FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **1999-07-27** | Period of Report: **1999-03-31**
SEC Accession No. 0000854395-99-000007

FILER

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY	Mailing Address	Business Address
CIK:**854395**| IRS No.: **611168311** | State of Incorp.:**KY** | Fiscal Year End: **0630**	*2323 RING ROAD*	*2323 RING ROAD*
Type: **10-Q/A** | Act: **34** | File No.: **000-18832** | Film No.: **99670744**	*ELIZABETHTOWN KY 42701*	*ELIZABETHTOWN KY 42701*
SIC: **6035** Savings institution, federally chartered		*5027652131*

FORM 10-Q/A

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended: March 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from___________to__________

Commission File Number 0-18832

First Federal Financial Corporation of Kentucky
(Exact Name of Registrant as specified in its charter)

Kentucky	61-1168311
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2323 Ring Road
Elizabethtown, Kentucky 42701
(Address of principal executive offices)
(Zip Code)

(502)765-2131
(Registrants's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of April 30, 1999
Common Stock	4,127,112 shares

This document is comprised of 15 pages.

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

First Federal Financial Corporation of Kentucky is amending Items 1 and 2 of its 10-Q for the fiscal quarter ended March 31, 1999 to reflect the restatement of its financial statements for the period. The restatement adjusts gains recognized on the sale of real estate during the period to reflect proper accounting principles under Statement of Financial Accounting Standards No. 66. Accordingly, approximately $200,0000, net of tax, of net income has been deferred to future years.

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FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

ASSETS	March 31, 1999 (unaudited)	June 30, 1998
<S>	<C>	<C>
Cash and cash equivalents	$ 9,367,233	$ 4,992,588
Interest bearing deposits	6,131,324	4,157,124
Securities:		
Securities held-to-maturity (fair value approximates $44,220,035 and $24,935,000 at March 31, 1999 and June 30, 1998, respectively.)	44,506,060	24,639,484
Securities available-for-sale	3,099,456	1,934,412
Loans receivable, net	391,589,777	355,306,342
Real estate owned:		
Acquired through foreclosure	255,667	133,584
Held for development	533,638	642,491
Investment in Federal Home Loan Bank stock	3,140,900	2,983,800
Premises and equipment	11,317,501	10,747,145
Other assets	624,183	1,329,890
Excess of cost over net assets of affiliate purchased	11,086,922	2,784,409
TOTAL ASSETS	$481,652,661	$409,651,269

LIABILITIES & STOCKHOLDERS' EQUITY

LIABILITIES:		
Savings deposits	$396,239,762	$306,702,649
Advances from Federal Home Loan Bank	22,997,767	43,248,855
Accrued interest payable	832,700	358,435
Accounts payable and other liabilities	2,455,518	2,576,839
Deferred income taxes	2,178,140	2,076,104
TOTAL LIABILITIES	424,703,887	354,962,882
STOCKHOLDERS' EQUITY:		
Serial preferred stock, 5,000,000 shares authorized and unissued	--	--
Common stock, $1 par value per share; authorized 10,000,000 shares; issued and outstanding 4,127,112 shares on March 31, 1999 and 4,129,612 shares on June 30, 1998	4,127,112	4,129,612
Additional paid-in capital	3,185,372	3,253,664
Retained earnings - substantially restricted	48,432,152	46,208,807
Net unrealized holding gain on securities available-for-sale, Net of tax	1,204,138	1,096,304
Total Stockholders' Equity	56,948,774	54,688,387
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$481,652,661	$409,651,269

</TABLE>

See notes to consolidated financial statements.

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FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY
CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
INTEREST INCOME:				
Interest on loans	$8,107,831	$7,451,143	$23,884,427	$21,811,011
Interest and dividends on investments and deposits	859,225	438,094	2,757,814	1,292,910
Total interest income	8,967,056	7,889,237	26,642,241	23,103,921
INTEREST EXPENSE:				
Savings deposits	4,264,242	3,434,597	12,972,532	10,071,475
Federal Home Loan Bank advances	291,491	612,639	1,000,216	1,796,851
Total interest expense	4,555,733	4,047,236	13,972,748	11,868,326
Net interest income	4,411,323	3,842,001	12,669,493	11,235,595
Provision for loan losses	60,000	30,000	180,000	120,000
Net interest income after provision for loan losses	4,351,323	3,812,001	12,489,493	11,115,595
OTHER INCOME:				

Customer service fees on deposit accounts	431,810	306,635	1,267,713	943,583
Other income	437,788	278,008	1,201,108	878,930
Gain on sale of investment	0	125,622	203,200	242,567
Total other income	869,598	710,265	2,672,021	2,065,080
OTHER EXPENSE:				
Employee compensation and benefits	1,260,228	944,057	3,500,529	2,757,621
Office occupancy and equipment expense	310,644	226,179	941,783	696,237
Federal insurance premiums	47,544	44,777	140,167	133,390
Marketing and advertising	225,009	91,850	395,784	276,472
Outside services and data processing	249,134	188,277	661,980	497,539
State franchise tax	99,531	74,039	258,245	224,016
Goodwill amortization	207,950	60,018	573,397	180,054
Other expense	631,387	402,919	1,752,398	1,244,846
Acquisition related expense	0	0	291,869	0
Data and equipment conversion expense	290,934	0	290,934	0
Total other expense	3,322,361	2,032,116	8,807,086	6,010,175
Income before taxes	1,898,560	2,490,150	6,354,428	7,170,500
Income taxes	624,146	840,645	2,169,614	2,464,827
NET INCOME	$1,274,414	$1,649,505	$4,184,814	$4,705,673
Weighted average common shares outstanding	4,127,112	4,133,516	4,128,476	4,149,667
Net income per share of common stock (Note 2)	$0.31	$0.40	$1.01	$1.13
Dividends per share of common stock	$0.15	$0.14	$0.45	$0.42

</TABLE>

See notes to consolidated financial statements.

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FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	Three Months Ended March 31, 1999	1998	Nine Months Ended March 31, 1999	1998
<S>	<C>	<C>	<C>	<C>
NET INCOME	$1,274,414	$1,649,505	$4,184,814	$4,705,673
Other comprehensive income, net of tax:				
Unrealized gains (losses) on securities arising during period	(161,682)	56,847	107,834	226,170

Less: reclassification adjustment for accumulated gains included in net income	0	(82,911)	(134,112)	(160,094)
Other comprehensive income	(161,682)	(26,064)	(26,278)	66,076
TOTAL COMPREHENSIVE INCOME	$1,112,732	$1,623,441	$4,158,536	$4,771,749

</TABLE>

See notes to consolidated financial statements.

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FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY
CONSOLIDATED STATEMENTS OF CASH FLOW

(UNAUDITED)

	Nine Months Ended March 31, 1999	Nine Months Ended March 31, 1998
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income	$ 4,184,814	$ 4,705,673
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses and real estate owned	180,000	120,000
Provision for depreciation	590,072	446,565
Net change in deferred loan fees and costs	167,336	143,768
Federal Home Loan Bank stock dividends	(161,400)	(153,700)
Amortization of discounts on securities held-to-maturity	(50,538)	(81,968)
Amortization of acquired intangible assets	573,397	180,054
Gain on sale of investments available-for-sale	(203,200)	(242,567)
Increase in interest payable	474,265	397,105
(Increase) Decrease in other assets	705,707	(48,288)
Increase (Decrease) in accounts payable and other liabilities	(19,285)	1,101,676
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,441,168	6,568,318
INVESTING ACTIVITIES:		
Sale of securities available-for-sale	211,237	3,615,708
Purchases of securities available-for-sale	(1,010,000)	(36,082)
Purchases of securities held-to-maturity	(59,855,000)	(10,000,000)
Principal collections on securities held-to-maturity	40,109,865	6,150,699
Net increase in loans to customers	(25,497,402)	(22,858,245)
Purchases of premises and equipment	(1,160,428)	(827,178)
Sales of real estate acquired in settlement of loans	173,131	593,448
Sales of real estate held for development	108,853	44,770
NET CASH USED IN INVESTING ACTIVITIES	(46,919,744)	(23,316,880)
FINANCING ACTIVITIES:		
Advances from (repayments to) Federal Home Loan Bank	(20,251,088)	1,882,101
Net increase in customer savings deposits	17,042,367	24,552,576
Dividends paid	(1,857,520)	(1,742,689)
Proceeds from stock options exercised	--	--
Common stock repurchased	(70,792)	(1,046,131)
Cash proceeds from acquisition	51,964,454	--

NET CASH PROVIDED BY FINANCING ACTIVITIES	46,827,421	23,585,857
Increase (Decrease) in cash and cash equivalents	6,348,845	6,837,295
Cash and cash equivalents, beginning of year	9,149,712	9,175,713
CASH AND CASH EQUIVALENTS, END OF PERIOD	$15,498,557	$16,013,008

</TABLE>

See notes to consolidated financial statements.

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Interim Financial Statements

First Federal Financial Corporation of Kentucky ("Corporation") is the parent to its wholly owned subsidiary, First Federal Savings Bank of Elizabethtown ("Bank"). The Corporation has no material income, other than that generated by the Bank.

In the opinion of management, these unaudited consolidated financial statements include all adjustments necessary for a fair presentation of its financial position as of March 31, 1999 and the results of its operations and its cash flows for the three month and nine month periods then ended. All such adjustments were of a normal recurring nature.

The results of operations for the three month and nine month periods ended March 31, 1999 and 1998 are not necessarily indicative of the results for the full years.

It is suggested that these financial statements be read in conjunction with the financial statements, accounting policies and financial notes thereto included in the Appendix to the Company's 1998 Proxy Statement which has been previously filed with the Commission.

2. SFAS "Earnings Per Share," established new standards for computing and presenting earnings per share. The reconciliation of the numerators and denominators of the basic and diluted EPS computations is as follows:

<TABLE>

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1999	1998	1999	1998
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Net income available to common shareholders	$1,274	$1,650	$4,185	$4,706
Basic EPS:				
Weighted average common shares	4,127,112	4,133,516	4,128,476	4,149,667
Diluted EPS:				

Weighted average common shares	4,127,112	4,133,516	4,128,476	4,149,667
Dilutive effect of stock options	20,503	28,433	21,141	29,055
Weighted average common and incremental shares	4,147,615	4,161,949	4,149,617	4,178,722
Earnings Per Share:				
Basic	$0.31	$0.40	$1.01	$1.13
Diluted	$0.31	$0.40	$1.01	$1.13

</TABLE>

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

First Federal Financial Corporation of Kentucky ("Corporation") is the parent to its wholly owned subsidiary, First Federal Savings Bank of Elizabethtown ("Bank"). The Bank has operations in the Kentucky communities of Elizabethtown, Radcliff, Bardstown, Munfordville, Shepherdsville, Mt. Washington, Brandenburg, Flaherty, and Paducah.

The following discussion and analysis covers any material changes in the financial condition since June 30, 1998 and any material changes in the results of operations for the three month and nine month periods ending, March 31, 1999. This discussion and analysis should be read in conjunction with "Managements Discussion and Analysis of Financial Condition and Results of Operations" included in the 1998 Annual Report to Shareholders.

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information set forth in this report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements. Although the Corporation believes that the forward-looking statements are based upon reasonable assumptions, the statements are subject to certain risks and uncertainties that could cause the Corporation's actual results to differ materially from those indicated by the forward-looking statements. Among the key factors that may have a direct bearing on the Corporation's operating results are fluctuations in the economy; the relative strengths and weakness in the consumer and commercial credit sectors and in the real estate market; the actions taken by the Federal Reserve for the purpose of managing the economy; the Corporation's success in assimilating acquired branches and operations into the Bank's existing operations; the Bank's success in converting its systems to integrate new hardware and software without material disruption; the Corporation's ability to offer competitive banking products and services; the continued growth of the markets in which the Corporation operates consistent with recent historical experience; the enactment of federal legislation affecting the operations of the Corporation; and the Corporation's ability to expand into new markets and to maintain profit margins in the face of pricing pressure.

ACQUISITION

On July 24, 1998, the Bank completed its acquisition of three bank branches located in Meade County, Kentucky from Bank One, Kentucky, N.A. Two of the branches are located in Brandenburg, Kentucky and the third branch is in Flaherty, Kentucky.

In the transaction, the Bank acquired certain assets and assumed certain liabilities associated with the acquisition of the Meade County banking centers. The transaction resulted in recording of assets of $11,870,000, liabilities of $72,500,000 and core deposit intangibles of approximately $8,670,000. The consideration paid for the assets totaled approximately $20,500,000, which was determined based on a premium for the core deposits of the acquired banking centers plus the book or cash value of certain other transferred assets. The acquisition was funded by reducing proceeds due for the net liability amount assumed.

RESULTS OF OPERATIONS

Three Month Period Ended March 1999 vs. 1998 - During the quarter ended March 31, 1999, the Corporation took a pre-tax adjustment of $291,000 in connection with its computer conversion resulting in net income for the quarter in the amount of $1,274,000 or $.31 per share. Excluding this adjustment, net earnings for the three month period ended March 31, 1999 would have been $1,466,000 or $.36 per share compared to $1,650,000 or $.40 per share for the same period in 1998.

Net interest income increased by $569,322 in 1999 as compared to 1998 in spite of the declining net interest margin which was 4.00% for the 1999 period, as compared to 4.11% for the 1998 period. The purchase of three banking centers during the quarter ended September 30, 1998, contributed approximately $375,000 to the total increase in net interest income for the 1999 quarter. The Corporation's cost of funds decreased by 37 basis points in 1999 compared to 1998, due to lower rates paid on short-term customer deposits.

Average interest-earning assets increased by $71 million from $376 million for the 1998 period to $447 million for the 1999 period due to the interest-earning assets acquired from the three Meade County banking centers. Average loans were $44 million higher and averaged $391 million during 1999, while the average yield on loans decreased by 30 basis points to 8.40% due to a decrease in loan rates.

Average interest-bearing liabilities increased by $75.5 million to an average balance of $418 million for the 1999 period due to the interest-bearing liabilities acquired from the three banking centers. Customer deposits averaged $395 million during 1999, an increase of $95.8 million compared to the 1998 quarter. The acquisition contributed approximately $72.5 million to the total deposit growth.

Total other income was $869,598 for the three months ended March 31, 1999, as compared to $710,265 for the 1998 period, an increase of $159,333. There were no sales of securities recorded during the 1999 quarter while gains on investment sales recorded during the 1998 quarter totaled $125,622. Customer service fees charged on deposit accounts increased by $125,175 during 1999 due to a growth in customer accounts. Miscellaneous other income increased by $159,780 during the 1999 period. Miscellaneous income such as brokerage commissions, loan fees, and other customer transaction fees increased due to growth in deposit relationships with existing customers and new customers as a result of the acquisition.

Total other expense was $3,322,361 for the three month period ended March 31, 1999, as compared to $2,032,116 for the 1998 period, an increase of $1,290,245. Compensation and benefits increased by $316,171 in 1999 as compared to 1998, $193,000 of the increase is due to the additional associates gained in the three branch acquisition while the other $123,171 increase is due to routine inflationary salary raises and new associate positions required to service the normal customer growth of the Bank. Office occupancy and equipment expenses increased by $84,465 in 1999 as compared to 1998. Approximately $69,000 of the increase is due to the acquisition of the three banking centers while the remaining $15,465 is due to inflationary increases in other occupancy and equipment related expenses. Marketing and advertising expenses increased $133,159 during the 1999 period. Approximately $31,118 of the increase is due to increased marketing and advertising for the three new banking centers while the remaining increase of $102,041 is related to the Bank's marketing efforts associated with expanded services and products offered to customers. Also, during the quarter ended March 31, 1999 the Bank incurred computer conversion costs of $291,000 relating to its conversion to a new data processor. All other expenses increased by $465,450 in 1999 compared to 1998. Expenses directly related to customer checking accounts increased due to a higher volume of accounts. Expenses directly related to postage, telephone, data processing costs, and supplies increased due to expanded services and products offered to customers.

Nine Month Period Ended March 31, 1999 vs. 1998 - Net income was $4,185,000 or $1.01 per share for the nine month period ended March 31, 1999. Acquisition-related costs in connection with the purchase of three banking centers during the quarter ended September 30, 1998, in the amount of $292,000 were charged against earnings for that quarter. Also, during the quarter ended March 31, 1999, the Corporation incurred computer conversion costs of $291,000. Excluding these costs, net earnings for the nine month period ended March 31, 1999, would have been $4,570,000 or $1.11 per share compared to $4,706,000 or $1.13 per share for the same period in 1998.

Net interest income increased by $1,433,898 in 1999 as compared to 1998 in spite of the declining net interest margin which was 3.86% for the 1999 period as compared to 4.06% for the 1998 period. The purchase of the three banking centers contributed approximately $853,898 to the total increase in net interest income for the 1999 period. The Corporation's cost of funds decreased by 26 basis points in 1999 compared to 1998, due to lower rates paid on short-term customer deposits.

Average interest-earning assets increased by $72 million from $365 million for the 1998 period to $437 million for the 1999 period due to the interest-earning assets acquired from the three Meade County banking centers. Average loans were $42 million higher and averaged $382 million during 1999, while the average yield on loans decreased by 22 basis points to 8.32%.

Average interest-bearing liabilities increased by $81 million to an average balance of $412 million for 1999 due to the purchase of the three banking centers. Customer deposits averaged $389 million during 1999, an increase of $99 million compared to the 1998 period. The acquisition contributed approximately $72.5 million to the total deposit growth.

Total other income was $2,672,021 for the nine months ended March 31, 1999, as compared to $2,065,080 for the 1998 period, an increase of $606,941. Gains on investment sales were $203,200 for 1999 period as compared to gains of $242,567 for the 1998 period. Customer service fees charged on deposit accounts increased by $324,130 during 1999 due to growth in customer accounts. Other sources of income such as loan fees, other customer transaction fees, and trust account commissions increased by $322,178 due to growth in deposit relationships with existing customers and new customers as a result of the three branch acquisition.

Total other expense was $8,807,086 for the nine months ended March 31, 1999, as compared to $6,010,175 for the 1998 period, an increase of $2,796,911. Included in this income are the costs related to three branch acquisition and those related to the computer conversion as previously discussed. Compensation and benefits increased by $742,908 in 1999 as compared to 1998, $513,143 of the increase is result of the acquisition while the other $229,765 increase is due to new associate positions required to service the normal customer growth of the Bank. Office occupancy and equipment expenses increased by $245,546 in 1999 as compared to 1998. Approximately $185,868 of the increase is due to the purchase of the three banking centers while the remaining $59,678 is due to inflationary increases in other occupancy and equipment related expenses. Operating costs related to the acquisition such as supplies, marketing, data processing costs, and legal expenses resulted in an increase to total other expense of $261,686. Also, due to the acquisition, the amortization of goodwill increased by $393,343 from $180,054 in 1998 to $573,397 in 1999. All other expenses increased by $570,428 in 1999 compared to 1998. Expenses directly related to customer checking accounts increased due to a higher volume of accounts. Expenses directly related to postage, telephone, data processing costs, marketing, and supplies increased due to asset growth and new services provided by the Bank.

NON-PERFORMING ASSETS

Management periodically evaluates the adequacy of the allowance for loan losses based on the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may effect the borrower's ability to repay and other factors. During the nine month period ended March 31, 1999, management chose to add $180,000 to the reserve for loan loss. Although current loan charge-offs and delinquencies are consistent with previous years, the reserve was increased to compensate for the Bank's continued strong loan growth. The Bank experienced an insignificant amount of uncollectible loans during the periods indicated in the table below. Approximately 59% of the Bank's non-performing assets are secured by one-to-four-family residences at March 31, 1999.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1999	1998	1999	1998
	(Dollars in thousands)			
Allowance for loan losses:				
Balance, beginning of period	$2,002	$1,795	$1,853	$1,715
Balance acquired in merger	--	--	205	--
Provision for loan losses	60	30	180	120
Charge-offs	(13)	(7)	(210)	(32)
Recoveries	3	3	24	18
Balance, end of period	$2,052	$1,821	$2,052	$1,821
Net loans outstanding at period end			$391,590	$349,773
Non-performing loans at period end:				
Collateralized by one-to-four family homes			$1,379	$1,038
Other non-performing loans			$713	$606
Ratios:				
Non-performing loans to total loans			.53%	.47%
Allowance for loan losses to non-performing loans			98%	111%
Allowance for loan losses to net loans			.52%	.52%
Non-performing assets to total assets			.49%	.45%

LIQUIDITY & CAPITAL RESOURCES

Loan demand continued to be strong during the nine months ended March 31, 1999, as net loans increased from $355 million at June 30, 1998, to $392 million at March 31, 1999. The acquisition of the Meade County banking centers contributed $11 million to the total loan growth of $37 million, while the Bank achieved a 9.7% growth rate in its existing loan customer base, or $26 million in net new loans. The Meade County acquisition also contributed $72.5 million in new customer deposits. The acquisition coupled with a $17 million growth in the Bank's customer deposits resulted in a total deposit increase of $89.5 million during the nine month period ended March 31, 1999.

Current regulations require the Corporation's subsidiary, First Federal Savings Bank, to maintain minimum specific levels of liquid assets, (currently 4%) of cash and eligible investments to the savings deposits and short-term borrowings. At March 31, 1999, the Bank's liquid assets were 11.55% of its liquidity base. The Bank intends to continue to fund loan growth (outstanding loan commitments were $8.9 million at March 31, 1999) and any declines in customer deposits through additional advances from the FHLB. At March 31, 1999, the Bank has an unused approved line of credit in the amount of $16.2 million, and the potential to significantly increase its indebtedness with the FHLB, if necessary, due to the Bank's strong financial condition.

The Office of Thrift Supervision's capital regulations require the Bank to meet three capital standards. As indicated below, the Bank substantially exceeded the regulatory requirements for each category at March 31, 1999.

(Dollars in thousands)

	Tangible	Core	Risk-Weighted
Actual capital	$42,619	$42,619	$44,671
Regulatory requirement	7,029	18,743	23,879
Excess	$35,590	$23,876	$20,792

YEAR 2000 COMPLIANCE

The Year 2000 issue involves the ability of computers to accurately process dates in the new millennium. The Year 2000 date change can affect any system that uses computer software programs or computer chips, including automated equipment and machinery. Many programs or chips store calendar dates as two-digit dates rather than four-digit numbers. These programs record the year 1998 as "98". This approach will work until the Year 2000 when the "00" may read as 1900 instead of 2000. Therefore, our institution has been fixing our systems to make sure they will operate properly on January 1, 2000.

Status

First Federal Savings Bank's Board of Directors and senior management has placed the Year 2000 issue as a top priority. Management created a Year 2000 team in April 1997 to study the issue and to guide the Bank through the Year 2000 process. A formal Year 2000 Plan was established and filed with the bank's federal regulators, the Office of Thrift Supervision. The Plan continues to be updated with the primary focus on achieving compliance within established time frames. The following phases are the main objective of the Plan: Awareness, Assessment, Renovation, Validation, and Implementation. As of March 31, 1999, the awareness and assessment phases are complete and the renovation phase is substantially complete. Mission-critical systems and all hardware have been tested and validating the material other third parties have begun. An independent consultant assisted management during the validation phase of mission-critical applications. Findings to date have not identified material Year 2000 risks. By June 30, 1999, all mission-critical systems will be complete and implementation will be in process.

The following table represents each phase and the estimated percentage completion to date:

Description of Phase	As of March 31, 1999	As of June 30, 1999
Awareness	100%	100%
Assessment	100%	100%
Renovation	80%	100%
Validation	80%	100%
Implementation	75%	90%

Cost

Both internal and external resources are being utilized to renovate and validate equipment for Year 2000 readiness. Expenses as of March 31, 1999 total $213,000, net of tax. Total cost for Year 2000 is expected to be approximately $400,000, net of tax.

Contingency Plan

Since there is always the possibility of failure in the institution's system at critical future dates, a Contingency Plan was developed. The purpose of the Plan is to give management direction on how to handle problems which will minimize the impact on the customers. Critical business areas have been identified based on the core business processes. Manual procedures have been documented and will be validated. The Board of Directors will review the modified Contingency Plan prior to the June 30, 1999 Board meeting. Management will continue to review and validate the Contingency Plan throughout 1999.

Risk

First Federal Savings Bank relies upon numerous vendors and infrastructures to provide complete service to our customers, any failure on their part to not become Year 2000 compliant could have a material adverse effect on the bank. Monitoring of their efforts will continue so any risk can be mitigated. In addition, First Federal Savings Bank has established a process to manage the Year 2000 risks posed by its customers. Management has identified material customers and is evaluating their Year 2000 risk by sending questionnaires. Once management has fully evaluated the magnitude of the risk, a system will be implemented for controls if needed.

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

Part II. Other Information

Item 1. Legal Proceedings
Not Applicable

Item 2. Changes in Securities
Not Applicable

Item 3. Defaults Upon Senior Securities
Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders
Not Applicable

Item 5. Other Information
Not Applicable

Item 6. Exhibits: Not Applicable
Reports on Form 8-K:
Not Applicable

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange

Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: May 13, 1999 BY: (S) B. Keith Johnson

B. Keith Johnson
President and Chief Executive Officer

DATE: May 13, 1999 BY: (S) Richard L. Muse

Richard L. Muse
Vice President and Comptroller

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(This schedule contains summary financial information extracted from the registrant's unaudited consolidated financial statements for the nine months ended March 31, 1999 and is qualified in its entirety by reference to such financial statements.)
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