



## First Bankers Trustshares, Inc.

Broadway at 12th Street  
P.O. Box 3566  
Quincy, Illinois 62305-3566  
217-228-8000  
Fax 217-228-8091  
[www.firstbankers.com](http://www.firstbankers.com)

February 10, 2009

Mr. Neil M. Barofsky  
Special Inspector General  
Office of the Special  
Inspector General TARP  
1500 Pennsylvania Ave N.W.  
Suite 1064  
Washington, D.C. 20220

Dear Mr. Barofsky:

In response to your request of February 6, 2009 seeking information on our use of your \$10 million preferred stock investment in our financial institution, let me make a couple of initial points. We have only had the \$10 million for 3 weeks. The cost of the capital to us was approximately 6.50%. There are very few solid loans in today's market that yield 6.50% plus. Consequently we have grown the bank by approximately \$50 million through a major deposit campaign as well as other borrowings since the end of 2008. This has allowed us to average down this cost of capital. As you know, we cannot pay out 6.50% or even 3.50% without having some revenue to cover these expenditures, consequently, we have invested (loaned) the money out through significantly increasing our portfolio of agency mortgage back securities and municipal bonds. At the same time, we have been attempting to increase interest rate spreads (profit) through the process of direct lending to our customers as well as other bank's good customers (competition).

At this time, with this current amount of leverage on your \$10 million preferred stock investment, I believe we have now broken even on this cost of capital. We now move aggressively to growing the bank through solid, fundamental attraction of core deposits and solid loan generation. Of course in today's world, finding these people/businesses that are good credits who want to borrow is much more difficult than a year ago. Finding those that want to borrow but risk the higher probability of not being able to pay back are not a problem. In any case, I think we can still grow the bank another \$30-\$40 million if we find the right opportunities.

Regarding "executive" compensation, none of us come even close to the limits in the documents executed in conjunction with the \$10 million investment. I only wish I needed to cut my salary to under \$500 thousand to have qualified for your investment. Consequently it has had no impact on our risk taking or our actions as a bank.

It would seem that the best way to monitor our "quantitative" measurements would be through our call reports which we are required to file regularly (quarterly). There is much information in there regarding our numbers.

In addition, I have included some financial highlights on the bank since we down streamed the \$10 million capital from the holding company to the bank to support the growth previously described above. I have included the monthly highlights from January 09 and December 08. I expect February 09 to continue to show the growth previously mentioned. I have also included our 4<sup>th</sup> quarter report to shareholders on our record 2008 performance (this was achieved prior to your investment). We actually believe your investment was made in us since we were a successful, well capitalized financial institution.

I will include you in future quarterly releases of our financials to our common stockholders as well as send you an annual report in April when it is completed.

Thank you for your investment in our financial institution. I actually think you have made a profitable, solid investment in a growing community bank.

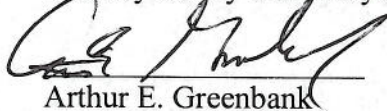
Sincerely,



Arthur E. Greenbank  
President/CEO

AEG/lar

I hereby certify that everything I have told you I believe to be true.

  
Arthur E. Greenbank

OFFICE OF THE SPECIAL INSPECTOR GENERAL  
TROUBLED ASSET RELIEF PROGRAM  
1500 Pennsylvania Ave., N.W., Suite 1064  
Washington, D.C. 20220

February 6, 2009

Mr. Arthur Greenbank  
First Bankers Trustshares, Inc.  
1201 Broadway  
Quincy, IL 62301

Dear Mr. Arthur Greenbank,

The Emergency Economic Stabilization Act of 2008 (“EESA”) that established the Troubled Asset Relief Program (TARP) also created the Office of the Special Inspector General for Troubled Asset Relief Program (SIGTARP). SIGTARP is responsible for coordinating and conducting audits and investigations of any program established by the Secretary of the Treasury under the act. As part of an audit into TARP recipients’ use of funds and their compliance with EESA’s executive compensation requirements,

I am requesting that you provide my office, within 30 days of this request, the following information:

- (1) A narrative response specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) your expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that have taken that you would not have been able to take absent the infusion of TARP funds.
- (2) Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.

In connection with this request:

- (1) We anticipate that responses might well be quantitative as well as qualitative in nature regarding the impact of having the funds, and we encourage you to make reference to such sources as statements to the media, shareholders, or others concerning your intended or actual use of TARP funds, as well as any internal email, budgets, or memoranda describing your anticipated use of funds. We ask that you segregate and preserve all documents referencing your use or anticipated use of TARP funds such as any internal email, budgets, or memoranda regarding your anticipated or actual use of TARP funds.
- (2) Your response should include copies of pertinent supporting documentation (financial or otherwise) to support your response.
- (3) Further, I request that, your response be signed by a duly authorized senior executive officer of your company, including a statement certifying the accuracy of all statements, representations, and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.
- (4) Responses should be provided electronically within 30 days to SIGTARP at [SIGTARP.response@do.treas.gov](mailto:SIGTARP.response@do.treas.gov), with an original signed certification and any other supporting documentation mailed to: **Special Inspector General – TARP; 1500 Pennsylvania Avenue, NW; Suite 1064; Washington, D.C. 20220.**

We think this initiative is vital to providing transparency the TARP program and the ability of SIGTARP and others to assess the effectiveness of TARP programs over time. If you have any questions regarding this initiative, please feel free to contact Mr. Barry W. Holman, my Deputy Inspector General for Audit at (202) 927-9936.

Very truly yours,



Neil M. Barofsky  
Special Inspector General

OMB Control No. 1505-0212  
(Expires August 2009)



# First Bankers Trustshares, Inc.

1201 Broadway  
P.O. Box 3566  
Quincy, IL 62305-3566

January 30, 2009

## Fourth Quarter 2008 Financial Highlights

### Dear Shareholders,

I am very happy to report that our company achieved record earnings and growth for the year ended 12/31/08. Per share earnings for the full year advanced to \$2.31 versus \$2.07 for the prior year. This represents almost a 12% increase over 2007's record year. Both the Trust Company (First Bankers Trust Services, Inc.) and the Bank (First Bankers Trust Company, N.A.) participated in these record results.

In addition to record earnings, our company's growth in assets and deposits also set records. Assets increased to \$498 million, while deposits increased to over \$400 million, increases of 13.5% and 11.6% respectively. The introduction of our high yield "First Rate" checking account was well received in all of our markets and allowed us to introduce bank services to many new customers. Our excellent employees have kept these new customers and further expanded these new relationships.

This record performance was achieved in one of the most difficult economic environments in our lifetimes. Many of the largest financial institutions either failed in 2008 or have been significantly weakened. The much anticipated recession has arrived, and appears to be a long and deep one. I expect 2009 to be as challenging as 2008.

Recently our company was named by "U.S. Banker" magazine as one of the Top 200 Community Banks in the country as measured by a 3 year average return on equity of 14.43%. "U.S. Banker" magazine is a widely read and respected periodical in our industry which currently exceeds a universe of over 7000 banks. This performance was measured for the 3 years ended 12/31/07. Our results for 2008 should not detract from that measurement.

In November, First Bankers Trustshares, Inc was invited as one of the healthy community banks in the

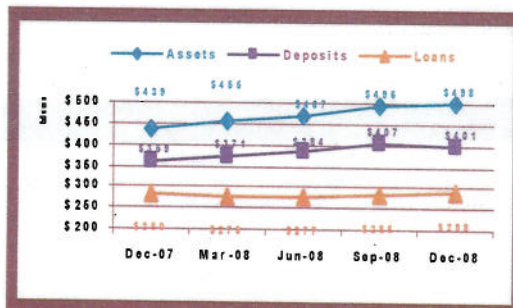
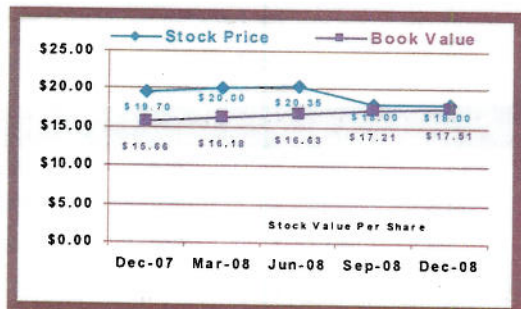
country to participate in the government's "Capital Purchase Program". This is a program under the "Emergency Economic Stabilization Act of October 2008", whereby the government will purchase preferred stock in our company to increase our bank's ability to continue our loan activities and growth in support of our many customers and communities. After much discussion and thought by our Board of Directors, we have agreed to permit the U.S. Treasury to make a \$10 million capital investment in our company. This will result in an already well capitalized bank becoming even better capitalized and allow us to carefully continue our growth in these challenging times. This investment of preferred stock by the U.S Treasury was completed on 1/16/09

Again, thank you for your continued investment and support. Enclosed with this letter is your notice of deposit of your dividend if so instructed or a check for your dividend payable at the rate of \$.115 per share. Also enclosed is a letter regarding the tax status of your dividend

Yours sincerely,

Arthur E. Greenbank  
President/CEO

This release contains information and "forward-looking statements" that relate to matters that are not historical facts and which are usually preceded by words "may," "will," "should," "could," "would," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target" and similar expressions. These forward-looking statements are subject to significant risks, assumptions and uncertainties. Because of these and other uncertainties, our actual results may be materially different from those described in these forward-looking statements. The forward-looking statements in this release speak only as of the date of the release, and we do not assume any obligation to update the forward-looking statements or to update the reasons why actual results could differ from those contained in the forward-looking statements.



### Investor Information

#### Stock Transfer Agent:

Illinois Stock Transfer Company  
209 West Jackson Blvd, Ste 903  
Chicago, IL 60606-6905  
(800.757.5755)

#### Market Makers:

Howe Barnes Hoefler & Arnett  
225 S. Riverside Plaza 7th Flr  
Chicago, IL 60606  
(800.800.4693)

#### Wachovia Securities

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 North Riverside Plaza,  
Ste 1620  
Chicago, IL 60606  
(312.327.2530)

### Corporate Information:

First Bankers Trustshares, Inc.  
Phone: (217.228.8000)  
Fax: (217.228.8091)  
Email: fbti@firstbankers.com

### Corporate Officers:

Chairman of the Board of Directors  
Donald K. Gnuse  
President/Chief Executive Officer  
Arthur E. Greenbank  
Treasurer  
Brian Ippensen  
Secretary  
Steven E. Siebers

### Directors:

Carl Adams Jr.  
William D. Daniels  
Mark E. Freiburg  
Donald K. Gnuse  
Arthur E. Greenbank  
Phyllis J. Hofmeister  
Steven E. Siebers  
Dennis R. Williams  
Chairman Emeritus  
David E. Connor

# Financial Highlights (Dollars in thousands, except per share data) (Unaudited)

Income Statement Data	For The Three Months Period Ended December 31,			For the Twelve Months Period Ended December 31,		
	2008	2007	% Chg	2008	2007	% Chg
Net interest income	\$ 3,792	\$ 3,455	9.75%	\$ 14,702	\$ 12,885	14.10%
Provision for loan losses	520	270	92.59%	1,330	1,080	23.15%
Noninterest income	2,091	1,993	4.92%	7,835	7,415	5.66%
Noninterest expense	4,105	3,718	10.41%	14,419	13,377	7.79%
Income taxes	409	375	9.07%	2,059	1,600	28.69%
Net Income	\$ 849	\$ 1,085	-21.75%	\$ 4,729	\$ 4,243	11.45%

Ratios	For The Three Months Period Ended December 31,			For the Twelve Months Period Ended December 31,		
	2008	2007	% Chg	2008	2007	% Chg
Return on average assets	0.68%	0.97%	-29.90%	1.01%	0.97%	4.12%
Return on average stockholders' equity (Calculated by subtracting preferred stock dividends from net income and dividing by average common stockholders' equity. Common stockholders' equity is defined as equity minus preferred stock equity and plus or minus accumulated other comprehensive income (loss))	9.41%	13.49%	-30.24%	13.77%	13.90%	-0.94%
Net interest margin	3.25%	3.34%	-2.69%	3.36%	3.17%	5.99%
Allowance as a percent of total loans	1.40%	1.18%	18.64%	1.40%	1.18%	18.64%
Dividends per share paid	\$ 0.115	\$ 0.105	9.52%	\$ 0.46	\$ 0.42	9.52%
Earnings per share	\$ 0.41	\$ 0.53	-22.64%	\$ 2.31	\$ 2.07	11.59%
Book value per share (Calculated by dividing stockholders' equity excluding accumulated other comprehensive income (loss), by outstanding shares).	\$ 17.51	\$ 15.66	11.81%	\$ 17.51	\$ 15.66	11.81%

Balance Sheet	At December 31,			At December 31,		
	2008	2007	% Chg	2006	2005	2004
Assets	\$ 498,028	\$ 438,878	13.48%	\$ 423,674	\$ 418,248	\$ 407,367
Investment securities	\$ 146,908	\$ 114,616	28.17%	\$ 95,773	\$ 96,981	\$ 83,942
Loans, net of unearned income	\$ 288,412	\$ 279,915	3.04%	\$ 275,974	\$ 260,682	\$ 268,192
Deposits	\$ 400,844	\$ 359,345	11.55%	\$ 355,955	\$ 357,876	\$ 340,555
Short-term and other borrowings	\$ 40,545	\$ 27,088	49.68%	\$ 19,562	\$ 13,626	\$ 20,762
Note Payable	\$ 0	\$ 0	0.00%	\$ 0	\$ 2,667	\$ 4,000
Junior subordinated debentures	\$ 15,465	\$ 15,465	0.00%	\$ 15,465	\$ 15,465	\$ 15,465
Stockholders' equity (Does not include accumulated other comprehensive income (loss)).	\$ 35,866	\$ 32,079	11.81%	\$ 28,717	\$ 25,752	\$ 22,835

Stock Value Per Share Information	For The Twelve Months Period Ended December 31,			For The Years Ended December 31,		
	2008	2007	% Change	2006	2005	2004
Price/earnings ratio	7.8	9.5	-17.89%	10.3	12.4	15.1
Stock price—High	\$ 21.75	\$ 20.00		\$ 23.25	\$ 24.00	\$ 24.10
Low	\$ 15.60	\$ 18.00		\$ 18.05	\$ 18.00	\$ 15.40
Ending	\$ 18.00	\$ 19.70	-8.63%	\$ 19.00	\$ 22.00	\$ 24.00
Book value	\$ 17.51	\$ 15.66	11.81%	\$ 14.02	\$ 12.57	\$ 11.15
Price/book value	1.03	1.26	-18.25%	1.36	1.75	2.15
Shares outstanding	2,048,574	2,048,574		2,048,574	2,048,574	2,048,574

**First Bankers Trust Company**  
**Financial Board Report Analysis**  
**For the Reporting Period Ended December 31, 2008**

First Bankers Trust Company December	Actual 2008	Budget 2008	Percent Change	Actual 2007	Percent Change
Interest Income	2,056	2,237	-8.09%	\$2,212	-7.05%
Interest Expense	720	974	-26.08%	\$960	-25.00%
<b>Net Interest Income</b>	<b>1,336</b>	<b>1,263</b>	<b>5.78%</b>	<b>1,252</b>	<b>6.71%</b>
Provisions for Loan Losses	340	90	277.78%	\$90	277.78%
Non-Interest Income	330	325	1.54%	\$333	-0.90%
Non-Interest Expense	1,067	958	11.38%	\$1,067	0.00%
<b>Operating Income</b>	<b>259</b>	<b>540</b>	<b>-52.04%</b>	<b>\$428</b>	<b>-39.49%</b>
Income Taxes	147	159	-7.55%	\$97	51.55%
<b>Net Income</b>	<b>112</b>	<b>381</b>	<b>-70.60%</b>	<b>\$331</b>	<b>-66.16%</b>

First Bankers Trust Company Year to Date December 31, 2008	Actual 2008	Budget 2008	Percent Change	Actual 2007	Percent Change
Interest Income	25,172	26,374	-4.56%	\$26,469	-4.90%
Interest Expense	9,832	11,726	-16.15%	\$12,622	-22.10%
<b>Net Interest Income</b>	<b>15,340</b>	<b>14,648</b>	<b>4.72%</b>	<b>\$13,847</b>	<b>10.78%</b>
Provisions for Loan Losses	1,330	1,080	23.15%	\$1,080	23.15%
Non-Interest Income	4,068	3,712	9.59%	\$3,785	7.48%
Non-Interest Expense	11,616	11,305	2.75%	\$10,850	7.06%
<b>Operating Income</b>	<b>6,462</b>	<b>5,975</b>	<b>8.15%</b>	<b>\$5,702</b>	<b>13.33%</b>
Income Taxes	1,970	1,732	13.74%	\$1,509	30.55%
<b>Net Income</b>	<b>4,492</b>	<b>4,243</b>	<b>5.87%</b>	<b>\$4,193</b>	<b>7.13%</b>
Return on average assets (Annualized)	0.97%	0.96%	1.04%	0.97%	0.00%
Return on average stockholders' equity (Annualized)	11.81%	11.10%	6.40%	11.69%	1.03%

First Bankers Trust Company December	Actual 2008	Budget 2008	Percent Change	Actual 2007	Percent Change
Cash	9,928	11,379	-12.75%	\$13,673	-27.39%
Investments	170,030	120,986	40.54%	\$118,775	43.15%
Loans and Leases, Net of Unearned Income	288,598	291,243	-0.91%	\$280,749	2.80%
Reserve for Loan Losses	(4,037)	(3,460)	16.68%	(\$3,310)	21.96%
Other Assets	26,385	24,481	7.78%	\$22,349	18.06%
<b>Total Assets</b>	<b>490,904</b>	<b>444,629</b>	<b>10.41%</b>	<b>\$432,236</b>	<b>13.57%</b>
Demand Deposits	75,111	60,000	25.19%	\$71,179	5.52%
Interest Bearing Deposits	332,629	316,602	5.06%	\$293,379	13.38%
Total Deposits	407,740	376,602	8.27%	364,558	11.85%
Other Borrowings	40,545	26,340	53.93%	\$27,088	49.68%
Other Liabilities	2,751	3,050	-9.80%	\$3,196	-13.92%
MVA	384	302	27.15%	\$302	27.15%
Stockholder's Equity	39,484	38,335	3.00%	\$37,092	6.45%
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>490,904</b>	<b>444,629</b>	<b>10.41%</b>	<b>\$432,236</b>	<b>13.57%</b>

First Bankers Trust Company December	Actual 2008	Budget 2008	Percent Change	Actual 2007	Percent Change
Loans and leases to deposits	70.78%	77.33%	-8.48%	77.01%	-8.09%
Non-interest bearing deposits to total deposits	18.42%	15.93%	15.62%	19.52%	-5.65%
Equity to loans and leases	13.68%	13.16%	3.94%	13.21%	3.55%
Equity to deposits	9.68%	10.18%	-4.87%	10.17%	-4.82%
Equity to total assets	8.04%	8.62%	-6.71%	8.58%	-6.27%
Primary capital ratio	8.87%	9.40%	-5.69%	9.35%	-5.15%

(b) (4)



**First Bankers Trust Company**  
**Financial Board Report Analysis**  
**For the Reporting Period Ended January 31, 2009**

First Bankers Trust Company January	Actual 2009	Budget 2009	Percent Change	Actual 2008	Percent Change
Interest Income	2,037	2,123	-4.05%	\$2,167	-6.00%
Interest Expense	749	757	-1.06%	\$972	-22.94%
<b>Net Interest Income</b>	<b>1,288</b>	<b>1,366</b>	<b>-5.71%</b>	<b>1,195</b>	<b>7.78%</b>
Provisions for Loan Losses	90	90	0.00%	\$90	0.00%
Non-Interest Income	377	322	17.08%	\$412	-8.50%
Non-Interest Expense	902	980	-7.96%	\$899	0.33%
<b>Operating Income</b>	<b>673</b>	<b>618</b>	<b>8.90%</b>	<b>\$618</b>	<b>8.90%</b>
Income Taxes	205	192	6.77%	\$189	8.47%
<b>Net Income</b>	<b>468</b>	<b>426</b>	<b>9.86%</b>	<b>\$429</b>	<b>9.09%</b>

First Bankers Trust Company Year to Date January 31, 2009	Actual 2009	Budget 2009	Percent Change	Actual 2008	Percent Change
Interest Income	2,037	2,123	-4.05%	\$2,167	-6.00%
Interest Expense	749	757	-1.06%	\$972	-22.94%
<b>Net Interest Income</b>	<b>1,288</b>	<b>1,366</b>	<b>-5.71%</b>	<b>\$1,195</b>	<b>7.78%</b>
Provisions for Loan Losses	90	90	0.00%	\$90	0.00%
Non-Interest Income	377	322	17.08%	\$412	-8.50%
Non-Interest Expense	902	980	-7.96%	\$899	0.33%
<b>Operating Income</b>	<b>673</b>	<b>618</b>	<b>8.90%</b>	<b>\$618</b>	<b>8.90%</b>
Income Taxes	205	192	6.77%	\$189	8.47%
<b>Net Income</b>	<b>468</b>	<b>426</b>	<b>9.86%</b>	<b>\$429</b>	<b>9.09%</b>
Return on average assets (Annualized)	1.07%	0.96%	11.46%	1.16%	-7.76%
Return on average stockholders' equity (Annualized)	11.97%	10.97%	9.12%	13.17%	-9.11%

First Bankers Trust Company January	Actual 2009	Budget 2009	Percent Change	Actual 2008	Percent Change
Cash	8,755	12,125	-27.79%	\$9,002	-2.74%
Investments	213,406	215,792	-1.11%	\$123,226	73.18%
Loans and Leases, Net of Unearned Income	284,145	286,304	-0.75%	\$278,280	2.11%
Reserve for Loan Losses	(4,075)	(4,087)	-0.29%	(\$3,402)	19.78%
Other Assets	26,918	26,382	2.03%	\$22,700	18.58%
<b>Total Assets</b>	<b>529,149</b>	<b>536,516</b>	<b>-1.37%</b>	<b>\$429,806</b>	<b>23.11%</b>
Demand Deposits	71,359	80,111	-10.92%	\$56,686	25.88%
Interest Bearing Deposits	365,838	345,341	5.94%	\$298,419	22.59%
Total Deposits	437,197	425,452	2.76%	355,105	23.12%
Other Borrowings	36,984	58,019	-36.26%	\$31,089	18.96%
Other Liabilities	3,707	2,751	34.75%	\$4,513	-17.86%
MVA	1,310	384	241.15%	\$1,578	-16.98%
Stockholder's Equity	49,951	49,910	0.08%	\$37,521	33.13%
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>529,149</b>	<b>536,516</b>	<b>-1.37%</b>	<b>\$429,806</b>	<b>23.11%</b>

First Bankers Trust Company January	Actual 2009	Budget 2009	Percent Change	Actual 2008	Percent Change
Loans and leases to deposits	64.99%	67.29%	-3.42%	78.37%	-17.07%
Non-interest bearing deposits to total deposits	16.32%	18.83%	-13.32%	15.96%	2.25%
Equity to loans and leases	17.58%	17.43%	0.84%	13.48%	30.38%
Equity to deposits	11.43%	11.73%	-2.61%	10.57%	8.13%
Equity to total assets	9.44%	9.30%	1.48%	8.73%	8.13%
Primary capital ratio	10.21%	10.06%	1.45%	9.52%	7.23%

(b) (4)