



**ANNUAL USE OF CAPITAL SURVEY - 2009**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

Bank Financial Services, Inc\American Investors Bank and Mortgage

Person to be contacted regarding this report:	David Coauette	RSSD: (For Bank Holding Companies)	3229642
CPP Funds Received:	\$1,004,000	Holding Company Docket Number: (For Thrift Holding Companies)	H3962
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	57695
Date Funded (first funding):	8/14/2009	City:	Eden Prairie
Date Repaid <sup>1</sup> :		State:	Minnesota

<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 Banks primary objective of participating in CPP was to provide capital to maintain loan production levels equal to its projected loan portfolio runoff or \$333,000 per month. During the period of 8-2009 through 12-2009 the Bank originated \$1.4 Million in 2nd Lien product or 84% of its goal.
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<input checked="" 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.).	<p>The Bank continues to execute its Business Plan of originating 1-4 Family 1st and 2nd Lien loans based upon the experience of its lending staff and within its lending policy.</p>
<input checked="" type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	<p>The Bank has increased its MBS portfolio with 0-20% risk weighted securities in order to generate additional revenue in conjunction with its loan production performance. The monthly cash flow provided by the securities allows the Bank to meet loan demand and improve profitability.</p>
<input type="checkbox"/> Make other investments	
<input checked="" type="checkbox"/> Increase reserves for non-performing assets	<p>During the 4th Quarter of 2009 the Bank increased its reserves to reflect a tighter look back period of 1 year on losses and feels that it is adequately reserved based upon the updated methodology.</p>

<input type="checkbox"/> Reduce borrowings	
<input type="checkbox"/> Increase charge-offs	
<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 capital infusion of CPP funds has allowed the Bank to maintain its loan portfolio balances and increase profitability that in turn allows for the strengthening of the reserve balances and potential for further balance sheet growth and improved earnings versus shrinking the balance sheet in order to meet desired capital levels.

The Bank recognizes the weak overall condition of the economy and its future improvements in earnings performance is directly tied to employment. Current delinquency rates have shown signs of stability in the employment market within the area the Bank lends. Other signs, such as home values, housing inventories and foreclosure rates reflect this same stability. The Bank is making every effort to participate in programs and offer assistance to borrowers that are available to it and will continue to seek ways to keep the borrowers in their homes. As such, the Bank has seen its Troubled Debt Restructuring increase over 2009. The individuals who have been affected by the restructuring have a strong desire to stay in their homes and have shown a commitment to work with the Bank in order to make a restructuring perform and avoid default.

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

The Bank continues to operate under its Business Plan model of a 1-4 Family lender with policies and procedures that have adapted to current economic conditions with the aid of the capital infusion. With the fallout of competition due to economic pressures, the Bank has been able to fill voids created by the market and originate quality credits that strengthen the overall loan portfolio while at the same time fine tune its operations to improve profit margins.

The ability to improve profitability will allow the Bank to seek out new products and services to compliment the current needs of the consumer it serves as the banking environment evolves out of the recession under newly proposed financial reform. The Bank will continue to monitor and implement where feasible such programs that are introduced as a result of the changes in how consumers conduct banking in the future.

OTHER ACTIONS:(Due to format issue below)

The capital infusion of CPP funds has allowed the Bank to retain its deposit customers as evidenced by the significant growth in FDIC insured deposits year over year. The deposit customer today is looking for safety as much as return on investment. The Bank has been able to show financial results that support its ability to be a safe and competitive provider of banking services in the future. We will continue to build on core deposit relationships as we move to a retail sales environment versus the wholesale production of the past.

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.