

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

FIRST AMERICAN INTERNATIONAL BANK

Person to be contacted regarding this report:	David A. Chin	RSSD: (For Bank Holding Companies)	
UST Sequence Number:	596	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	17,000,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Mar 13, 2009	City:	Brooklyn
Date Repaid ¹ :	N/A	State:	New York

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	While originations were down from the prior year, the Bank was able to generate approximately \$235 million of 1-4 family residential loan originations. The supplemental capital provided by the TARP CDCI funding permitted us to hold larger balance sheet positions prior to sale to FNMA.
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Bank was able to re-position its holdings and thereby reduce risk and diversify its purchases of investment securities. The additional capital enabled the bank to realize some losses and purchase new securities that gained in value as the credit markets recovered.

<input checked="" type="checkbox"/>	Make other investments	The supplemental capital provided by the TARP CDCI funding permitted us to fund infrastructure related expenses in our residential lending business.
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Reserves for Possible Loan Losses increased from \$11.5mm at 12/31/2009 to \$21.6mm at 12/31/2010. The provision for losses was \$22.4mm and the reserve increased by \$10.1mm, net of write-downs of approximately \$12.3mm.
<input checked="" type="checkbox"/>	Reduce borrowings	The Bank was able to reduce its borrowings from the FHLB NY from \$21.35mm to \$20.35mm, a decrease of \$1.0mm. This decrease would have otherwise likely been matched by a replacement with FHLB NY longer term borrowings if the TARP CDCI funding had not been made.
<input checked="" type="checkbox"/>	Increase charge-offs	Charge-offs were \$12.3mm in 2010. While charge-offs are calculated independently of the level of capital in the bank, the presence of TARP CDCI capital permitted FAIB to maintain its well capitalized status even after the heightened provision levels in 2010.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	The substantial increase in preferred equity from TARP CDCI share funding permitted the Bank to maintain healthy capital ratios during 2010. Without the TARP CDCI issuance such ratios at the end of 2010 would have been below desired levels.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

If the TARP CDCI issuance was not consummated, the Bank's capital position would have been less than well capitalized as measured by the Total Capital Ratio. Had this been the case during all of 2010, more severe balance sheet reductions would have been necessary within the loan portfolio without regard to economic efficiency or level of losses upon sale or disposal. This type of action was avoidable in 2010 because we had the TARP CDCI capital infusion. We have also been able to avoid having to deny loan extensions during 2010 on revolving credit and construction/development loans. Our normal credit decision process has remained in place because of our adequate liquidity and well capitalized capital ratios status. Finally, very severe actions to reduce the Bank's deposit base and branch structure were avoidable as well since the capital provided by the TARP CDCI program enabled normal funding and business decisions to prevail during 2010.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

During 2010, the Bank maintained higher liquidity levels than was normal as portfolio lending originations tapered off. Assets acquired were primarily investment securities.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

None in 2010.