18)	-	-	(100)	-	-		-
Common stock dividends declared (amount per share $.46)	-	-	-	-	(942)	-	-		(942)
Balance, December 31, 2009	$ 9,526	$ 574	$ 2,580	$ 2,251	$ 42,785	$ 2,389	$ (7,429)		$ 52,676
Restricted stock compensation, 2,902 shares of treasury stock	**-**	**-**	**-**	**7**	**-**	**-**	**40**		**47**
Comprehensive income:									
Net income	**-**	**-**	**-**	**-**	**6,440**	**-**	**-**	**6,440**	**6,440**
Other comprehensive (loss), net of tax, (Note 2)	**-**	**-**	**-**	**-**	**-**	**(1,093)**	**-**	**(1,093)**	**(1,093)**
Comprehensive income								**$ 5,347**	
Preferred stock dividends declared	**-**	**-**	**-**	**-**	**(545)**	**-**	**-**		**(545)**
Discount accretion on preferred stock, net	**119**	**(19)**	**-**	**-**	**(100)**	**-**	**-**		**-**
Common stock dividends declared (amount per share $.46)	**-**	**-**	**-**	**-**	**(943)**	**-**	**-**		**(943)**
Balance, December 31, 2010	**$ 9,645**	**$ 555**	**$ 2,580**	**$ 2,258**	**$ 47,637**	**$ 1,296**	**$ (7,389)**		**$ 56,582**

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Amounts in thousands of dollars)*

Years Ended December 31,		2010		2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	**$**	**6,440**	$	5,885
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for loan losses		**1,080**		1,080
Depreciation		**1,181**		1,004
Amortization of intangibles		**222**		218
Amortization/accretion of premiums/discounts on securities, net		**2,667**		1,344
Investment securities (gains), net:		**(1,082)**		(194)
Loans originated for sale		**(94,558)**		(75,004)
Proceeds from loans sold		**95,787**		75,779
Gain on sale of loans		**(1,046)**		(771)
Restricted stock compensation		**47**		-
Deferred income taxes		**186**		(253)
(Increase) decrease in accrued interest receivable and other assets		**(627)**		92
(Increase) decrease in prepaid FDIC insurance assessment		**708**		(2,506)
Increase (decrease) in accrued interest payable and other liabilities		**196**		(209)
Net cash provided by operating activities	**$**	**11,201**	$	6,465
CASH FLOWS FROM INVESTING ACTIVITIES				
Activity in securities portfolio:				
Purchases	**$**	**(121,537)**	$	(209,853)
Sales of securities available for sale		**27,903**		20,520
Calls, maturities and paydowns		**93,888**		56,126
(Increase) in loans, net		**(48,276)**		(3,664)
(Increase) decrease in federal funds sold		**(1,874)**		6,190
Purchases of premises, furniture and equipment		**(5,104)**		(1,184)
(Increase) in cash surrender value life insurance contracts		**(339)**		(319)
Cash effect of acquisition		**-**		17,786
Gain on acquisition		**-**		(491)
Net cash (used in) investing activities	**$**	**(55,339)**	$	(114,889)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposits	**$**	**58,667**	$	90,796
Cash dividends paid to preferred shareholders		**(545)**		(453)
Cash dividends paid to common shareholders		**(943)**		(942)
Increase in securities sold under agreement to repurchase		**7,387**		8,172
Repayments of Federal Home Loan Bank advances		**(3,000)**		(10,000)
Issuance of preferred stock		**-**		10,000
Net cash provided by financing activities	**$**	**61,566**	$	97,573
Net increase (decrease) in cash and due from banks	**$**	**17,428**	$	(10,851)
CASH AND DUE FROM BANKS:				
Beginning	**$**	**17,616**	$	28,467
Ending	**$**	**35,044**	$	17,616

(continued)

Years Ended December 31,		2010		2009
Supplemental disclosure of cash flow information, Cash payments for:				
Interest	**$**	**8,924**	$	9,796
Income taxes	**$**	**3,082**	$	2,268
Supplemental schedule of non-cash investing and financing activities:				
Net change in accumulated other comprehensive income	**$**	**(1,093)**	$	1,981
Transfer of loans to other real estate owned	**$**	**2,358**	$	140
The fair value of assets acquired and liabilities assumed in acquisition (Note 16)				
Loans	**$**	**-**	$	881
Accrued interest receivable		**-**		4
Premises, furniture, and equipment, net		**-**		1,834
Core deposit intangible		**-**		157
Deposits		**-**		(20,129)
Accrued interest payable		**-**		(17)
Other liabilities		**-**		(25)
	$	**-**	$	(17,295)
Less cash received		**-**		17,786
Gain recognized from purchase	**$**	**-**	$	491

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 which owns 100% of the outstanding common stock of, First Bankers Trust Company, N.A. (Bank), First Bankers Trust Services, Inc. (Trust Services), FBIL Statutory Trust I (Trust I), FBIL Statutory Trust II (Trust II), and FBIL Statutory Trust III (Trust III). The Bank is engaged in banking and bank related services and serves a market area consisting primarily of Adams, McDonough, Schuyler, Hancock, Sangamon, and adjacent Illinois counties, and Marion, Lewis and Shelby counties in Missouri. Trust Services provides asset and custodial management for clients throughout the country. All administration is conducted in Quincy, IL with sales offices in Chicago and Springfield, IL, Philadelphia, PA and Phoenix, AZ. Trusts I, II, and III were capitalized for the purpose of issuing company obligated mandatory redeemable preferred securities.

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 instruments is an estimate that can be computed within a range.

BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of First Bankers Trustshares, Inc. and its wholly-owned subsidiaries, except Trusts I, II, and III, which do not meet the criteria for consolidation. 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 securities sold under agreements to repurchase are reported net.

TRUST SERVICES FIDUCIARY ACTIVITIES AND ASSETS

Trust Services provides fiduciary related services, including asset management and custodial services to individual and corporate clients. Assets held by Trust Services are not assets of the Company, except for cash deposits held by the Bank, and accordingly are not included in the consolidated financial statements. During the course of discharging its respective responsibilities for each client, Trust Services is subject to a number of Federal and State regulatory bodies and associated rules governing each type of account. Trust Services is regulated by the Federal Reserve Bank of St. Louis and the Illinois Department of Financial and Professional Regulation.

SECURITIES

Securities held to maturity are those for which the Company 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 accretion of 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, 2010 or 2009.

All securities are evaluated to determine whether declines in fair value below their amortized cost are other-than-temporary. In estimating other-than-temporary impairment losses on debt securities, management considers a number of factors including, but not limited to, (1) the length of time and extent to which the fair value has been less than amortized cost, (2) the financial condition and near-term prospects of the issuer, (3) the current market conditions and, (4) the intent of the Company to not sell the security prior to recovery and whether it is not more-likely-than-not that it will be required to sell the security prior to recovery. If the Company does not intend to sell the security, and it is unlikely the entity will be required to sell the security before recovery of its amortized cost basis, the Company will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held to maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion would be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

LOANS

Loans held for sale: Residential real estate and agricultural loans, which are originated and intended for resale in the secondary market in the foreseeable future, are classified as held for sale. These loans are carried at the lower of cost or estimated market value in the aggregate. As assets specifically acquired for resale, the origination of, disposition of, and gain/loss on these loans are classified as operating activities in the statement of cash flows.

Loans held for investment: Loans that management has the intent and ability to hold for the foreseeable future, or until pay-off or maturity occurs, are classified as held for investment. These loans are stated at the amount of unpaid principal adjusted for charge-offs, the allowance for estimated losses on loans, and any deferred fees and/or costs on originated loans. Interest is credited to earnings as earned based on the principal amount outstanding. Deferred direct loan origination fees and/or costs are amortized as an adjustment of the related loan's yield. As assets held for and used in the production of services, the origination and collection of these loans is classified as an investing activity in the statement of cash flows.

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 on the accrual basis 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, 2010 and 2009, the Bank had loan concentrations in agribusiness of 12.22% and 13.90%, 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, 2010 and 2009.

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 collectability 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 collectability 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.

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. Property is recorded at fair value less cost to sell when acquired. 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.

GOODWILL

Goodwill represents the excess of cost over fair value of net assets acquired in connection with business combinations. Goodwill is evaluated for impairment annually or whenever events or changes in circumstances indicate that it is more likely than not that an impairment loss has occurred. The Company has completed its annual goodwill impairment test and has determined that goodwill was not impaired at December 31, 2010 and 2009.

PREPAID FDIC INSURANCE ASSESSMENT

In November 2009, the Federal Deposit Insurance Corporation (FDIC) adopted a final rule amending the assessment regulations to require insured depository institutions to prepay their quarterly risk-based assessment for all of 2010, 2011, and 2012. The payment, which was made in December 2009, was recorded as a prepaid asset and is being amortized over the assessment period.

EARNINGS PER SHARE OF COMMON STOCK

Basic earnings per share of common stock is computed by dividing net income, after deducting preferred stock dividends and accretion, by the weighted average number of shares outstanding during each reporting period. Diluted earnings per share of common stock assume the conversion, exercise or issuance of all potential 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, 2010 and 2009.

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 carry forwards 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.

When the tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others could be subject to uncertainty about the merits of the position taken. The Company may recognize the tax benefit from an uncertain tax-position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

With few exceptions, the Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2007.

ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES

Interest rate swaps are derivatives that are recognized on the balance sheet at their fair value. Changes in the fair value of a derivative that is highly effective and that is designed and qualifies as a cash flow hedge, are recorded in other comprehensive income, until earnings are affected by the variability of cash flows (e.g., when periodic settlements on a variable rate liability are recorded in earnings).

The Company formally documents all relationships between hedging instruments and hedged items as well as its risk-management objective and strategy for undertaking various hedged transactions. The Company also formally assesses both at the hedge's inception and, on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively, as discussed below.

The Company discontinues hedge accounting prospectively when: (1) it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item; (2) the derivative expires or is sold, terminated and exercised; or (3) management determines that designation of the derivative as a hedge instrument is no longer appropriate. If hedge accounting is discontinued, the derivative is carried at fair value on the balance sheet, with changes in its fair value recognized in current-period earnings.

SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through March 11, 2011, the date that the financial statements were available to be issued.

CURRENT ACCOUNTING DEVELOPMENTS

In July 2010, the FASB issued Accounting Standards Update (ASU) 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* ASU 2010-20 requires more robust and disaggregated disclosures about the credit quality of loans and allowances for loan losses, including disclosure about credit quality indicators, past due information and modifications of loans. This ASU is effective for the Company for annual reporting periods ending after December 15, 2011. The adoption of this guidance will significantly expand the existing disclosure requirements but will not have an impact on the Company's financial position, results of operation and cash flows.

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 of unrealized gains and losses on securities available for sale and the interest rate swap.

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

		Before Tax		Tax Expense (Benefit)		Net of Tax
Year ended December 31, 2010						
Unrealized (losses) on securities available for sale:						
Unrealized holding (losses) arising during the year	**$**	**(2,649)**	**$**	**(1,007)**	**$**	**(1,642)**
Less reclassification adjustment for gains included in net income		**1,082**		**411**		**671**
Interest rate swap		**(196)**		**(74)**		**(122)**
Other comprehensive (loss)	**$**	**(1,763)**	**$**	**(670)**	**$**	**(1,093)**
Year ended December 31, 2009						
Unrealized gains on securities available for sale:						
Unrealized holding gains arising during the year	$	3,364	$	1,278	$	2,086
Less reclassification adjustment for gains included in net income		194		74		120
Interest rate swap		24		9		15
Other comprehensive income	$	3,194	$	1,213	$	1,981

As of December 31, 2010, accumulated other comprehensive income on the consolidated balance sheet includes $1,403,000 as a result of unrealized gains on securities available for sale and ($107,000) as a result of the interest rate swap. As of December 31, 2009, accumulated other comprehensive income on the consolidated balance sheet includes $2,374,000 as a result of unrealized gains on securities available for sale and $15,000 as a result of the interest rate swap.

3. Securities

The amortized cost and fair values of securities as of December 31, 2010 and 2009 are as follows. Included in gross unrealized losses is an OTTI loss of $1,193,000 and $1,277,000 as of December 31, 2010 and 2009 respectively, relating to two corporate securities, which represent the non-credit related portion of the overall impairment.

(Amounts in thousands of dollars):

2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SECURITIES HELD TO MATURITY:				
U.S. Government agency bonds	**$ 264**	**$ 12**	**$ -**	**$ 276**
State and political subdivisions	**1,217**	**11**	**(6)**	**1,222**
	$ 1,481	**$ 23**	**$ (6)**	**$ 1,498**
SECURITIES AVAILABLE FOR SALE:				
U.S. Government agency bonds	**$ 78,909**	**$ 1,009**	**$ (78)**	**$ 79,840**
U.S. Government agency mortgage backed securities	**79,233**	**3,656**	**(74)**	**82,815**
State and political subdivisions	**55,003**	**447**	**(1,586)**	**53,864**
Corporate securities	**1,696**	**3**	**(1,193)**	**506**
Collateralized mortgage obligations	**60,144**	**262**	**(183)**	**60,223**
	$ 274,985	**$ 5,377**	**$ (3,114)**	**$ 277,248**

2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SECURITIES HELD TO MATURITY:				
U.S. Government agency bonds	$ 269	$ 5	$ -	$ 274
State and political subdivisions	1,797	25	-	1,822
	$ 2,066	$ 30	$ -	$ 2,096
SECURITIES AVAILABLE FOR SALE:				
U.S. Government agency bonds	$ 101,425	$ 731	$ (145)	$ 102,011
U.S. Government agency mortgage backed securities	124,564	4,390	(33)	128,921
State and political subdivisions	44,464	702	(675)	44,491
Corporate securities	2,098	-	(1,334)	764
Collateralized mortgage obligations	3,686	194	-	3,880
Other	2	-	-	2
	$ 276,239	$ 6,017	$ (2,187)	$ 280,069

3. Securities (Continued)

Fair value and unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2010 and 2009 are summarized as follows *(Amounts in thousands of dollars):*

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
2010	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
SECURITIES HELD TO MATURITY:						
State and political subdivisions	**$ 167**	**$ (6)**	**-**	**-**	**$ 167**	**$ (6)**
SECURITIES AVAILABLE FOR SALE:						
U.S. Government agency bonds	**$ 10,114**	**$ (78)**	**$ -**	**$ -**	**$ 10,114**	**$ (78)**
U.S. Government agency mortgage backed securities	**2,914**	**(74)**	**-**	**-**	**2914**	**(74)**
State and political subdivisions	**25,040**	**(989)**	**2,644**	**(597)**	**27,684**	**(1,586)**
Corporate securities	**-**	**-**	**50**	**(1,193)**	**50**	**(1,193)**
Collateralized mortgage obligations	**24,449**	**(183)**	**-**	**-**	**24,449**	**(183)**
	$ 62,517	**$ (1,324)**	**$ 2,694**	**$ (1,790)**	**$ 65,211**	**$ (3,114)**

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
2009	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
SECURITIES AVAILABLE FOR SALE:						
U.S. Government agency bonds	$ 13,095	$ (145)	$ -	$ -	$ 13,095	$ (145)
U.S. Government agency mortgage backed securities	2,177	(33)	-	-	2,177	(33)
State and political subdivision	13,209	(368)	1,584	(307)	14,793	(675)
Corporate securities	-	-	764	(1,334)	764	(1,334)
	$ 28,481	$ (546)	$ 2,348	$ (1,641)	$ 30,829	$ (2,187)

At December 31, 2010, the investment portfolio included 375 securities. Of this number, 101 securities have current unrealized losses and 13 of them have current unrealized losses which have existed for longer than one year. All of the debt securities with unrealized losses are considered to be acceptable credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these debt securities are temporary. In addition, the Company does not have the intent to sell these debt securities and it is unlikely that the Company will be required to sell these debt securities prior to their anticipated recovery.

For the year ended December 31, 2009, the Company recognized other-than-temporary impairment of $1,930,000 on two securities of which $653,000 was associated with credit loss and was, therefore, recognized in income with the remaining non-credit related portion of $1,277,000 being recognized in other comprehensive income. For the year ended December 31, 2010, an additional $81,000 of credit loss was recognized in earnings.

The amortized cost and fair value of securities as of December 31, 2010 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the mortgages underlying the collateralized mortgage obligations and the debt underlying the corporate securities 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):*

	Amortized Cost	Fair Value
SECURITIES HELD TO MATURITY:		
Due in one year or less	**$ 945**	**$ 951**
Due after one year through five years	**363**	**380**
Due after five years through ten years	**173**	**167**
	$ 1,481	**$ 1,498**
SECURITIES AVAILABLE FOR SALE:		
Due in one year or less	**$ 825**	**$ 831**
Due after one year through five years	**50,365**	**51,046**
Due after five years through ten years	**70,150**	**70,892**
Due after ten years	**91,805**	**93,750**
	$ 213,145	**$ 216,519**
Corporate securities	**1,696**	**506**
Collateralized mortgage obligations	**60,144**	**60,223**
	$ 274,985	**$ 277,248**

Information on sales of securities available for sale during the years ended December 31, 2010 and 2009 follows *(Amounts in thousands of dollars):*

	2010	2009
Proceeds from sales	**$ 27,903**	$ 20,520
Gross gains	**1,126**	740
Gross losses	**-**	-

As of December 31, 2010 and 2009 securities with a carrying value of approximately $179,779,000 and $161,110,000 respectively, were pledged to collateralize deposits and securities sold under agreements to repurchase and for other purposes as required or permitted by law.

4. Loans

The composition of net loans outstanding as of December 31, 2010 and 2009 are as follows *(Amounts in thousands of dollars):*

	2010	2009
Commercial	**$ 199,568**	$ 163,602
Agricultural	**41,261**	40,624
Tax exempt	**13,509**	4,548
Real estate, mortgage	**43,170**	45,202
Consumer	**40,050**	38,368
	$ 337,558	$ 292,344
Less: Allowance for loan losses	**(5,020)**	(4,644)
NET LOANS	**$ 332,538**	$ 287,700

4. Loans (Continued)

As of December 31, 2010 and 2009, impaired loans were $5,506,000 and $2,878,000, respectively. Impaired loans of $3,251,000 and $912,000 as of December 31, 2010 and 2009, respectively, have a specific allowance provided for them included in the allowance for loan losses of $1,600,000 and $687,000, respectively. The average recorded investment in impaired loans was $4,192,000 and $2,938,000 for the years ended December 31, 2010 and 2009, respectively. Impaired loans for which a specific allowance has not been provided are $2,255,000 and $1,966,000 as of December 31, 2010 and 2009, respectively. Interest income and cash basis interest income recognized on impaired loans during the years ended December 31, 2010 and 2009 were not significant.

Nonaccrual loans totaled $5,856,000 and $3,449,000 as of December 31, 2010 and 2009, respectively. Loans past due 90 days or more and still accruing interest were $591,000 and $199,000 at December 31, 2010 and 2009, respectively.

Activity in the allowance for loan losses during the years ended December 31, 2010 and 2009 is summarized below *(Amounts in thousands of dollars):*

	2010	2009
Balance, beginning of year	$ 4,644	$ 4,037
Provision for loan losses	1,080	1,080
Loan charge-offs	(826)	(622)
Recoveries of loans charged off	122	149
Balance, end of year	$ 5,020	$ 4,644

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans totaled $133,763,000 and $109,771,000 at December 31, 2010 and 2009, respectively.

In the ordinary course of business, the Bank has granted loans to directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders amounting to $8,021,000 and $7,047,000 as of December 31, 2010 and 2009 respectively.

5. Premises, Furniture And Equipment

The cost, accumulated depreciation and net book value of premises, furniture and equipment as of December 31, 2010 and 2009 is summarized as follows *(Amounts in thousands of dollars):*

	2010	2009
Land	$ 3,108	$ 2,673
Building and improvements	14,208	10,738
Furniture and equipment	8,002	7,247
	$ 25,318	$ 20,658
Less accumulated depreciation	(9,015)	(8,278)
	$ 16,303	$ 12,380

6. Intangibles

Goodwill and intangible assets are summarized as follows *(Amounts in thousands of dollars):*

As of December 31,	**2010**	2009
Intangible assets:		
Goodwill	**$ 3,050**	$ 3,050
Core deposit intangible	**1,380**	1,380
Other intangible assets	**481**	481
Less accumulated amortization on certain intangible assets	**(1,526)**	(1,304)
Total intangible assets	**$ 3,385**	$ 3,607

ESTIMATED FUTURE AMORTIZATION EXPENSE:		
For the year ended December 31:		
2010		$ 222
2011	68	68
2012	68	68
2013	68	68
2014	68	68
2015	63	63

7. Time Deposits

The aggregate amount of time deposits, each with a minimum denomination of $100,000, was approximately $101,874,000 and $107,698,000 at December 31, 2010 and 2009, respectively. This includes brokered deposits of $9,663,000 at December 31, 2010 and 2009.

At December 31, 2010, the scheduled maturities of time deposits are as follows *(Amounts in thousands of dollars):*

2011	$ 174,413
2012	52,182
2013	23,270
2014	13,004
2015	19,007
Thereafter	1
	$ 281,877

8. Federal Home Loan Bank Advances

Federal Home Loan Bank (FHLB) advances are summarized as follows at December 31, 2010 and 2009 *(Amounts in thousands of dollars):*

	2010		2009	
	Weighted Average Interest Rate	Balance Due	Weighted Average Interest Rate	Balance Due
Maturity in year ending December 31: 2010			4.81 %	$ 3,000
Maturity in year ending December 31: 2011	**4.95 %**	**$ 5,500**	4.95	5,500
		$ 5,500		$ 8,500

8. Federal Home Loan Bank Advances (Continued)

First mortgage loans of approximately $7,333,000 and $11,333,000 as of December 31, 2010 and 2009, respectively, are pledged as collateral on FHLB advances.

9. Junior Subordinated Debentures and Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely Subordinated Debentures

Junior subordinated debentures are due to FBIL Statutory Trusts I, II, and III, which are all 100% owned non-consolidated subsidiaries of the Company. The debentures were issued in 2000, 2003, and 2004, respectively, in conjunction with each Trust's issuance of 5,000 shares of Company Obligated Mandatorily Redeemable Preferred Securities. The debentures all bear the same interest rate and terms as the preferred securities, detailed following. The debentures are included on the consolidated balance sheets as liabilities; however, in accordance with Federal Reserve Board regulations in effect at December 31, 2010 and 2009, the Company is allowed, for regulatory purposes, to include the entire $15,000,000 of the capital securities issued by the Trusts in Tier I capital.

During 2004 FBIL Statutory Trust III issued 5,000 shares of Company Obligated Mandatorily Redeemable (COMR) Preferred Securities. Distributions are paid quarterly. Cumulative cash distributions are calculated at a variable annual rate that is 265 basis points above the 3 month LIBOR rate (2.95% and 2.90% as of December 31, 2010 and 2009). The Trust may, at one or more times, defer interest payments on the capital securities for up to 20 consecutive quarterly periods, but not beyond September 15, 2034. At the end of the deferral period, all accumulated and unpaid distributions will be paid. The capital securities will be redeemed on September 15, 2034 at par plus any accrued and unpaid distributions to the date of the redemption; however, the Trust has the option to redeem at any time. The redemption may be in whole or in part, but in all cases in a principal amount with integral multiples of $1,000.

Effective January 2009, the Company entered into an interest rate swap agreement related to the Company Obligated Mandatorily Redeemable Preferred Securities issued in 2004 by FBIL Statutory Trust III. The swap agreement is utilized to manage variable interest rate exposure and is designated as a highly effective cash flow hedge. The swap agreement expires in 2013 and essentially fixes the rate to be paid at 5.02%. As of December 31, 2010 and 2009, the notional amount of the swap is $5,000,000 with a fair value of $(172,000) recorded in other liabilities and $24,000 recorded in other assets, respectively, and as a (reduction) addition to accumulated other comprehensive income in the consolidated balance sheet.

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 (3.25% and 3.20% as of December 31, 2010 and 2009, respectively). 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 at par plus any accrued and unpaid distributions to the date of the redemption; however, the Company has the option to redeem at any time.

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 redeem at any time. 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.

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

10. Preferred Stock, Series A And B

In October 2008, Congress passed the Emergency Economic Stabilization Act of 2008 (EESA). One of the provisions resulting from the Act is the Treasury Capital Purchase Program (CPP) which provides direct equity investment of perpetual preferred stock by the U.S. Treasury in qualified financial institutions. In January 2009, the Company, pursuant to the CPP implemented under the EESA, issued and sold to the Treasury 10,000 shares of the Company's Cumulative Perpetual Preferred Stock, Series A, together with a warrant to purchase 500 shares of the Company's Cumulative Perpetual Perferred Stock, Series B, for an aggregate purchase price of $10 million in cash. The warrant has a ten-year term and was immediately exercised upon its issuance at the exercise price of $0.01 per share.

The Series A Preferred Stock qualifies as Tier 1 capital and pays cumulative dividends at a rate of 5% per annum for the first five years, and 9% per annum thereafter. The Series B Preferred Stock also qualifies as Tier 1 capital and pays cumulative dividends at a rate of 9% per annum. The Series A and B Preferred Stock may be redeemed by the Company at any time, subject to approval of the Federal Reserve. Any redemption of the Series A and B Preferred Stock will be at the per share liquidation amount of $1,000 per share, plus any accrued and unpaid dividends.

Prior to the third anniversary of the Treasury's purchase of the Series A Preferred Stock, unless the Series A Preferred Stock has been redeemed or the Treasury has transferred all of the Series A Preferred Stock to one or more third parties, the consent of the Treasury will be required for the Company to increase the dividend paid on its common stock above its most recent quarterly dividend of $0.115 per share or repurchase shares of its common stock. The Series A and B Preferred Stock are non-voting except for class voting rights on matters that would adversely affect the rights of the holders of the Series A and B Preferred Stock.

For accounting purposes, the proceeds of the $10,000,000 were allocated between the preferred stock and the warrant based on their relative fair values. The entire discount on the preferred stock, created from the initial value assigned to the warrant, will be accreted over a five year period in a manner that produces a level preferred stock dividend yield. At the end of the fifth year, the carrying amount of the preferred stock will equal its liquidation value.

11. 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, 2010 and 2009 is as follows *(Amounts in thousands of dollars):*

	2010	2009
Commitments to extend credit and unused lines of credit	**$ 59,406**	$ 59,574
Standby letters of credit	**2,091**	1,262

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 customer's 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.

11. Commitments And Contingencies (Continued)

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 previous summary. If the commitment is funded, the Bank would be entitled to seek recovery from the customer. At December 31, 2010 and 2009, 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 $847,000 and $1,801,000 at December 31, 2010 and 2009, respectively. These amounts include loans held for sale of none and $183,000 as of December 31, 2010 and 2009, respectively and loan commitments, included in the summary in this Note, of $847,000 and $1,618,000 as of December 31, 2010 and 2009, respectively.

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. The Bank did not repurchase any loans from secondary market investors under the terms of these loan sales agreements during the years ended December 31, 2010 and 2009. 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 Company's cash is maintained at various correspondent banks. The total amount of cash on deposit and federal funds sold exceeded federal insurance limits at four institutions by a total of approximately $11,450,000 as of December 31, 2010. In the opinion of management, no material risk of loss exists due to the financial condition of the institutions.

12. Benefits

The Company has a 401(k) plan, which is a tax qualified savings plan, to encourage its employees to save for retirement purposes or other contingencies. All employees, working over 1,000 hours per year, of the Company and its subsidiaries are eligible to participate in the Plan after completion of one year of service and attaining the age of 21. The employee may elect to contribute a percentage of their compensation before taxes in a traditional 401(k) and/or a percentage of their compensation after taxes using the subsidiary's Roth 401(k) option. Based upon profits, as determined by the subsidiaries, a contribution may be made by the subsidiaries. Employees are 100% vested in the subsidiaries' contribution to the plan after five years of service. Employee contributions and vested subsidiaries contributions may be withdrawn only on termination of employment, retirement, death or hardship withdrawal.

Under the Employee Incentive Compensation Plan, the Bank and Trust Services are authorized at their 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 and Trust Services exceeds established income levels.

Contributions to the 401(k) plan for the years ended December 31, 2010 and 2009 totaled $383,000 and $370,000 respectively. Contributions made to the incentive compensation plan for the years ended December 31, 2010 and 2009 were $185,000 and $317,000 respectively.

13. Dividends And Regulatory Capital

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

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. In addition, as described in Note 10, under provisions of the Treasury Capital Purchase Program, the consent of the Treasury will be required for the Company to increase the dividend paid on its common stock above the most recent quarterly dividend of $.115 per share.

The Company and its subsidiaries 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 following table) 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, 2010, 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.

13. Dividends And Regulatory Capital (Continued)

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, 2010	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital *(to Risk Weighted Assets)*						
Company	**$ 70,165**	**15.43 %**	≥ **$ 36,380**	≥ **8.00 %**	**N/A**	**N/A**
Bank	**$ 58,779**	**13.02 %**	≥ **$ 36,121**	≥ **8.00 %**	≥ **$ 45,152**	≥ **10.00 %**
Tier I Capital *(to Risk Weighted Assets)*						
Company	**$ 66,827**	**14.70 %**	≥ **$ 18,190**	≥ **4.00 %**	**N/A**	**N/A**
Bank	**$ 53,759**	**11.91 %**	≥ **$ 18,061**	≥ **4.00 %**	≥ **$ 27,091**	≥ **6.00 %**
Tier I Capital *(to Average Assets)*						
Company	**$ 66,827**	**9.83 %**	≥ **$ 27,191**	≥ **4.00 %**	**N/A**	**N/A**
Bank	**$ 53,759**	**7.98 %**	≥ **$ 26,961**	≥ **4.00 %**	≥ **$ 33,701**	≥ **5.00 %**
As of December 31, 2009	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital *(to Risk Weighted Assets)*						
Company	$ 66,508	16.60 %	≥ $ 32,050	≥ 8.00 %	N/A	N/A
Bank	$ 54,350	13.67 %	≥ $ 31,803	≥ 8.00 %	≥ $ 39,753	≥ 10.00 %
Tier I Capital *(to Risk Weighted Assets)*						
Company	$ 61,864	15.44 %	≥ $ 16,025	≥ 4.00 %	N/A	N/A
Bank	$ 49,706	12.50 %	≥ $ 15,901	≥ 4.00 %	≥ $ 23,852	≥ 6.00 %
Tier I Capital *(to Average Assets)*						
Company	$ 61,864	9.88 %	≥ $ 25,038	≥ 4.00 %	N/A	N/A
Bank	$ 49,706	8.03 %	≥ $ 24,767	≥ 4.00 %	≥ $ 30,959	≥ 5.00 %

14. Income Tax Matters

The components of income tax expense are as follows for the years ended December 31, 2010 and 2009 *(Amounts in thousands of dollars):*

Years Ended December 31,	**2010**	2009
Current	**$ 2,557**	$ 2,755
Deferred	**186**	(253)
	$ 2,743	$ 2,502

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):*

	2010 Amount	**% of Pretax Income**	2009 Amount	% of Pretax Income
Federal income tax at statutory rate	**$ 3,122**	**34.0 %**	$ 2,852	34.0 %
Changes from statutory rate resulting from:				
State tax, net of federal benefit	**333**	**3.6**	354	4.2
Tax exempt interest income, net	**(701)**	**(7.6)**	(548)	(6.5)
Increase in cash surrender value	**(104)**	**(1.1)**	(107)	(1.3)
Over (under) accrual of provision and other, net	**93**	**1.0**	(49)	(0.6)
Income tax expense	**$ 2,743**	**29.9 %**	$ 2,502	29.8 %

Net deferred tax assets consist of the following components as of December 31, 2010 and 2009 *(Amounts in thousands of dollars):*

	2010	2009
Deferred tax assets:		
Allowance for loan losses	**$ 1,854**	$ 1,708
Other-than-temporary impairment	**279**	248
Accrued expenses	**223**	174
Interest rate swap	**65**	-
	$ 2,421	$ 2,130
Deferred tax liabilities:		
Premises, furniture and equipment	**$ (790)**	$ (440)
Stock dividends	**(140)**	(140)
Prepaid expenses	**(78)**	(72)
Unrealized gains on securities available for sale, net	**(860)**	(1,456)
Intangibles	**(371)**	(319)
Interest rate swap	**-**	(9)
Other	**(165)**	(161)
	$ (2,404)	$ (2,597)
NET DEFERRED TAX ASSETS (LIABILITIES)	**$ 17**	$ (467)

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

14. Income Tax Matters (Continued)

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

Years Ended December 31,	2010	2009
Provision for income taxes	$ 186	$ (253)
Statement of changes in stockholders' equity, accumulated other comprehensive income (loss), unrealized gains (losses) on securities available for sale, net	(596)	1,204
Interest rate swap	(74)	9
	$ (484)	$ 960

15. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value using a hierarchy system, and requires disclosure of fair value measurements. The hierarchy is intended to maximize the use of observable inputs and minimize the use of unobservable inputs and includes three levels based upon the valuation techniques used. The three levels are as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investment securities available for sale: Where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage–backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the valuation hierarchy.

Impaired loans: The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loan impairment may be measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral, if the loan is collateral dependent. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. Fair value is determined based upon appraisals by qualified licensed appraisers hired by the Company, and are, generally, considered level 2 measurements. In some cases, adjustments are made to the appraised values due to various factors including age of the appraisal, age of comparables included in the appraisal, and known changes in the market and in the collateral. When significant adjustments are based on unobservable inputs, the resulting fair value measurement has been categorized as a level 3 measurement.

Other real estate owned: Other real estate owned is carried at the lower of the principal amount of the loan outstanding at the time of acquisition, plus any acquisition costs, or the estimated fair value of the property, less disposal costs. The fair value of the property is determined based upon appraisals. As with impaired loans, if significant adjustments are made to the appraised value, based upon unobservable inputs, the resulting fair value measurement is categorized as a level 3 measurement.

Interest rate swap: The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data, and therefore, are classified within level 2 of the valuation hierarchy.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended December 31, 2010.

ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A RECURRING BASIS:

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Fair Value Measurements as of December 31, 2010 Using:	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities available for sale:				
U.S. Government agency bonds	**$ 79,840**	**$ -**	**$ 79,840**	**$ -**
U.S. Government agency mortgage backed securities	**82,815**	**-**	**82,815**	**-**
State and political subdivisions	**53,864**	**-**	**53,864**	**-**
Corporate securities	**506**	**-**	**506**	**-**
Collateralized mortgage obligations	**60,223**	**-**	**60,223**	**-**
	$ 277,248	**$ -**	**$ 277,248**	**$ -**
Interest rate swap	**$ (172)**	**$ -**	**$ (172)**	**$ -**

Fair Value Measurements as of December 31, 2009 Using:	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities available for sale:				
U.S. Government agency bonds	$ 102,011	$ -	$ 102,011	$ -
U.S. Government agency mortgage backed obligations	128,921	-	128,921	-
State and political subdivisions	44,491	-	44,491	-
Corporate securities	764	-	764	-
Collateralized mortgage obligations	3,880	-	3,880	-
Other	2	-	2	-
	$ 280,069	$ -	$ 280,069	$ -
Interest rate swap	$ 24	$ -	$ 24	$ -

There were no transfers of assets or liabilities between levels 1, 2, and 3 of the fair value hierarchy during the year ended December 31, 2010.

15. Fair Value Measurements (Continued)

ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A NONRECURRING BASIS:

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis such as when there is evidence of impairment. Assets measured at fair value on a nonrecurring basis are included in the table below:

Fair Value Measurements as of December 31, 2010 Using:	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	**$ 1,731**	**$ -**	**$ -**	**$ 1,731**
Other real estate owned	**$ 1,845**	**$ -**	**$ -**	**$ 1,845**

Fair Value Measurements as of December 31, 2009 Using:	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 259	$ -	$ -	$ 259
Other real estate owned	$ 242	$ -	$ -	$ 242

The Financial Instruments Topic of the FASB Accounting Standards Codification, 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. Certain financial instruments and all non-financial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not 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.

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.

Securities sold under agreements to repurchase: The fair value of securities sold under agreements to repurchase is considered to equal carrying value due to the borrowings short-term nature.

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

Junior subordinated debentures: It is not practicable to estimate the fair value of junior subordinated debentures as instruments with similar terms are not available in the market place.

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, 2010 and 2009 are as follows *(Amounts in thousands of dollars):*

	2010 Carrying Value	**2010 Fair Value**	2009 Carrying Value	2009 Fair Value
Financial assets:				
Cash and due from banks	**$ 35,044**	**$ 35,044**	$ 17,616	$ 17,616
Securities held to maturity	**1,481**	**1,498**	2,066	2,096
Securities available for sale	**277,248**	**277,248**	280,069	280,069
Federal funds sold	**2,167**	**2,167**	293	293
Loans, net	**332,538**	**334,274**	287,883	289,068
Accrued interest receivable	**3,289**	**3,289**	3,399	3,399
Financial liabilities:				
Non-interest-bearing demand deposits	**$ 70,127**	**$ 70,127**	$ 64,801	$ 64,801
Interest-bearing demand deposits	**184,727**	**184,727**	136,315	136,315
Savings deposits	**33,705**	**33,705**	33,333	33,333
Time deposits	**281,877**	**284,233**	277,320	278,504
Securities sold under agreements to repurchase	**37,604**	**37,604**	30,217	30,217
Federal Home Loan Bank advances	**5,500**	**5,686**	8,500	8,967
Accrued interest payable	**1,321**	**1,321**	1,313	1,313

16. Acquisition

In November 2009, the Company entered into a purchase and assumption agreement with First Bank to acquire a branch banking office in Springfield, Illinois in order to expand the market area. Assets with a fair value of $2,876,000 were purchased, liabilities with a fair value of $20,171,000 were assumed, and net cash received was $17,786,000. The transaction resulted in a bargain purchase with a gain of $491,000 recognized in other income for the year ended December 31, 2009 in the consolidated statement of income. The gain was the result of the fair value of certain assets acquired exceeding agreed to values in the purchase agreement. The acquisition was accounted for in accordance with the Business Combinations Topic of the Accounting Standards Codification.

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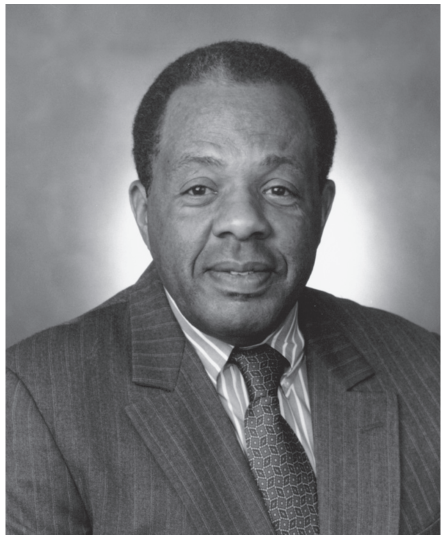

Mr. Norman T. Rosson, Jr.

January 15, 1938 - September 6, 2010

First Bankers Trust Services lost a beloved member of our family on September 6, 2010, with the passing of Norman Rosson. Norman had recently retired as Senior Vice President this past spring and was a current member of our Board of Directors. He joined First Bankers Trust in 1997 and was instrumental in the growth and success of our employee benefit business.

Norman received a Bachelor of Science in Accounting from Howard University and a Jurist Doctorate from DePaul University School of Law. Prior to joining First Bankers Trust, he served for 17 years as Senior Vice President of Trust at LaSalle Bank. His extensive banking career was in the realm of Corporate Law, and his expertise was invaluable. Based out of our Chicago office, Norman traveled extensively, building ESOP relationships with our clients and professional partners nationwide.

In his spare time Norman enjoyed jazz, blues, and pop music and was an avid collector of LPs and 45s. Every Sunday morning, he tutored his grandchildren as they practiced their music lessons. He never missed a Sunday visit with them and attended every one of their music recitals, concerts, parades, and sporting events. Together they shared a love for magic, and Norman enjoyed entertaining them with his latest tricks.

Our heartfelt condolences go out to Norman's wife Gloria, his three children, and his grandchildren. Norman was a true asset to our organization. He was a mentor and inspiration to our team, and he will be missed greatly.

NOTES

NOTES

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