



**A Personal Note from
Terry McCarthy, President and CEO of First Banks, Inc.
and Chairman of First Bank**

To Our Valued Customers:

I am pleased to write to you today to share some thoughts on the economy, the banking industry and First Bank. As we enter 2009, the U.S. economy remains in a tailspin with a full-fledged recession underway. While the economic outlook is uncertain, a consensus appears that we remain in a severe downturn that will last at least into mid 2009 and possibly longer. Most expectations are for weak consumer confidence and increasing unemployment levels through the balance of this year.

We believe the banking industry, which was impacted early in this recession, is managing its way back to a position of strength and stability. Due to strong initial capital levels and aggressive government intervention, much of the crisis in the banking industry has subsided from the turmoil of the third quarter and early fourth quarter. Whether you agree with all of the actions taken or not, the government's and regulators' actions have been effective in stabilizing the industry. Several major bank failures were avoided or resolved, increased deposit insurance programs were implemented, and the liquidity and capital base of the industry were significantly strengthened in a very short time period of 90-120 days. To the extent the industry is correlated to the U.S. and global economy, it will continue to be impacted in 2009 but we believe to a lesser degree than in 2008. Most banks have been directly and aggressively dealing with the challenges facing them in 2008.

Like many in the banking industry, First Bank has been an active provider of loans for single family homes. We have actively provided mortgages and residential construction loans in all of our markets throughout the states we operate in, which include Missouri, Illinois, California, Florida and Texas. Since that segment has been heavily impacted in this recession, we have experienced collateral losses in those loan types throughout our footprint. We have acted aggressively to deal with those issues. As a privately-held bank, we are not influenced by stock analysts and the daily fluctuation in our stock price. Instead, we have been able to aggressively charge off and reserve for the possible losses in our loan portfolio. As a result, we have reported a loss through September of 2008 and will also report an operating loss for the full year of 2008.

Being privately held, we have been supported by our shareholders, the James Dierberg Family, over the long history of the Company, which spans in excess of 100 years. In 2008, the Dierberg Family, through affiliates of the Company, invested over \$100 million of additional capital into the Company. That investment, which reflects the shareholders' confidence and support, has served to offset a substantial portion of the operating losses to date in the Bank.

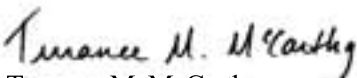
In addition to the support and investment by the existing shareholders, the Company elected to participate and has been approved for participation in the U.S. Treasury's TARP Capital Program. The TARP Capital Program, which was approved by Congress and is managed by the U.S. Treasury, is designed to provide additional capital support to the financial industry. The program is limited to banks that are approved by both their primary regulator and the U.S. Treasury as being healthy and viable. While we were not obligated to participate, we felt participation in this program presented an attractive business opportunity for First Bank. Accordingly, on December 31, we accepted a \$295.4 million preferred stock investment by the U.S. Treasury. In addition to reflecting confidence by our regulators, that investment provides an overall significant capital cushion to the Company and allows us to significantly exceed required regulatory capital ratios.

While often referred to in the media as a bailout program, in the case of the banking industry, it is in our view something very different. We view it as opportunistic capital that will allow us to continue to focus on lending and meeting the needs of our customers rather than withholding capital in light of current economic conditions.

In our view, the term "bailout" suggests a giveaway, which the program clearly is not. All banks that participate will be required to pay back the investment with a guaranteed return, including warrants to the U.S. Treasury. We believe that over 70% of the largest 100 banks in the country, including First Bank, have participated in the program. For First Bank, it means enhanced stability, ample funding to lend, and insurance in the event this unprecedented recession runs longer or deeper than anyone's expectations. The additional capital potentially will support our ability to grow our loan portfolio by an additional \$1.5 - \$2.5 billion over the next two years.

I hope you find this communication helpful. If you would like more information or have questions regarding First Bank, the TARP Capital Program or other banking matters, please contact me directly or contact your Branch Manager, Relationship Manager or any member of our Management Team.

Sincerely,


Terrance M. McCarthy
President and CEO
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