FIRST BANK

CONFIDENTIAL TREATMENT REQUESTED

VIA ELECTRONIC MAIL
(WITH ORIGINAL SENT VIA OVERNIGHT COURIER)

March 5, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Avenue, N.W., Suite 1064
Washington, D.C. 20220

RE: Response to the Office of the Special Inspector General for Troubled Asset Relief Program's Request for Information

Dear Mr. Barofsky:

In response to your letter, dated February 6, 2009, regarding a request for information associated with the participation by First Banks, Inc., a bank holding company headquartered in St. Louis, Missouri ("First Banks" or the "Company"), in the Troubled Asset Relief Program's Capital Purchase Program ("TARP"), First Banks hereby submits the information presented in this letter and the supplemental information contained in the exhibits attached hereto.

On December 31, 2008, First Banks entered into a Letter Agreement, including a Securities Purchase Agreement – Standard Terms ("Purchase Agreement"), with the United States Department of the Treasury (the "U.S. Treasury") pursuant to the TARP. Under the terms of the Purchase Agreement, on December 31, 2008, First Banks issued to the U.S. Treasury, 295,400 shares of senior preferred stock ("Class C Preferred Stock") and a warrant ("Warrant"), to acquire up to 14,784.78478 shares of a separate series of senior preferred stock ("Class D Preferred Stock") for an aggregate purchase price of $295.4 million (the "TARP Proceeds"), pursuant to the standard TARP terms and conditions for non-public companies as described and set forth in the Purchase Agreement and the Warrant. Pursuant to the terms of the Warrant, the U.S. Treasury exercised the Warrant on December 31, 2008 and paid the exercise price by having First Banks withhold, from the shares of Class D Preferred Stock that would otherwise be delivered to the U.S. Treasury upon such exercise, shares of Class D Preferred Stock issuable upon exercise of the Warrant with an aggregate liquidation amount equal in value to the aggregate exercise price of $14,784.78. The senior preferred stock and the Warrant were issued in a private placement exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

Pursuant to your request, the following discussion is intended to outline (a) First Banks' anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) First Banks' actual use of TARP funds to date; and (d) First Banks' expected use of unspent TARP funds. It is also intended to provide First Banks' specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the TARP funding.

Actual and Expected Use of TARP Funds

First Banks immediately invested $200.0 million of the TARP Proceeds into its wholly-owned subsidiary bank, First Bank, also headquartered in St. Louis, Missouri, primarily to be utilized for future lending activities (as further described below). First Banks retained the remaining $95.4 million in its holding company in a money market deposit account at First Bank, primarily to be utilized for future operating requirements. By maintaining these funds at First Bank, they represent a portion of the general liquidity / funding position and therefore, are available for First Bank to use and deploy in the conduct of its daily operations. Exclusive of the segregation of the TARP funds between these two separate legal entities, the remaining TARP Proceeds were not segregated from the other institutional funds of First Bank or its parent company, primarily due to the fact that each of these entities manages its respective daily liquidity position based on the total funds available from all liquidity sources, which spans across all segments of the Company's business and changes on a daily basis primarily as a result of transactions with First Bank's loan and deposit customers.

First Banks' primary anticipated use of the TARP Proceeds is to invest the majority of the funds into First Bank, primarily to be utilized for future lending activities, thereby providing available credit facilities to its existing and future customers across multiple business segments. Presently, First Bank offers a broad range of commercial and consumer lending products and services. Commercial lending includes commercial, financial and agricultural loans, real estate construction and development loans, commercial real estate loans, small business lending, asset-based loans, trade financing and insurance premium financing. Consumer lending includes residential real estate, home equity and installment lending. First Bank's extensive line of lending products and services are offered to customers primarily within its geographic areas, which include eastern Missouri, Illinois, including the Chicago metropolitan area, southern and northern California, Houston and Dallas, Texas, and Florida, including Bradenton and the greater Tampa metropolitan area. Certain loan products, including insurance premium financing loans, are generally available on a nationwide basis. At December 31, 2008, January 31, 2009 and February 28, 2009, First Bank's loan-to-deposit ratio was 98.46%, 98.53% and 98.84%, respectively.

From January 1, 2009 through February 28, 2009, First Banks utilized a portion of the TARP Proceeds to fund new loans and to renew existing loans. As demonstrated in Exhibit #1, *Summary of Loan Production*, during the 59 days following receipt of the TARP Proceeds, First Bank originated a total of 1,593 new loans and lines of credit across all lending disciplines with total commitments aggregating approximately $239.0 million and total loan disbursements aggregating approximately $200.6 million. In addition, First Bank renewed 665 loans to existing customers with total loan commitments aggregating approximately $454.7 million and total loan disbursements aggregating approximately $354.0 million. Furthermore, First Bank extended a total of 29 new letters of credit and renewed 34 existing letters of credit with combined aggregate commitments of approximately $24.7 million and combined aggregate disbursements of approximately $21.8 million.

Pending future deployment through First Bank's lending activities, the remaining TARP Proceeds that were invested in First Bank by its parent company were included with other institutional funds, as previously discussed above, and have either been temporarily invested in short-term investments, which are primarily maintained within First Bank's correspondent demand deposit account at the Federal Reserve Bank of St. Louis ("FRB"), or have been invested in First Bank's investment portfolio, which is primarily comprised of available-for-sale investment securities. As summarized on Exhibit #2, *Summary of Investment Portfolio Purchases*, First Bank has increased it available-for-sale investment portfolio by an aggregate of $65.8 million during the period from January 1, 2009 through February 28, 2009. In particular, First Bank has primarily invested these funds in mortgage-backed securities and corporate bonds. In addition, a portion of these investment securities have been, or likely will be in the future, pledged in connection with deposits of public and trust funds, securities sold under agreements to repurchase and for other purposes as required by law. Also during this time period, First Bank utilized a portion of its excess liquidity to reduce certain borrowings with the Federal Home Loan Bank of Des Moines and the FRB. On February 17, 2009, First Bank repaid in full a $100.0 million outstanding advance from the FHLB and on February 26, 2009, First Bank repaid in full a $100.0 million outstanding advance from the FRB.

As previously discussed, First Banks' present and future primary objective is to deploy the TARP Proceeds through future lending activities across multiple disciplines. In light of current economic conditions and severely declining real estate values, First Bank has continued to shift its lending practices away from real estate construction and development lending towards consumer and small business lending as well as commercial, financial and agricultural lending.

As demonstrated in Exhibit #1, during the period from January 1, 2009 through February 28, 2009, First Bank has increased its residential mortgage, consumer and small business lending activities. During this time period, First Bank experienced a substantially increased volume of residential mortgage loans originated to customers that are refinancing existing residential mortgage loans or applying for new residential mortgage loans. From January 1, 2009 through February 28, 2009, First Bank originated 663 new mortgage loans held for sale with total loan commitments and total loan disbursements aggregating approximately $104.9 million. First Bank intends to continue to originate, package and sell the majority of its residential mortgage loan production volume into the secondary mortgage market primarily in the form of mortgage-backed securities issued through the Federal National Mortgage Association. In addition, First Bank has increased its lending activities within its small business sector, primarily funding loans through its Business Banking Group that are partially guaranteed under programs offered through the U.S. Small Business Administration. First Bank has also increased its consumer and installment lending activities and its lending activities within its healthcare sector, which are reflected as commercial real estate loans in Exhibit #1. From January 1, 2009 through February 28, 2009, First Bank originated 360 new consumer and installment loans with total loan commitments aggregating approximately $3.9 million and total loan disbursements aggregating approximately $3.4 million. With respect to First Bank's efforts to further realign its loan portfolio, First Bank originated 287 new commercial, financial and industrial loans with total loan commitments aggregating approximately $39.4 million and total loan disbursements aggregating approximately $33.5 million, whereas First Bank only originated 16 new real estate construction and development loans with total loan commitments aggregating approximately $8.6 million and total loan disbursements aggregating approximately $2.8 million during this same time period. In addition, First Bank originated 25 new commercial real estate loans with total loan commitments aggregating approximately $26.5 million and total loan disbursements aggregating approximately $24.7 million. Furthermore, First Bank extended 12 new lines of credit across all lending disciplines with total line of credit commitments aggregating approximately $33.3 million and total loan disbursements under the lines of credit aggregating approximately $15.5 million.

First Bank continues to seek opportunities to provide credit facilities to existing and future customers across all of its geographic markets, subject to terms and conditions that are prudent and acceptable in light of declining economic conditions and a currently distressed financial services industry.

Executive Compensation Requirements Associated with TARP Funding

In connection with its participation in the TARP, the Company is required under the Emergency Economic Stabilization Act of 2008 ("EESA"), for the duration of the period that the U.S. Treasury holds any equity or debt position in the Company acquired under the TARP, to take the following actions with respect to its executive compensation arrangements relating to its "Senior Executive Officers" (the "SEOs"):

- Require that SEO bonus and incentive compensation are subject to recovery or "clawback" by the Company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;

- Prohibit any "golden parachute" payment to the SEOs, generally meaning any payment in the nature of compensation to (or for the benefit of) an SEO made in connection with an applicable severance from employment to the extent the aggregate present value of such payments equals or exceeds an amount equal to three times the SEO's "base amount" (generally defined as the five-year average of the executive's compensation); and

- Agree that it will be subject to Section 162(m)(5) of the Internal Revenue Code (the "Code"), which reduces the annual tax deduction limit for remuneration paid to the SEOs during any taxable year from $1,000,000 to $500,000 and eliminates the availability of the exception to the deduction limit for performance-based compensation, as defined in the Code.

In order to comply with these requirements, the Company entered into an Omnibus Amendment Agreement with each of the named executive officers. The Omnibus Amendment Agreements have the effect of amending each named executive officer's compensation, bonus, incentive and other benefit plans, arrangements and agreements, as described in this section, as necessary to comply with the TARP requirements described above for any year in which the U.S. Treasury holds an equity or debt position in the Company. As a result, all named executive officer compensation arrangements are potentially subject to limitation in accordance with these requirements. The Omnibus Amendment Agreements also permit the Company to take any actions necessary to amend the SEOs' incentive compensation arrangements in the event that the Company's Compensation Committee determines, pursuant to the analysis described below, that any such arrangements encourage the SEOs to take unnecessary and excessive risks that threaten the value of the Company.

In addition, the Compensation Committee is required to meet at least annually with the Company's Chief Risk Officer or other senior risk officers to discuss and review the relationship between the Company's risk management policies and practices and its SEO incentive compensation arrangements, identifying and making reasonable efforts to limit any features in such compensation arrangements that might lead to the SEOs taking unnecessary or excessive risks that could threaten the value of the Company. The Compensation Committee, on behalf of the Company, must certify that it has completed the review and taken any necessary actions.

In response to this requirement, in January 2009, the First Banks Board of Directors, which has served as the Compensation Committee, met and reviewed the compensation requirements under the TARP and approved the appointment of the Company's Director of Risk Management and its General Counsel as "senior risk officers" for purposes of the compensation review. The senior risk officers are presently completing a comprehensive review of the Company's compensation program including an analysis of the Company's incentive compensation plans and an analysis of the Company's overall risk structure and key risks identified within the Company. Upon completion of the analysis, the senior risk officers will present their findings to the Compensation Committee at a meeting scheduled to take place on March 19, 2009. At that time, the Company will make appropriate changes to its incentive compensation plans, if any, to the extent that the Compensation Committee determines that the Company's compensation program encourages the SEOs to take unnecessary and excessive risks that threaten the value of the Company.

In addition to the requirements of the EESA set forth above, the recently enacted American Recovery and Reinvestment Act of 2009 (the "ARRA") contains a number of significant new limitations on executive compensation for TARP participants. Because the regulations under the ARRA have not yet been issued, the ultimate impact of these limitations on the Company's executive compensation program is uncertain. As a result, the Company's Compensation Committee intends to assess what actions may be necessary in response to these limitations and take any necessary actions.

Independent of the Company's participation in the TARP, the Company's executive management has determined that no SEO will receive any bonus or incentive compensation in 2009. As a family owned company, First Banks has historically conservatively compensated its executive officers while maintaining key talent and has never engaged in the practice of using extravagant compensation packages or perquisites to reward executive officers. The Compensation Committee intends to continue to apply these long-held philosophies in setting future compensation within the limits of the TARP and any other applicable regulations.

Confidential Treatment Request

We respectfully request confidential treatment of the information included in this letter and the exhibits hereto, and any other language or documents which may at any time be submitted in connection with this letter and which may be marked "Confidential" or for which confidential treatment may be requested (collectively, the "Confidential Materials"). The Confidential Materials contain highly sensitive, non-public commercial and financial information reflecting the business operations and financial condition of the Company which is exempt from disclosure under the Freedom of Information Act, 5 U.S.C. § 552 (the

"FOIA"). The Confidential Materials qualify at least under § 552(b)(4) of the FOIA as trade secrets and commercial or financial information that is privileged or confidential. A disclosure of the Confidential Materials would create a severe competitive disadvantage to the Company as it would provide insight into internal policies, procedures and analyses not otherwise available to the public.

For your reference, we have marked all of the Confidential Materials as "Confidential." In the event that any disclosure of the Confidential Materials is contemplated, we respectfully ask that we be provided with notice and the opportunity to further justify our request for confidential treatment.

Certification by Duly Authorized Senior Executive Officer

I certify that the information contained in this letter and in the supplemental information included in the exhibits attached hereto, including all statements, representations and supporting information provided is complete and accurate, to the best of my knowledge and belief, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Should you require additional information with respect to this letter or the supplemental information included herewith, please contact me at (314) 854-5401 or via e-mail at terry.mccarthy@fbol.com.

Sincerely,

Terrance M. McCarthy
President and Chief Executive Officer

Enclosures

Exhibit #1

First Banks, Inc.
Summary of Loan Production
2009
(dollars expressed in thousands)

	January 2009			February 2009			Total		
	Number of Loans	Committed Amount	Disbursed Amount	Number of Loans	Committed Amount	Disbursed Amount	Number of Loans	Committed Amount	Disbursed Amount
New Loans:									
Consumer Loans:									
One-to-four family residential	14	$ 394	334	24	$ 1,064	951	38	$ 1,458	1,284
New	14	394	334	24	1,064	951	38	1,458	1,284
New - under existing lines of credit	-	-	-	-	-	-	-	-	-
Home equity	30	1,547	577	43	4,127	1,911	73	5,674	2,488
New	30	1,547	577	43	4,127	1,911	73	5,674	2,488
New - under existing lines of credit	-	-	-	-	-	-	-	-	-
Consumer and installment	142	1,403	1,348	218	2,465	2,094	360	3,869	3,442
New	140	1,388	1,333	210	2,026	1,658	350	3,414	2,991
New - under existing lines of credit	2	16	15	8	439	436	10	455	451
Mortgage loans held for sale	211	37,450	37,450	452	67,427	67,427	663	104,877	104,877
Subtotal	397	40,794	39,708	737	75,084	72,383	1,134	115,878	112,091
Commercial Loans:									
Commercial, financial and agricultural	115	15,498	11,439	172	23,941	22,052	287	39,440	33,491
New	40	9,588	6,604	54	18,776	16,996	94	28,363	23,600
New - under existing lines of credit	75	5,910	4,835	118	5,166	5,057	193	11,076	9,892
Real estate construction and development	7	3,611	1,743	8	4,508	1,049	15	8,119	2,792
New	4	2,382	1,368	3	705	8	7	3,087	1,376
New - under existing lines of credit	3	1,229	375	5	3,803	1,041	8	5,032	1,416
Commercial real estate	12	11,516	9,983	13	14,997	14,742	25	26,513	24,725
New	12	11,516	9,983	11	14,736	14,674	23	26,252	24,657
New - under existing lines of credit	-	-	-	2	261	68	2	261	68
Subtotal	134	30,625	23,165	193	43,447	37,843	327	74,072	61,008
Small business lending	45	4,824	3,494	75	10,929	8,534	120	15,753	12,028
New	44	4,819	3,493	75	10,929	8,534	119	15,748	12,027
New - under existing lines of credit	1	5	0	-	-	-	1	5	0
New Lines:	9	$ 30,257	12,909	3	$ 3,026	2,600	12	$ 33,282	15,509
Total New Loans/Lines	585	$ 106,500	79,277	1,008	$ 132,485	121,360	1,593	$ 238,985	200,636
Letters of Credit (LOC):	33	$ 18,337	15,850	30	$ 6,398	5,963	63	$ 24,734	21,812
New	3	405	205	2	270	270	5	675	475
New - under existing lines of credit	12	2,827	2,716	12	1,729	1,729	24	4,556	4,446
Renewed	18	15,105	12,928	16	4,398	3,964	34	19,503	16,892
Renewed Loans:									
Consumer Loans:									
One-to-four family residential	33	$ 4,073	3,678	29	$ 3,925	3,224	62	$ 7,998	6,902
Home equity	1	31	-	-	-	-	1	31	-
Consumer and installment	39	602	519	34	589	508	73	1,192	1,027
Subtotal	73	4,706	4,198	63	4,515	3,731	136	9,221	7,929
Commercial Loans:									
Commercial, financial and agricultural	92	79,047	51,300	84	51,802	37,485	176	130,849	88,786
Real estate construction and development	43	54,165	40,729	73	103,568	83,896	116	157,734	124,625
Commercial real estate	53	45,653	38,656	53	84,501	76,604	106	130,154	115,260
Subtotal	188	178,865	130,686	210	239,871	197,985	398	418,736	328,671
Small business lending	65	13,833	10,008	66	12,863	7,402	131	26,696	17,410
Total Renewed Loans	326	$ 197,404	144,892	339	$ 257,249	209,119	665	$ 454,653	354,010
Total New & Renewed Loans/Lines/LOCs - 2009	944	$ 322,242	242,505	1,377	$ 396,131	336,876	2,321	$ 718,373	579,381

EXHIBIT #2

FIRST BANK
SUMMARY OF INVESTMENT PORTFOLIO PURCHASES
01/01/09 - 02/28/09

TRADE DATE	SETTLE DATE	DESCRIPTION	CUSIP #	SECURITY TYPE	COUPON	PAR/CURRENT FACE VALUE	ORIGINAL COST	(DISCOUNT)/ PREMIUM	PURCHASED INTEREST	SETTLEMENT AMOUNT
01/14/09	01/20/09	[redacted]	[redacted]	MSC	[redacted]	$ 5,000,000.00	$ 4,693,750.00	$ (306,250.00)	$ 93,888.89	$ 4,787,638.89
01/14/09	01/20/09	[redacted]	[redacted]	MSC	[redacted]	$ 5,000,000.00	$ 5,007,300.00	$ 7,300.00	$ 52,666.67	$ 5,059,966.67
01/14/09	01/20/09	[redacted]	[redacted]	MSC	[redacted]	$ 4,000,000.00	$ 4,054,760.00	$ 54,760.00	$ 1,958.33	$ 4,056,718.33
01/15/09	01/21/09	[redacted]	[redacted]	MSC	[redacted]	$ 5,000,000.00	$ 5,443,900.00	$ 443,900.00	$ 59,555.56	$ 5,503,455.56
01/15/09	01/21/09	[redacted]	[redacted]	MSC	[redacted]	$ 1,000,000.00	$ 1,004,000.00	$ 4,000.00	$ 9,166.67	$ 1,013,166.67
01/16/09	01/22/09	[redacted]	[redacted]	MBS	[redacted]	$ 8,898,244.34	$ 9,126,261.85	$ 228,017.51	$ 23,357.89	$ 9,149,619.74
01/16/09	01/22/09	[redacted]	[redacted]	MSC	[redacted]	$ 1,490,000.00	$ 1,260,912.50	$ (229,087.50)	$ 6,938.85	$ 1,267,851.35
01/16/09	01/22/09	[redacted]	[redacted]	MSC	[redacted]	$ 3,000,000.00	$ 2,931,000.00	$ (69,000.00)	$ 15,416.67	$ 2,946,416.67
01/22/09	01/28/09	[redacted]	[redacted]	MBS	[redacted]	$ 4,250,000.00	$ 4,399,430.00	$ 149,430.00	$ 17,340.00	$ 4,416,770.00
01/23/09	01/28/09	[redacted]	[redacted]	MSC	[redacted]	$ 6,000,000.00	$ 6,145,800.00	$ 145,800.00	$ 55,966.67	$ 6,201,766.67
01/23/09	01/28/09	[redacted]	[redacted]	MBS	[redacted]	$ 7,574,672.38	$ 7,764,039.18	$ 189,366.80	$ 25,564.52	$ 7,789,603.70
01/27/09	01/30/09	[redacted]	[redacted]	MSC	[redacted]	$ 1,000,000.00	$ 977,500.00	$ (22,500.00)	$ 17,343.75	$ 994,843.75
01/28/09	02/02/09	[redacted]	[redacted]	MBS	[redacted]	$ 11,690,250.36	$ 11,991,639.63	$ 301,389.27	$ 1,623.65	$ 11,993,263.28
02/05/09	02/09/09	[redacted]	[redacted]	MSC	[redacted]	$ 1,000,000.00	$ 999,850.00	$ (150.00)	$ -	$ 999,850.00
		GRAND TOTALS:				**$ 64,903,167.08**	**$ 65,800,143.16**	**$ 896,976.08**	**$ 380,788.12**	**$ 66,180,931.28**

MBS	$ 33,281,370.66
MBS-FBM	$ -
TRS	$ -
AGY	$ -
AG2	$ -
MSC	$ 32,518,772.50
MB2	$ -
MS2	$ -
EQU	$ -
MUN	$ -
Stock	$ -
	$ 65,800,143.16

Note: Bold Transactions are HTM