



**ANNUAL USE OF CAPITAL SURVEY - 2009**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

First Federal Bancshares of Arkansas, Inc and First Federal Bank

|   |                 |
|---|-----------------|
| Person to be contacted regarding this report: | Sherri Billings |
| UST Sequence Number:                          | 851             |
| CPP Funds Received:                           | 16,500,000      |
| CPP Funds Repaid to Date:                     | 0               |
| Date Funded (first funding):                  | Mar 6, 2009     |
| Date Repaid <sup>1</sup> :                    | N/A             |

|  |          |
|--|----------|
| RSSD:<br>(For Bank Holding Companies)                            |          |
| Holding Company Docket Number:<br>(For Thrift Holding Companies) | H2658    |
| FDIC Certificate Number:<br>(For Depository Institutions)        | 28982    |
| City:  | Harrison |
| State:   | Arkansas |

<sup>1</sup>If 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). To answer that question, Treasury is seeking responses that describe generally how the CPP 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 investment was deployed or how many CPP 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 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 funds were outstanding).

|                                     |  |  |
|-------------------------------------|--|--|
| <input checked="" type="checkbox"/> | Increase lending or reduce lending less than otherwise would have occurred.  | The CPP funds have allowed the Bank to avoid reducing lending less than otherwise would have occurred to credit worthy borrowers as well as work with borrowers who are struggling through these difficult economic times. |
| <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 type="checkbox"/>            | Increase securities purchased (ABS, MBS, etc.).  |  |

|                                     |  |  |
|-------------------------------------|--|--|
| <input type="checkbox"/>            | Make other investments   |  |
| <input checked="" type="checkbox"/> | Increase reserves for non-performing assets  | The CPP funds provided a capital cushion for the unforeseen level of loan write-downs in the third and fourth quarters of 2009 as a result of further deterioration in value of the Bank's nonperforming assets based on obtaining updated appraisals that reflected decreases in the market values. |
| <input checked="" type="checkbox"/> | Reduce borrowings  | The CPP funds have been used to pay down maturing borrowings from the Federal Home Loan Bank.  |
| <input checked="" type="checkbox"/> | Increase charge-offs   | The CPP funds provided a capital cushion for the unforeseen level of loan write-downs in the third and fourth quarters of 2009 as a result of further deterioration in value of the Bank's nonperforming assets based on obtaining updated appraisals that reflected decreases in the market values. |
| <input type="checkbox"/>            | Purchase another financial institution or purchase assets from another financial institution |  |
| <input type="checkbox"/>            | Held as non-leveraged increase to total capital  |  |

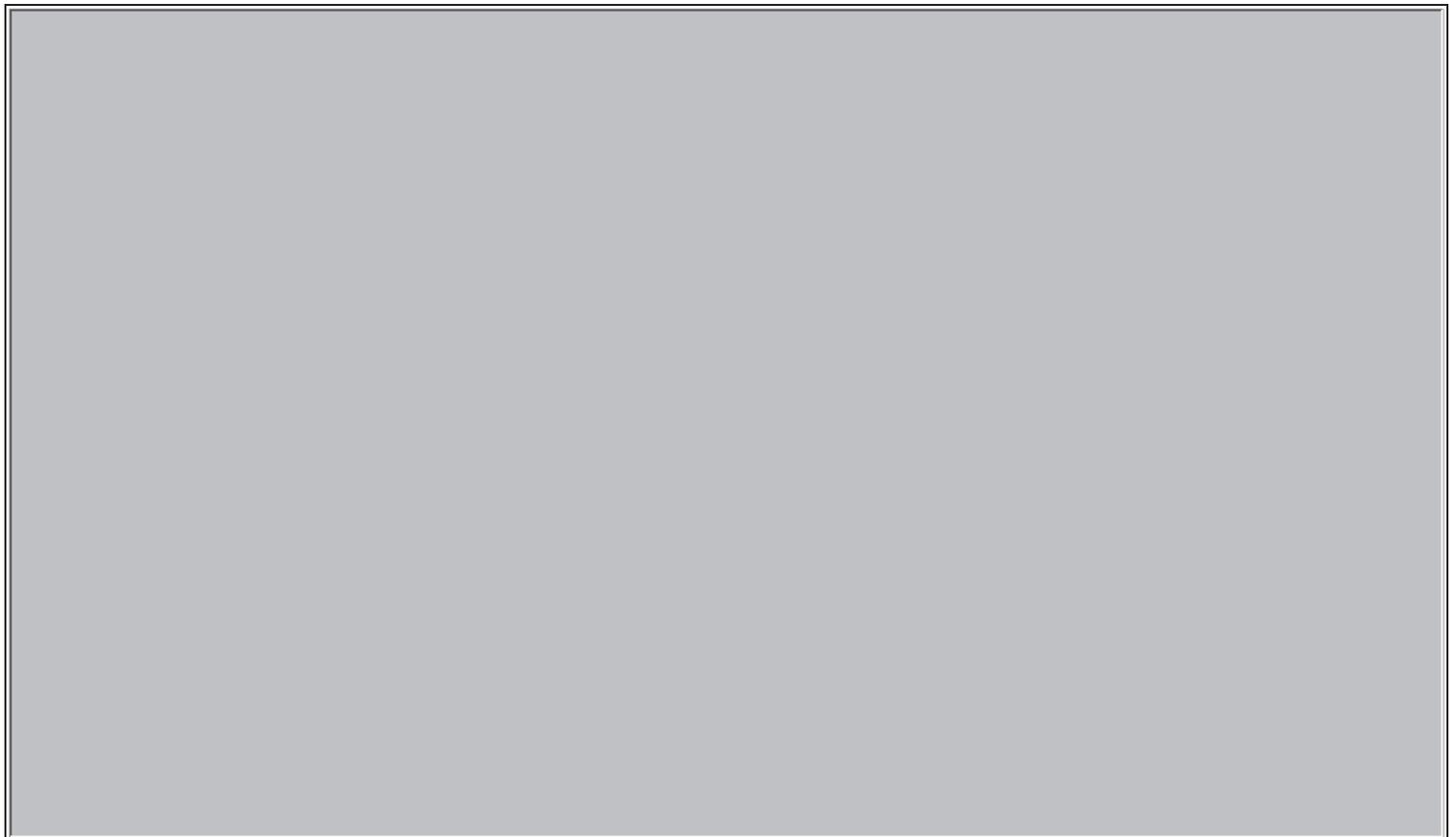
What actions were you able to avoid because of the capital infusion of CPP funds?

The additional capital provided by the CPP provided an additional capital cushion. This capital cushion has helped to support the increased level of classified assets and related charge-offs while still allowing the Bank to avoid reducing lending less than otherwise would have occurred to credit worthy borrowers as well as work with borrowers who are struggling through these difficult economic times. The Bank has worked with troubled borrowers to restructure their debt to help avoid foreclosure as well as assist borrowers who are otherwise affected by the downturn in the economy or other circumstances.

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

The additional capital provided by the CPP provided an additional capital cushion. This capital cushion has helped to support the increased level of classified assets and related charge-offs while still allowing the Bank to avoid reducing lending less than otherwise would have occurred to credit worthy borrowers as well as work with borrowers who are struggling through these difficult economic times. The Bank has worked with troubled borrowers to restructure their debt to help avoid foreclosure as well as assist borrowers who are otherwise affected by the downturn in the economy or other circumstances.

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



According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.