FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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FILER

FIRST INDEPENDENCE CORP /DE/

CIK:**908486**| IRS No.: **363899950** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **10KSB** | Act: **34** | File No.: **000-22184** | Film No.: **96687676**
SIC: **6035** Savings institution, federally chartered

Mailing Address
P O DRAWER 947
INDEPENDENCE KS 67301

Business Address
MYRTLE & 6TH STS
INDEPENDENCE KS 67301
3163311660

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-KSB

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended September 30, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from ____________________ to _____________

Commission File Number 0-22184

FIRST INDEPENDENCE CORPORATION

(Name of small business issuer as specified in its charter)

Delaware	36-3899950
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Myrtle and Sixth Streets, Independence, Kansas	67301
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (316) 331-1660

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value $.01 per share

(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such requirements for the past 90 days. YES X . NO ___.

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained herein, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State the issuer's revenues for its most recent fiscal year: $8,261,288.

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average of the bid and asked prices of such stock on the NASDAQ Stock Market as of December 19, 1996, was $8.2 million. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.)

As of December 19, 1996, there were issued and outstanding 528,897 shares of the Registrant's Common Stock (including 8,731 shares of restricted stock issued pursuant to the Registrant's Recognition and Retention Plan).

DOCUMENTS INCORPORATED BY REFERENCE

Part II of Form 10-KSB - Annual Report to Stockholders for the fiscal year ended September 30, 1996.

Part III of Form 10-KSB - Proxy Statement for 1997 Annual Meeting of Stockholders.

Transitional Small Business Disclosure Format: YES __ NO X.

PART I

Item 1. Description of Business

General

First Independence Corporation (the "Company") is a Delaware corporation which was formed at the direction of First Federal Savings and Loan Association of Independence ("First Federal" or the "Association") in June 1993 for the purpose of becoming the savings and loan holding company of First Federal. The Company owns all of the outstanding stock of First Federal issued on October 5, 1993 in connection with the completion of First Federal's conversion from the mutual to the stock form of organization (the "Conversion"). The Company issued 727,375 shares of common stock at a price of $10.00 per share in the Conversion. All references to the Company at or before October 5, 1993 refer to First Federal. At September 30, 1996, the Company had total assets of $108.5 million, and stockholders' equity of $13.0 million.

First Federal is a federally chartered stock savings and loan association headquartered in Independence, Kansas. First Federal was originally organized in 1905 as a state-chartered savings and loan association and later converted to a federally chartered institution.

First Federal has been, and intends to continue to be, a community-oriented financial institution offering a variety of financial services to meet the needs of the communities it serves. The Association attracts deposits from the general public and uses such deposits, together with borrowings and other funds, to originate one- to four-family residential mortgage loans. To a much lesser extent, the Association also originates loans secured by non-residential real estate and consumer loans and a limited amount of loans secured by multi-family real estate. Subject to market conditions and loan demand in its market area, the Association expects to continue to originate the same types of loans it currently offers, which include the origination of a limited number of commercial and multi-family real estate loans secured by property located in its market area. The Association does not intend to originate or purchase interests in commercial or multi-family real estate loans secured by properties located outside of its market area.

The Association also invests in mortgage-backed securities which are insured by or guaranteed by federal agencies and other investment securities. See "Lending Activities - Originations, Purchases and Sales of Loans and Mortgage-Backed Securities."

Like all federally chartered savings associations, First Federal's operations are regulated by the Office of Thrift Supervision (the "OTS"). First Federal is a member of the Federal Home Loan Bank System ("FHLB System") and a stockholder in the Federal Home Loan Bank ("FHLB") of Topeka. The Association is also a member of the Savings Association Insurance Fund ("SAIF") and its deposit accounts are insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC").

The principle sources of funds for the Association's lending activities include deposits, amortization and prepayment of loan principal (including mortgage-backed securities), sales or maturities of investment securities, mortgage-backed securities and short-term investments, borrowings and funds provided from operations.

The Association's revenues are derived principally from interest on mortgage loans and mortgage-backed securities, interest on investment securities, dividends on FHLB stock, loan origination income and servicing fee income.

The executive offices of the Company are located at Myrtle and Sixth Streets in Independence, Kansas 67301 and its telephone number is (316) 331-1660. Unless the context otherwise requires, all

references herein to the Association or the Company include the Company and the Association on a consolidated basis.

Forward-Looking Statements

When used in this Form 10-K or future filings by the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project", "believe" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various factors, including regional and national economic conditions, changes in levels of market interest rates, credit risks of lending activities, and competitive and regulatory factors, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected.

The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Market Area

Through its office in Independence, Kansas, First Federal currently serves primarily Montgomery County, Kansas and, to a lesser extent, Wilson County and the eastern part of Chautauqua County in Kansas. The Association competes in loan originations and in attracting deposits with approximately nine financial institutions serving its primary market area. The Association estimates its share of the savings market in Montgomery County to be approximately 17%.

Independence, Kansas, located in southeastern Kansas, is approximately 110 miles from Wichita, Kansas. Independence is the County Seat of Montgomery County and the location of Independence Community College.

Montgomery County has a population of approximately 37,000. Although the economy of southeast Kansas is closely tied to the gas, oil and agricultural industries, Montgomery County has attracted a variety of other industries. Major employers in Montgomery County include Automotive Controls Corp., Inc., a manufacturer of electronic and electrical parts, City Publishing Company, a publisher of cross-reference directories, Emerson Electric Co., a manufacturer of small electric motors, Hackney & Sons (Midwest) Inc., a manufacturer of beverage delivery truck bodies, Heartland Cement, a manufacturer of cement and Cessna Aircraft, a manufacturer of single engine airplanes.

Lending Activities

General. Historically, the Association originated fixed-rate mortgage loans. Since 1982, however, the Association has emphasized, subject to market conditions, the origination and holding of adjustable-rate mortgage ("ARM") loans and loans with shorter terms to maturity than traditional 30-year, fixed-rate loans. Management's strategy has been to increase the percentage of assets in its portfolio with more frequent repricing or shorter maturities. In response to customer demand, however, the Association continues to originate for its loan portfolio fixed-rate mortgages with terms not greater than 30 years.

The Association's primary focus in lending activities is on the origination of loans secured by first mortgages on owner-occupied, one- to four-family residences. To a much lesser extent, the Association also originates loans secured by non-residential real estate and consumer loans and a limited amount of

multi-family real estate loans. See "- Originations, Purchases and Sales of Loans and Mortgage-Backed Securities." At September 30, 1996, the Association's net loan portfolio totaled $67.7 million.

All loans must be reviewed by a committee comprised of the Association's President and three other officers of the Association. The committee has authority to approve loans secured by real estate to any one borrower of up to $175,000. The executive committee has authority to approve loans up to $250,000 which provide for a personal guarantee from the borrower. Loans in excess of this limit require approval of the Board of Directors. All loan approvals made by the loan committee are ratified by the Board of Directors.

The aggregate amount of loans that the Association is permitted to make under applicable federal regulations to any one borrower, including related entities, is generally equal to the greater of 15% of unimpaired capital and surplus or $500,000. At September 30, 1996, the maximum amount which the Association could have lent to any one borrower and the borrower's related entities was approximately $1.6 million. See "Regulation - Federal Regulation of Savings Associations."

Loan Portfolio Composition. The following information sets forth the composition of the Association's loan portfolio in dollar amounts and in percentages (before deductions (or additions) for loans in process, deferred fees and discounts and allowances for losses) as of the dates indicated.

<TABLE>
<CAPTION>

	At September 30,					
	1996		1995		1994	
	Amount	Percent	Amount	Percent	Amount	Percent
			(Dollars in Thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Real Estate Loans						
One- to four-family....................	$57,353	82.29%	$50,747	82.34%	$48,459	82.92%
Multi-family...........................	1,371	1.97	1,420	2.30	1,471	2.52
Non-residential........................	7,224	10.36	7,454	12.10	6,937	11.87
Construction...........................	1,834	2.63	526	0.85	742	1.27
Total real estate loans.............	67,782	97.25	60,147	97.59	57,609	98.58
Consumer Loans:						
Deposit account........................	364	0.52	314	0.50	328	.55
Automobile.............................	402	0.58	269	0.44	144	.25
Home equity............................	781	1.12	641	1.04	210	.36
Home improvement.......................	183	0.26	102	0.17	80	.14
Other..................................	185	0.27	159	0.26	69	.12
Total consumer loans................	1,915	2.75	1,485	2.41	831	1.42
Total Loans........................	69,697	100.00%	61,632	100.00%	58,440	100.00%
Less:						
Loans in process.......................	1,050		372		710	
Deferred fees and discounts............	274		200		168	
Allowance for losses...................	690		690		667	
Total loans receivable, net............	$ 67,683		$60,370		$56,895	

</TABLE>

The following table shows the composition of the Association's loan portfolio by fixed- and adjustable-rate categories at the dates indicated.

<TABLE>
<CAPTION>

	September 30,					
	1996		1995		1994	
	Amount	Percent	Amount	Percent	Amount	Percent
			(Dollars in Thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Fixed-Rate Loans						
Real estate:						
One- to four-family.......................	$31,231	44.81%	$23,163	37.59%	$21,549	36.87%
Multi-family..............................	871	1.25	821	1.33	1,027	1.76
Non-residential...........................	4,835	6.94	5,304	8.61	5,427	9.29
Construction..............................	---	---	526	0.85	742	1.27
Total fixed-rate real estate loans.......	36,937	53.00	29,814	48.38	28,745	49.19

Consumer	1,437	2.06	1,123	1.82	805	1.38
Total fixed-rate loans	38,374	55.06	30,937	50.20	29,550	50.57
Adjustable-Rate Loans						
Real estate:						
One- to four-family	26,122	37.47	27,584	44.75	26,910	46.05
Multi-family	500	0.72	599	0.97	444	0.76
Non-residential	2,389	3.43	2,150	3.49	1,510	2.58
Construction	1,834	2.63	---	---	---	---
Total adjustable-rate real estate loans	30,845	44.25	30,333	49.21	28,864	49.39
Consumer	478	0.69	362	0.59	26	0.04
Total adjustable-rate loans	31,323	44.94	30,695	49.80	28,890	49.43
Total Loans	69,697	100.00%	61,632	100.00%	58,440	100.00%
Less						
Loans in process	1,050		372		710	
Deferred fees and discounts	274		200		168	
Allowance for losses	690		690		667	
Total loans receivable, net	$67,683		$60,370		$56,895	

</TABLE>

The following schedule shows the scheduled contractual maturities of the Association's loan portfolio at September 30, 1996. Mortgages which have adjustable or renegotiable interest rates are shown as repaying in the period during which the contract is due. The schedule does not reflect the effects of possible prepayments or enforcement of due-on-sale clauses.

<TABLE>
<CAPTION>

	Real Estate									
	One- to Four-Family		Multi-family, and Non-Residential		Construction		Consumer		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)									
Due During Periods Ending September 30,										
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1997(1)	$ 66	8.25%	$ 1	8.50%	$721	6.74%	$955	9.35%	$ 1,743	8.23%
1998	39	8.62	---	---	144	7.50	221	8.77	404	8.30
1999	196	8.55	291	8.44	---	---	209	9.36	696	8.75
2000 and 2001	948	7.89	1,372	10.01	---	---	365	10.10	2,685	9.27
2002 to 2006	6,375	7.84	1,983	8.63	---	---	165	8.56	8,523	8.04
2007 to 2021	36,539	7.73	4,799	7.53	479	7.47	---	---	41,817	7.70
2022 and following	13,190	7.59	149	8.25	490	7.52	---	---	13,829	7.59
									$69,697	

</TABLE>

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(1) Includes demand loans, loans having no stated maturity and overdraft loans.

The total amount of loans due after September 30, 1997, which have predetermined interest rates is $37.1 million, while the total amount of loans due after such date which have floating or adjustable interest rates is $30.8 million.

One- to Four-Family Residential Mortgage Lending. Residential loan originations are generated by the Association's marketing efforts, its present customers, walk-in customers and referrals from real estate brokers and builders. The Association has focused its lending efforts primarily on the origination of loans secured by first mortgages on owner-occupied, single-family residences in its market area. At September 30, 1996, the Association's one- to four-family residential mortgage loans, totaled $57.4 million, or 82.3% of the Association's loan portfolio.

The Association currently makes adjustable-rate, one- to four-family residential mortgage loans in amounts up to 95% of the appraised value, or selling price, of the security property, whichever is less. For loans with a loan-to-value ratio of 90% or greater, the Association requires private mortgage insurance equal to 20% of the loan value in order to reduce the Association's exposure level. For loans with loan-to-value ratios of greater than 80% but less than 90%, the Association typically requires private mortgage insurance to reduce the Association's exposure. The determination as to whether to obtain such insurance is made on a case-by-case basis, based on a variety of factors including the borrower's payment history, the borrower's length of employment, the quality of the property, the term of the loan and the debt to income ratio of the borrower. At September 30, 1996, the Association had 400 loans totalling $20.5 million with a loan-to-value ratio of greater than 80% but less than 90% and 223 loans totalling $10.7 million with a loan-to-value ratio of 90% or greater.

The Association currently offers one-year ARM loans at rates determined in accordance with market and competitive factors for a term of up to 30 years. The interest rate charged on ARM loans currently originated by the Association is based upon the one year Constant Maturity Treasury Index. The adjustable-rate loans currently originated by the Association provide for a 2% annual cap and floor, and a 5% lifetime cap on the interest rate adjustment over the rate in effect on the date of origination. The actual interest rate on these adjustable-rate loans may not be reduced below 5% over the life of the loan. The annual and lifetime caps on interest rate increases reduce the extent to which these loans can help protect the Association against interest rate risk. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset/Liability Management" in the Company's Annual Report to Stockholders attached hereto as Exhibit 13 (the "Annual Report"). Approximately 23.1% of the loans secured by one- to four-family real estate originated by the Association during fiscal 1996 were originated with adjustable rates of interest. See "- Originations, Purchases and Sales of Loans and Mortgage-Backed Securities."

Adjustable-rate loans decrease the risks associated with changes in interest rates but involve other risks, primarily because as interest rates rise, the payment by the borrower rises to the extent permitted by the terms of the loan, thereby increasing the potential for default. At the same time, the marketability of the underlying property may be adversely affected by higher interest rates. The Association believes that these risks, which have not had a material adverse effect on the Association to date, are more than outweighed by the benefits received by the Association in offering ARM loans.

The Association also originates fixed-rate mortgage loans. Fixed-rate loans currently originated by the Association have terms of up to 30 years. Interest rates charged on these fixed-rate loans are competitively priced according to local market conditions.

In underwriting residential real estate loans, the Association evaluates the borrower's ability to make monthly payments, employment history, credit history and the value of the property securing the loan. Potential borrowers are typically qualified for both adjustable- and fixed-rate loans based upon the initial or stated rate of the loan. Adjustable rate loans increase the risk of default to the extent the interest rate adjusts upward and the borrower is unable to make the payments at the increased rate. Although borrowers on adjustable-rate loans are qualified based upon the initial rate of the loan, if a borrower's debt to income ratios are marginal, the Association will take into consideration the borrower's ability to make future payments in the event the interest rate adjusts upward. Since the size of the Association's average new loan originated is approximately $48,200, management believes increases in interest rates

do not generally increase payment amounts to levels that would significantly impair the borrower's ability to make monthly payments.

An appraisal of the security property is obtained on all loan applications from Board-approved independent fee appraisers. In connection with the origination of residential real estate loans, the Association generally requires that the borrower obtain an opinion from an attorney regarding the title to the property or title insurance and fire and casualty insurance, as well as flood insurance, where applicable, to protect the Association's interest.

Approximately $2.7 million, or 4.6% of the Association's one- to four-family residential mortgage loan portfolio, was purchased by the Association. These loans are primarily secured by property located in Texas and have been in the Association's portfolio for several years. The Association has purchased only a limited amount of one- to four-family residential mortgage loans since 1989. The level of delinquencies in the Association's portfolio of purchased loans secured by one- to four-family residential real estate is consistent with that of the loans originated and retained by the Association.

The Association's residential mortgage loans customarily include due-on-sale clauses giving the Association the right to declare the loan immediately due and payable in the event, among other things, the borrower sells or otherwise disposes of the property subject to the mortgage and the loan is not repaid. The Association has enforced due-on-sale clauses in its mortgage contracts for the purpose of increasing its loan portfolio yield. The yield increase is obtained through the authorization of assumptions of existing loans at higher rates of interest and the imposition of assumption fees. One- to four-family real estate loans may be assumed provided home buyers meet the Association's underwriting standards and the loan terms are modified, to the extent necessary, to conform with present yield and maturity requirements.

As a result, in part, of the decrease in loan demand for residential loans in the Association's principal market area during recent periods and the Association's asset/liability management objectives, First Federal has increased its investments in mortgage-backed securities. Although such securities are held for investment, they can serve as collateral for borrowings and, through repayments, as a source of liquidity. For information regarding the carrying and market values of First Federal's mortgage-backed securities portfolio, see Note C of the Notes to Consolidated Financial Statements in the Annual Report. The Association has also, from time to time, purchased single-family loans from other financial institutions. See "- Originations, Purchases and Sales of Loans and Mortgage-Backed Securities" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition" in the Annual Report.

The Association also makes a limited number of construction loans to individuals for the construction of their residences. There were $1,834,000 of construction loans outstanding at September 30, 1996.

Construction loans to individuals for their residences are structured to be converted to permanent loans at the end of the construction phase, which typically runs up to 12 months. These construction loans have rates and terms which match any one- to four-family loans then offered by the Association, except that during the construction phase, the borrower pays interest only. Residential construction loans are generally underwritten pursuant to the same guidelines used for originating permanent residential loans.

Because of the uncertainties inherent in estimating development and construction costs, it is relatively difficult to evaluate accurately the total loan funds required to complete a project. Also, the funding of loan fees and interest during the construction phase makes the monitoring of the progress of the project particularly important, as customary early warning signals of project difficulties may not be present.

Non-Residential/Multi-Family Real Estate Lending. In order to enhance the yield on and decrease the average term to maturity of its assets, the Association has originated and purchased permanent loans and participation interests in loans originated by other lenders secured by non-residential and multi-family real estate. The Association also has a limited amount of loans secured by land. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset/Liability Management" in the Annual Report. At September 30, 1996, the Association had $8.6 million in non-residential/ multi-family real estate loans, representing 12.3% of the Association's loan portfolio.

Approximately 19.5% of the property securing the Association's non-residential/multi-family (including land) real estate loan portfolio is located outside the Association's primary market area. Many of the properties securing these purchased loans or participations are located in Texas and neighboring states. Some of these areas have experienced adverse economic conditions including a general softening in real estate markets and the local economy, which may result in increased loan delinquencies and loan losses. However, most of the Association's non-residential/multi-family real estate loan portfolio is seasoned and, during the past five years, the Association has had no significant purchases or participations in such loans.

The table below sets forth, by type of security property, the Association's non-residential/ multi-family real estate loans at September 30, 1996.

	Number of Loans	Outstanding Principal Balance	Amount Non-Performing or of Concern
		(Dollars in Thousands)	
Multi-family	8	$ 1,372	$---
Small business facilities and office buildings	45	4,052	99
Health care facility	6	1,281	---
Churches	5	285	---
Warehouse/mini-storage	3	358	---
Shopping centers	1	76	---
Hotel/motel	2	778	---
Land	11	393	---
Total multi-family residential and non-residential real estate loans	81	$8,595	$99

Permanent non-residential and multi-family real estate loans originated by the Association generally have terms ranging from 5 to 20 years and up to a 30-year amortization schedule. Rates on permanent loans either (i) adjust (subject, in some cases, to specified interest rate caps) at one year intervals to specified spreads over an index, (ii) float (subject, in some cases, to specified interest rate caps) with changes in a specified prime rate or (iii) carry fixed rates. Under the Association's current loan policy, multi-family/non-residential real estate loans (other than loans to facilitate) are written in amounts of up to 80% of the appraised value of the properties.

Appraisals on properties securing non-residential and multi-family real estate property loans originated by the Association are performed by an independent appraiser designated by the Association at the time the loan is made. All appraisals on multi-family and non-residential real estate loans are reviewed by the Association's management. In addition, the Association's underwriting procedures generally require verification of the borrower's credit history, income and financial statements, banking relationships, references and income projections for the property. Personal guarantees are generally obtained for all or a portion of the Association's multi-family/non-residential real estate loans. While the Association continues to monitor multi-family/non-residential real estate loans on a regular basis after

origination, updated appraisals are not normally obtained after closing unless the Association believes that there are questions regarding the progress of the loan or the value of the collateral.

At September 30, 1996, the Association had no non-residential/multi-family real estate loans to one borrower, or group of borrowers, which had an existing carrying value in excess of $500,000, except for the loans to four unrelated borrowers or groups of borrowers described below. The first loan is secured by a hotel located in Columbia, Missouri and had an outstanding balance at September 30, 1996 of $732,000. This loan was reviewed by the OTS prior to origination and has been current since its inception in June 1991. The other loans in excess of $500,000 at September 30, 1996, included a loan to one borrower totalling $636,000 secured by an apartment building located in Rogers, Arkansas; a loan with an outstanding balance of $527,000 secured by a shopping center in Dallas, Texas; and a loan with an outstanding balance of $738,000 secured by an apartment building located in Gladstone, Missouri. All of these loans were current at September 30, 1996. See "Regulation - Federal Regulation of Savings Associations."

Non-residential/multi-family real estate lending affords the Association an opportunity to receive interest at rates higher than that generally available from one- to four-family residential lending. Nevertheless, loans secured by such properties are generally larger and involve a greater degree of risk than one- to four-family residential mortgage loans. Because payments on loans secured by non- residential/multi-family real estate properties are often dependent on the successful operation or management of the properties, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed), the borrower's ability to repay the loan may be impaired. The Association has attempted to minimize these risks through its underwriting standards and by lending primarily on existing income-producing properties.

The Association also generally maintains an escrow account for most of its loans secured by real estate, in order to ensure that the borrower provides funds to cover property taxes in advance of the required payment. These accounts are analyzed annually to confirm that adequate funds are available. For loans which do not include an escrow requirement, an annual review of tax payments is performed by the Association in order to confirm payment. In order to monitor the adequacy of cash flows on income-producing properties, the borrower or lead lender is notified annually, requesting financial information including rental rates and income, maintenance costs and an update of real estate property tax payments.

Consumer Lending. Consumer loans generally have shorter terms to maturity (thus reducing First Federal's exposure to changes in interest rates) and carry higher rates of interest than do one- to four-family residential mortgage loans. In addition, management believes that the offering of consumer loan products helps to expand and create stronger ties to its existing customer base, by increasing the number of customer relationships and providing cross-marketing opportunities. At September 30, 1996, the Association's consumer loan portfolio totaled $1.9 million, or 2.8% of its loan portfolio. Under applicable federal law, the Association is authorized to invest up to 35% of its assets in consumer loans.

First Federal offers a variety of secured consumer loans, including home equity loans, home improvement loans, auto loans, and loans secured by savings deposits and other consumer collateral. The Association also offers a limited amount of unsecured loans. The Association currently originates all of its consumer loans in its market area. The Association's home equity and home improvement loans comprised approximately 50.3% of the Association's total consumer loan portfolio. These loans are generally originated in amounts, together with the amount of the existing first mortgage, of up to 90% of the appraised value of the property securing the loan. The term to maturity on such loans may be up to seven years. Other consumer loan terms vary according to the type of collateral, length of contract and credit worthiness of the borrower. The Association's consumer loans generally have a fixed rate of interest, except for the home equity lines of credit which adjust based upon changes in the prime rate.

The Association does not originate any consumer loans on an indirect basis (i.e., where loan contracts are purchased from retailers of goods or services which have extended credit to their customers).

The underwriting standards employed by the Association for consumer loans include a determination of the applicant's payment history on other debts and an assessment of the ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is a primary consideration, the underwriting process also includes a comparison of the value of the security, if any, in relation to the proposed loan amount.

Consumer loans may entail greater risk than do residential mortgage loans, particularly in the case of consumer loans which are unsecured, such as checking account overdraft privilege loans, or are secured by rapidly depreciable assets, such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans. Although the level of delinquencies in the Association's consumer loan portfolio has generally been low (at September 30, 1996, $29,000, or approximately 1.5% of the consumer loan portfolio, was 60 days or more delinquent), there can be no assurance that delinquencies will not increase in the future.

Originations, Purchases and Sales of Loans and Mortgage-Backed Securities

The Association originates real estate loans through marketing efforts, the Association's customer base, walk-in customers, and referrals from real estate brokers. The Association originates both adjustable-rate and fixed-rate loans. Its ability to originate loans is dependent upon the relative demand for fixed-rate or ARM loans in the origination market, which is affected by the term structure (short-term compared to long-term) of interest rates as well as the current and expected future level of interest rates.

Historically, the Association has also purchased loans and loan participations, predominantly for non-residential real estate and one- to four-family residential loans. Such purchases have enabled First Federal to offset the relatively low level of loan demand in the Association's principal market areas, to take advantage of favorable lending opportunities in other markets, to diversify its portfolio and to limit origination expenses while generally providing the Association with a higher yield than was available on mortgage-backed securities.

The Association has underwritten its loan purchases using the same criteria it uses in originating loans. Servicing of purchased loans is generally performed by the seller. At September 30, 1996, approximately $4.7 million of First Federal's loan portfolio was serviced by others. During the year ended September 30, 1996, the Association did not purchase any loans secured by non-residential real estate or any unsecured loans.

During recent years, most of the Association's loan purchase opportunities have been at yields that management believed were not sufficiently higher than the yields of comparable mortgage-backed securities that were guaranteed by a Federal agency as to principal and interest (or derived from certificates that were so guaranteed) to offset such credit protection. Accordingly, the Association has recently increased its mortgage-backed securities portfolio rather than loan purchases. See "Investment Activities - Mortgage-Backed Securities."

The Association had $2.5 million in loans serviced for others as of September 30, 1996.

The following table shows the loan origination, purchase, sale and repayment activities of the Association for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended September 30,		
	1996	1995	1994
	(In Thousands)		
<S>	<C>	<C>	<C>
Originations by type			
Adjustable-rate:			
Real estate - one- to four-family	$4,465	$ 6,144	$ 3,302
- multi-family	---	173	---
- non-residential	614	921	104
Consumer - home equity	314	469	---
Total adjustable-rate	5,393	7,707	3,406
Fixed-rate:			
Real estate - one- to four-family	14,879	5,886	8,940
- multi-family	---	---	---
- non-residential	320	219	2,072
Consumer - non-real estate	1,429	1,234	833
Total fixed-rate	16,628	7,339	11,845
Total loans originated	22,021	15,046	15,251
Purchases			
Mortgage-backed securities (excluding REMICs and CMOs)	4,660	2,982	10,093
REMICs and CMOs	---	---	10,157
Total purchased	4,660	2,982	20,250
Sales and Repayments			
Mortgage-backed securities	5,237	3,041	4,533
Transfer of mortgage-backed securities to mortgage-backed securities available for sale	---	968	---
Principal repayments(1)	13,956	11,854	16,059
Total reductions	19,193	15,863	20,592
Increase (decrease) in other items, net(2)	(730)	287	(449)
Net increase (decrease)	$6,758	$ 2,452	$14,460

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</TABLE>

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(1) Includes transfers to real estate acquired through foreclosure.

(2) Consists of loans in process, net deferred origination costs, unamortized discounts and allowance for loan losses.

Asset Quality

When a borrower fails to make a required payment on a loan, the Association attempts to cause the delinquency to be cured by contacting the borrower. In the case of loans secured by real estate, a computer generated late notice is sent 15 days after the due date. If the delinquency is not cured between the 30th and 60th day, a personal letter is sent to the borrower and if the delinquency is not cured by the 75th day, contact with the borrower is made by phone. Additional written and verbal contacts are made with the borrower to the extent the borrower appears to be cooperative. If the delinquency is not cured or a payment plan arranged by the 90th day, the Association sends a 30-day default letter and, once that period elapses, usually institutes appropriate action to foreclose on the property. Interest income on loans at this point is reduced by the full amount of accrued and uncollected interest. If foreclosed, the property is sold at a sheriff's sale and may be purchased by the Association. Delinquent consumer loans are handled in a similar manner. If these efforts fail to bring the loan current, appropriate action may be

taken to collect any loan payment that remains delinquent. The Association's procedures for repossession and sale of consumer collateral are subject to various requirements under Kansas consumer protection laws.

Real estate acquired by First Federal as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate acquired through foreclosure until it is sold. When property is acquired, it is recorded at the lower of the loan's unpaid principal balance (cost) or fair value less estimated selling expenses at the date of acquisition and any write-down resulting therefrom is charged to the allowance for losses on loans. See Note A of the Notes to Consolidated Financial Statements in the Annual Report. Upon acquisition, all costs incurred in maintaining the property are expensed. However, costs relating to the development and improvement of the property are capitalized to the extent of net realizable value.

Delinquent Loans. The following table sets forth information concerning delinquent loans at September 30, 1996, in dollar amounts and as a percentage of the Association's loan portfolio. The amounts presented represent the total remaining principal balances of the related loans, rather than the actual payment amounts which are overdue.

<TABLE>

<CAPTION>

	Loans Delinquent for:						Total Loans Delinquent 60 Days or more		
	60-90 Days			Over 90 Days					
	Number	Amount	Percent of Total Loan Portfolio	Number	Amount	Percent of Total Loan Portfolio	Number	Amount	Percent of Total Loan Portfolio
					(Dollars in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real Estate:									
One- to four-family...........	8	$168	0.24%	15	$331	0.48%	23	$499	0.72%
Non-residential..............	---	---	---	1	99	0.14	1	99	0.14
Construction.................	---	---	---	1	94	0.13	1	94	0.13
Consumer.	1	3	---	4	26	0.04	5	29	0.04
	---	----	-----	--	---	----	--	---	----

Total.....................	9	$171	0.24%	21	$550	0.79%	30	$721	1.03%

</TABLE>

The following table sets forth information concerning delinquent loans at September 30, 1995, in dollar amounts and as a percentage of the Association's loan portfolio. The amounts presented represent the total remaining principal balances of the related loans, rather than the actual payment amounts which are overdue.

<TABLE>
<CAPTION>

	Loans Delinquent for:						Total Loans Delinquent		
	60-90 Days			Over 90 Days			60 Days or more		
	Number	Amount	Percent of Total Loan Portfolio	Number	Amount	Percent of Total Loan Portfolio	Number	Amount	Percent of Total Loan Portfolio
				(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real Estate:									
One- to four-family...........	6	$ 111	0.18%	10	$ 560	0.91%	16	$ 671	1.09%
Non-residential...............	---	---	---	1	100	0.16	1	100	0.16
Consumer.	---	---	---	1	11	0.02	1	11	0.02
Total......................	6	$ 111	0.18%	12	$ 671	1.09%	18	$782	1.27%

</TABLE>

Non-Performing Assets. The table below sets forth the amounts and categories of the Association's non-performing assets. Loans are placed on non-accrual status when the collection of principal and/or interest become doubtful. As a matter of policy, the Association does not generally accrue interest on loans past due more than 90 days. For all periods presented, troubled debt restructurings (which involve forgiving a portion of interest or principal on any loans or making loans at a rate materially less than that of market rates) are included in the following table. Real estate acquired through foreclosure includes assets acquired in settlement of loans and reflects the lower of cost or fair value less selling expense.

<TABLE>
<CAPTION>

	Year Ended September 30,		
	1996	1995	1994
		(Dollars in Thousands)	
<S>	<C>	<C>	<C>
Non-accruing loans:			
One- to four-family..	$148	$ 444	$ 573
Non-residential real estate................................	99	100	40
Construction...	94	---	---
Consumer...	26	11	14
Total non-accruing loans................................	367	555	627
Accruing loans delinquent 90 days or more:			
One- to four-family..	183	116	185
Non-residential real estate................................	---	---	101
Total accruing loans delinquent 90 days or more..........	183	116	286
Troubled debt restructurings:			
One- to four-family..	52	56	59
Total troubled debt restructurings......................	52	56	59
Total non-performing loans..................................	602	727	972

Real estate acquired through foreclosure:			
One- to four-family..	12	---	30
Non-residential real estate................................	---	62	204
Total real estate acquired through foreclosure...........	12	62	234
Total non-performing assets.................................	$614	$ 789	$1,206
Total as a percentage of total assets.......................	0.57%	0.77%	1.27%

</TABLE>

For the year ended September 30, 1996, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $30,707. The amount included in interest income on such loans was $11,262 for the year ended September 30, 1996.

Included in non-accruing loans at September 30, 1996, were nine loans totalling $242,000 secured by one- to four-family real estate, one loan totalling $99,000 secured by non-residential real estate, and four consumer loans totalling $26,000. All non-accruing loans at September 30, 1996, were located in the Association's primary market. At September 30, 1996, accruing loans delinquent in excess of 90 days included six loans totaling $183,000 secured by one- to four-family real estate. At September 30, 1996, all of the Association's accruing loans delinquent in excess of 90 days secured by real estate were located in the Association's primary market area.

Other Loans of Concern. In addition to the non-performing assets set forth in the table above, as of September 30, 1996, there was also one loan with a net book value of $210,000 with respect to which known information about the possible credit problems of the borrower have caused management to have doubts as to the ability of the borrower to comply with present loan repayment terms and which may result in the future inclusion of such item in the non-performing asset categories.

Management has considered loans of concern in establishing the Association's allowance for loan losses.

Real Estate Acquired through Foreclosure. At September 30, 1996, the Association's real estate acquired through foreclosure consisted of one single family residence located in the Association's market area with a carrying value of $12,000, which is currently offered for sale.

Classified Assets. Federal regulations provide for the classification of loans and other assets, such as debt and equity securities considered by the OTS to be of lesser quality, as "substandard," "doubtful" or "loss." An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the insured institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are placed on a "watch list" by management.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, who may order the establishment of additional general or specific loss allowances.

In connection with the filing of its periodic reports with the OTS and in accordance with its classification of assets policy, the Association regularly reviews the problem loans in its portfolio to determine whether any loans require classification in accordance with applicable regulations. Classified assets of the Association all of which, at September 30, 1996, are included in the table of non-performing assets above or are described under the caption "- Other Loans of Concern" above, were as follows:

<TABLE>
<CAPTION>

	September 30,		
	1996	1995	1994
	(In Thousands)		
<S>	<C>	<C>	<C>
Substandard..	$676	$1,003	$1,429
Doubtful...	95	89	93
Loss...	---	---	---
Total classified assets....................................	$771	$1,092	$1,522

</TABLE>

Allowance for Loan Losses. The allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risk inherent in its loan portfolio and changes in the nature and volume of its loan activity. Such evaluation, which includes a review of all loans for which full collectibility may not be reasonably assured, considers among other matters, the estimated fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an adequate loan allowance. Although management believes it uses the best information available to make such determinations, future adjustments to the allowance may be necessary, and net income could be significantly affected if circumstances differ substantially from the assumptions used in making the initial determinations. At September 30, 1996, the Association had an allowance for loan losses of $690,009.

The following table sets forth an analysis of the Association's allowance for loan losses at the dates indicated.

<TABLE>
<CAPTION>

	Year Ended September 30,		
	1996	1995	1994
	(Dollars In Thousands)		
<S>	<C>	<C>	<C>
Balance at beginning of period..	$690	$667	$668
Charge-offs:			
One- to four-family..	---	15	7
Non-residential real estate..	---	---	47
Total Charge-offs...	---	15	54
Recoveries:			
One- to four-family..	---	---	---
Multi-family...	---	---	---
Non-residential real estate..	---	38	8
Total recoveries..	---	38	8
Net charge-offs..	---	(23)	46
Additions charged to operations...	---	---	45
Balance at end of period..	$690	$690	$667
Ratio of net charge-offs during the period to total loans at end of period...	0.00%	(0.04)%	0.08%
Allowance for loan losses to total loans at end of period...............	1.02%	1.14%	1.17%

	====	=====	=====
Allowance for loan losses to non-performing loans at end of period.......	114.62%	94.91%	68.62%
	======	=====	=====

</TABLE>

The distribution of the allowance for losses on loans at the dates indicated is summarized as follows:

<TABLE>
<CAPTION>

	September 30,					
	1996		1995		1994	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
	(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Real Estate						
One- to four-family........................	$357	82.29%	$ 343	82.34%	$ 336	82.92%
Multi-family...............................	---	1.97	17	2.30	18	2.52
Non-residential............................	87	10.36	87	12.10	84	11.87
Construction.................................	11	2.63	-----	.85	-----	1.27
Consumer.....................................	30	2.75	7	2.41	4	1.42
Unallocated..................................	205	------	236	------	225	---
	----	------	-----	------	-----	------
Total....................................	$690	100.00%	$ 690	100.00%	$ 667	100.00%
	====	======	=====	======	=====	======

</TABLE>

Investment Activities

General. First Federal must maintain minimum levels of investments that qualify as liquid assets under OTS regulations. Liquidity may increase or decrease depending upon the availability of funds and comparative yields on investments in relation to the return on loans. Historically, the Association has maintained liquid assets at levels above the minimum requirements imposed by the OTS regulations and at levels believed adequate to meet the requirements of normal operations, including repayments of maturing debt and potential deposit outflows. Cash flow projections are regularly reviewed and updated to assure that adequate liquidity is maintained. At September 30, 1996, the Association's liquidity ratio (liquid assets as a percentage of net withdrawable savings deposits and current borrowings) was 8.01%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in the Annual Report and "Regulation - Liquidity."

Federally chartered savings institutions have the authority to invest in various types of liquid assets, including United States Treasury obligations, securities of various federal agencies, certain certificates of deposit of insured banks and savings institutions, certain bankers' acceptances, repurchase agreements and federal funds. Subject to various restrictions, federally chartered savings institutions may also invest their assets in commercial paper, investment grade corporate debt securities and mutual funds whose assets conform to the investments that a federally chartered savings institution is otherwise authorized to make directly.

Generally, the investment policy of the Company is to invest funds among various categories of investments and maturities based upon the Company's asset/liability management policies, investment quality and marketability, liquidity needs and performance objectives.

Investment Securities. At September 30, 1996, investment securities totaled $7.2 million, or 6.7% of total assets. As of such date, the Association also had a $1.2 million investment in FHLB stock, satisfying its requirement for membership in the FHLB of Topeka. It is the Company's general policy to purchase investment securities which are U.S. Government securities or federal agency obligations or other issues that are rated investment grade or have credit enhancements. At September 30, 1996, the average term to maturity or repricing of the investment portfolio was 4.4 years.

The following table sets forth the composition of the Company's securities portfolio at the dates indicated.

<TABLE>
<CAPTION>

	September 30, 1996		1995		1994	
	Book Value	% of Total	Book Value	% of Total	Book Value	% of Total
	(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Securities held to maturity:						
U.S. Government securities..................................	$ ---	---%	$ ---	---%	$1,969	37.30%
Federal agency obligations..................................	2,000	23.60	1,000	11.68	2,004	37.96
Other marketable equity securities(1)........................	---	---	---	---	272	5.15
Total securities held to maturity.........................	2,000	23.60	1,000	11.68	4,245	80.41
Securities available for sale:						
U.S. Government securities..................................	1,993	23.52	1,997	23.32	$ ---	---
Federal agency obligations..................................	2,934	34.62	3,981	46.48	---	---
FHLMC preferred stock.......................................	---	---	253	2.95	12	.23
Other marketable equity securities(1)........................	308	3.63	294	3.43	---	---
Total securities available for sale.......................	5,235	61.77	6,525	76.18	12	.23
FHLB stock...	1,240	14.63	1,040	12.14	1,022	19.36
Total securities and FHLB stock...........................	$8,475	100.00%	$8,565	100.00%	$5,279	100.00%
Average remaining life or term to repricing of securities (excluding FHLMC preferred stock, FHLB stock and other marketable equity securities)..............................	5.04 yrs.		4.49 yrs.		1.90 yrs.	
Other Interest-Earning Assets:						
Short-term money market investments..........................	$1,010	100.00%	$ 1,745	100.00%	$1,044	100.00%
Total...	$1,010	100.00%	$ 1,745	100.00%	$1,044	100.00%
Average remaining life or term to repricing of securities and other interest-earning assets (excluding FHLB stock, FHLMC preferred stock and other marketable equity securities)......	4.40 yrs.		3.59 yrs.		1.50 yrs.	

</TABLE>

----

(1) Represents primarily investments in mutual funds investing in U.S. Government securities and federal agency obligations.

The composition and maturities of the securities portfolio, excluding FHLB of Topeka stock, are indicated in the following table.

<TABLE>
<CAPTION>

	September 30, 1996					
	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total Investment Securities	
	Amortized Cost	Amortized Cost	Amortized Cost	Amortized Cost	Amortized Cost	Market Value
	(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Held to Maturity:						
Federal agency obligations.....	$ ---	$ ---	$1,000	$1,000	$2,000	$1,971
Total investment securities.	$ ---	$ ---	$1,000	$1,000	$2,000	$1,971

Weighted average yield......	---%	---%	7.18%	8.00%	7.59%	
Available for Sale:						
U.S. Government securities.....	$1,003	$979	$ ---	$ ---	$1,982	1,993
Federal agency obligations.....	---	2,953	---	---	2,953	2,934
Other marketable equity securities(1)	308	---	---	---	308	308
Total investment securities.	$1,311	$3,932	$ ---	$ ---	$5,243	$5,235
Weighted average yield......	6.58%	5.83%	---%	---%	6.02%	

</TABLE>

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(1) Represents primarily investments in mutual funds investing in U.S. Government securities and federal agency obligations.

The Company's securities portfolio at September 30, 1996, did not contain securities of any issuer with an aggregate book value in excess of 10% of the Company's stockholders' equity, excluding securities issued by the United States Government, or its agencies.

The Association's securities portfolio is managed in accordance with a written investment policy adopted by the Board of Directors. Investments may be made by the Association's officers within specified limits and must be approved in advance by the Board of Directors for transactions over certain limits. Effective October 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). SFAS No. 115 requires that securities and mortgage-backed securities be classified as held to maturity, available for sale or trading purposes. Under SFAS No. 115, securities that the Company has the positive intent and ability to hold until maturity are classified as held to maturity and are reported at amortized cost. Securities classified as available for sale are those the Company may sell in response to liquidity needs, for asset/liability management purposes and other reasons and are reported at fair value. Unrealized gains and losses on securities available for sale are reported as a separate component of equity. Trading securities are those which are purchased for sale in the near future and are reported at fair value. Unrealized gains and losses on trading securities are included in income. Transfers between categories are accounted for as sales and repurchases at fair value. For any sales or transfers of securities classified as held to maturity, the cost basis, the realized gain or loss, and the circumstances lending to the decision to sell are required to be disclosed. At the time of purchase of new securities, management of the Company makes a determination as to the appropriate classification of securities as available for sale or held to maturity. At September 30, 1996, the Company held no investments for trading purposes, but did hold securities and mortgage-backed securities as available for sale with an amortized cost and market value of $5.9 million and $5.9 million, respectively.

Mortgage-Backed Securities. The Association has a portfolio of mortgage-backed securities and has utilized such investments to complement its mortgage lending activities. At September 30, 1996, the Association's mortgage-backed securities totaled $28.7 million. For information regarding the carrying and market values of First Federal's mortgage-backed securities portfolio, see Note C of the Notes to Consolidated Financial Statements in the Annual Report.

At September 30, 1996, $16.4 million, or 57.0%, of the Association's mortgage-backed securities carried adjustable-rates of interest. Under the OTS's risk-based capital requirements, Government National Mortgage Association ("GNMA") mortgage-backed securities have a zero percent risk weighting and Federal National Mortgage Association ("FNMA"), FHLMC and AA-rated mortgage-backed securities have a 20% risk weighting, in contrast to the 50% risk weighting carried by one- to four-family performing residential mortgage loans.

The following table sets forth the contractual maturities of the mortgage-backed securities at September 30, 1996.

<TABLE>

<CAPTION>

	Due in					September 30, 1996
	1 to 3 Years	3 to 5 Years	5 to 10 Years	10 to 20 Years	Over 20 Years	Book Value
			(In Thousands)			

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Held to Maturity						
Adjustable-Rate Mortgage-Backed Securities:						
Federal Home Loan Mortgage Corporation......................	$ ---	$ ---	$ ---	$ ---	$ 7,521	$ 7,521
Federal National Mortgage Association......................	---	---	---	---	8,848	8,848
Total adjustable-rate...........	---	---	---	---	16,369	16,369
Fixed-Rate Mortgage-Backed Securities:						
Federal Home Loan Mortgage Corporation........................	---	---	2,460	4,444	775	7,679
Federal National Mortgage Association........................	---	---	1,386	2,482	---	3,868
Government National Mortgage Association........................	---	---	---	---	123	123
Total fixed-rate...................	---	---	3,846	6,926	898	11,670
Total mortgage-backed securities held to maturity.......................	$ ---	$ ---	$3,846	$6,926	$17,267	$28,039
Available for Sale						
Fixed-Rate Mortgage-Backed Securities:						
Federal Home Loan Mortgage Corporation........................	$ 659	$ ---	$ ---	$ ---	$ ---	$ 659

</TABLE>

Sources of Funds

General. The Company's primary sources of funds are deposits, amortization and repayment of loan principal (including mortgage-backed securities), sales or maturities of investment securities, mortgage-backed securities and short-term investments, borrowings, and funds provided from operations.

Borrowings may be used on a short-term basis to compensate for seasonal reductions in deposits or deposit inflows at less than projected levels, and have been used in the past on a longer-term basis to support lending activities. The Association had $24.3 million in FHLB advances outstanding at September 30, 1996.

Deposits. First Federal offers a variety of deposit accounts having a wide range of interest rates and terms. The Association's deposits consist of passbook accounts, NOW accounts, and money market and certificate accounts. The Association relies primarily on advertising, competitive pricing policies and customer service to attract and retain these deposits. First Federal solicits deposits from its market area only and does not use brokers to obtain deposits.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and prevailing interest rates and competition. The variety of deposit accounts offered by the Association has allowed it to be competitive in obtaining funds and to respond with flexibility to changes in consumer demand. The Association has become more susceptible to short-term fluctuations in deposit flows as customers have become more interest rate conscious. The Association manages the pricing of its deposits in keeping with its asset/liability management and profitability objectives. Based on its experience, the Association believes that its passbook, NOW and non-interest-bearing checking accounts are relatively stable sources of deposits. However, the ability of the Association to attract and maintain certificates of deposit, and the rates paid on these deposits, has been and will continue to be significantly affected by market conditions.

Effective April 1, 1993, the Association introduced a new certificate of deposit program in an attempt to reduce deposit outflows and attract longer term deposits which were lost as a result of the general decline in market rates of interest. This program offers two new certificate products which have four- and five-year terms. The following table sets forth information regarding the dollar amount and percent of certificates of deposit of this new program.
<TABLE>
<CAPTION>

	At September 30, 1996	% of Total Certificates
	(Dollars in Thousands)	
Four-Year Certificate....................................	$2,298	4.80%
Five-Year Certificate....................................	5,424	11.32

The following table sets forth the dollar amount of savings deposits in the various types of deposit programs offered by the Association for the dates indicated and the rates offered. See Note H of the Notes to the Consolidated Financial Statements in the Annual Report for weighted average nominal rates.

	September 30,					
	1996		1995		1994	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars In Thousands)					
Transactions and Savings Deposits:						
Passbook Demand (2.85%)..................	$ 2,649	3.82%	$ 2,752	4.05%	$ 3,036	4.71%
NOW Accounts (2.25-2.50%)................	3,232	4.66	2,899	4.26	3,150	4.89
Money Market Accounts (2.75-5.75%).......	15,553	22.40	11,694	17.20	12,673	19.66
Total Transactions and Savings Deposits	21,434	30.88	17,345	25.51%	18,859	29.26%
Certificates:						
0.00 - 3.99%...........................	9	0.01	804	1.18	15,800	24.51
4.00 - 4.99%...........................	4,216	6.07	10,498	15.44	21,465	33.30
5.00 - 5.99%...........................	30,296	43.64	16,882	24.83	7,166	11.12
6.00 - 6.99%...........................	13,367	19.25	22,351	32.87	839	1.30
7.00% and over..........................	34	0.05	47	0.07	255	0.40
Total Certificates........................	47,922	69.02	50,582	74.39	45,525	70.63
Accrued Interest..........................	70	0.10	70	0.10	68	0.11
Total Deposits............................	$69,426	100.00%	$67,997	100.00%	$64,452	100.00%

The following table sets forth the savings flows at the Association during the periods indicated. Net increase refers to the amount of deposits during a period less the amount of withdrawals during the period.

	Year Ended September 30,		
	1996	1995	1994
	(Dollars In Thousands)		
Opening balance..	$67,927	$ 64,384	$ 84,941
Deposits...	65,771	61,024	48,981
Withdrawals..	(67,067)	(59,578)	(71,444)
Interest credited..	2,725	2,097	1,906
Ending balance...	$69,356	$ 67,927	$ 64,384
Net increase (decrease)......................................	$ 1,429	$ 3,543	$(20,557)

Percent increase (decrease)	2.10%	5.50%	(24.20)%

</TABLE>

The following table shows rate and maturity information for the Association's certificates of deposit as of September 30, 1996.

<TABLE>
<CAPTION>

Certificate accounts maturing in quarter ending:	0.00-3.99%	4.00-4.99%	5.00-5.99%	6.00-6.99%	7.00% or greater	Total	Percent of Total
December 31, 1996	$ 9	$ 2,171	$ 1,432	$1,680	$---	$ 5,292	11.04%
March 31, 1997	---	1,114	7,581	4,604	9	13,308	27.77
June 30, 1997	---	---	6,303	47	---	6,350	13.25
September 30, 1997	---	136	4,320	1,572	---	6,028	12.58
December 31, 1997	---	162	1,921	972	---	3,055	6.38
March 31, 1998	---	128	1,752	1,197	---	3,077	6.42
June 30, 1998	---	13	1,874	---	---	1,887	3.94
September 30, 1998	---	---	2,086	105	---	2,191	4.57
December 31, 1998	---	333	712	33	---	1,078	2.25
March 31, 1999	---	159	1,039	35	---	1,233	2.57
June 30, 1999	---	---	387	59	---	446	0.93
September 30, 1999	---	---	26	668	---	694	1.45
December 31, 1999	---	---	---	416	---	416	0.87
Thereafter	---	---	863	1,979	25	2,867	5.98
TOTAL	$ 9	$4,216	$30,296	$13,367	$34	$47,922	100.00%
Percent of Total	0.02%	8.80%	63.22%	27.89%	0.07%		

</TABLE>

The following table indicates the amount of the Association's certificates of deposit and other deposits by time remaining until maturity as of September 30, 1996.

<TABLE>
<CAPTION>

	Maturity				
	3 Months or Less	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 Months	Total
	(In Thousands)				
Certificates of deposit less than $100,000	$5,192	$12,631	$11,381	$16,228	$45,432
Certificates of deposit of $100,00 or more	100	365	574	715	1,754
Public funds(1)	---	313	423	---	736
Total certificates of deposit	$5,292	$13,309	$12,378	$16,943	$47,922

</TABLE>

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(1) Deposits from governmental and other public entities.

Borrowings. Although deposits are the Company's primary source of funds, the Company's policy has been to utilize borrowings when they are a less costly source of funds or can be invested at a positive rate of return. In addition, the Association has relied upon borrowings for short-term liquidity needs.

First Federal may obtain advances from the FHLB of Topeka upon the security of its capital stock in the FHLB of Topeka and certain of its mortgage loans and mortgage-backed securities. Such advances may be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. At September 30, 1996, the Association had $24.3 million in FHLB advances outstanding.

The following table sets forth the maximum month-end balance and average balance of the Association's FHLB advances and other borrowings at and for the dates indicated.

	At and for the Year Ended September 30, 1996	1995	1994
	(In Thousands)		
Maximum Balance:			
FHLB advances..................................	$24,400	$19,900	$15,400
Other borrowings...............................	---	---	---
Total borrowings............................	$24,400	$19,900	$15,400
Average Balance:			
FHLB advances..................................	$19,133	$17,275	$ 7,142
Other borrowings...............................	---	---	---
Total average balance.......................	$19,133	$17,275	$ 7,142

The following table sets forth certain information as to the Association's FHLB advances at the dates indicated.

	September 30, 1996	1995	1994
	(Dollars in Thousands)		
FHLB advances...	$24,300	$18,800	$15,400
Weighted average interest rate of FHLB advances.................	5.682%	5.933%	5.017%

Regulation

General. First Federal is a federally chartered savings and loan association, the deposits of which are federally insured and backed by the full faith and credit of the United States Government. Accordingly, First Federal is subject to broad federal regulation and oversight extending to all its operations. First Federal is a member of the FHLB of Topeka and is subject to certain limited regulation by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). As the savings and loan holding company of First Federal, the Company also is subject to federal regulation and oversight. The purpose of the regulation of the Company and other holding companies is to protect subsidiary savings associations. First Federal is a member of the Savings Association Insurance Fund ("SAIF"), which together with the Bank Insurance Fund ("BIF") are the two deposit insurance funds administered by the FDIC, and the deposits of First Federal are insured by the FDIC. As a result, the FDIC has certain regulatory and examination authority over First Federal.

Certain of these regulatory requirements and restrictions are discussed below or elsewhere in this document.

Federal Regulation of Savings Associations. The OTS has extensive authority over the operations of savings associations. As part of this authority, First Federal is required to file periodic reports with the OTS and is subject to periodic examinations by the OTS and the FDIC. The last regular OTS and FDIC examinations of First Federal were commenced as of July 8, 1996 and October 5, 1992, respectively. Under agency scheduling guidelines, it is likely that another examination will be initiated in the near future. When these examinations are conducted by the OTS and the FDIC, the examiners may require First Federal to provide for higher general or specific loan loss reserves. All savings associations are subject to a semi-annual assessment, based upon the savings association's total assets, to fund the operations of the OTS. First

Federal's OTS assessment for the fiscal year ended September 30, 1996, was $31,541.

The OTS also has extensive enforcement authority over all savings institutions and their holding companies, including First Federal and the Company. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with the OTS. Except under certain circumstances, public disclosure of final enforcement actions by the OTS is required.

In addition, the investment, lending and branching authority of First Federal is prescribed by federal laws, and it is prohibited from engaging in any activities not permitted by such laws. For instance, no savings institution may invest in non-investment grade corporate debt securities. In addition, the permissible level of investment by federal associations in loans secured by non-residential real property may not exceed 400% of total capital, except with approval of the OTS. Federal savings associations are also generally authorized to branch nationwide. First Federal is in compliance with the noted restrictions.

First Federal's general permissible lending limit for loans-to-one-borrower is equal to the greater of $500,000 or 15% of unimpaired capital and surplus (except for loans fully secured by certain readily marketable collateral, in which case this limit is increased to 25% of unimpaired capital and surplus). At September 30, 1996, First Federal's lending limit under this restriction was approximately $1.6 million. At September 30, 1996, the Association had no loans in excess of its loans-to-one borrower limit.

The OTS, as well as the other federal banking agencies, has adopted guidelines establishing safety and soundness standards on such matters as loan underwriting and documentation, asset quality, earnings

standards, internal controls and audit systems, interest rate risk exposure and compensation and other employee benefits. Any institution which fails to comply with these standards must submit a compliance plan. A failure to submit a plan or to comply with an approved plan will subject the institution to further enforcement action.

Insurance of Accounts and Regulation by the FDIC. First Federal is a member of the SAIF, which is administered by the FDIC. Deposits are insured up to applicable limits by the FDIC and such insurance is backed by the full faith and credit of the United States Government. As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the SAIF or the BIF. The FDIC also has the authority to initiate enforcement actions against savings associations, after giving the OTS an opportunity to take such action, and may terminate the deposit insurance if it determines that the institution has engaged in unsafe or unsound practices, or is in an unsafe or unsound condition.

The FDIC's deposit insurance premiums are assessed through a risk-based system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums based upon their level of capital and supervisory evaluation. Under the system, institutions classified as well capitalized (i.e., a core capital ratio of at least 5%, a ratio of Tier 1 or core capital to risk-weighted assets ("Tier 1 risk-based capital") of at least 6% and a risk-based capital ratio of at least 10%) and considered healthy pay the lowest premium while institutions that are less than adequately capitalized (i.e., core or Tier 1 risk-based capital ratios of less than 4% or a risk-based capital ratio of less than 8%) and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions will be made by the FDIC for each semi-annual assessment period.

The FDIC is authorized to increase assessment rates, on a semiannual basis, if it determines that the reserve ratio of the SAIF will be less than the designated reserve ratio of 1.25% of SAIF-insured deposits. In setting these increased assessments, the FDIC must seek to restore the reserve ratio to that designated reserve level, or such higher reserve ratio as established by the FDIC. The FDIC may also impose special assessments on SAIF members to repay amounts borrowed from the United States Treasury or for any other reason deemed necessary by the FDIC.

For the first six months of 1995, the assessment schedule for BIF and SAIF members ranged from .23% to .31% of deposits. As is the case with the SAIF, the FDIC is authorized to adjust the insurance premium rates for banks that are insured by the BIF of the FDIC in order to maintain the reserve ratio of the BIF at 1.25% of BIF-insured deposits. As a result of the BIF reaching its statutory reserve ratio, the FDIC revised the premium schedule for BIF-insured institutions to provide a range of .04% to .31% of deposits. The revisions became effective in the third quarter of 1995. In addition, the BIF rates were further revised, effective January 1996, to provide a range of 0% to .27%. The SAIF rates, however, were not adjusted. At the time the FDIC revised the BIF premium schedule, it noted that, absent legislative action (as discussed below), the SAIF would not attain its designated reserve ratio until the year 2002. As a result, SAIF insured members would continue to be generally subject to higher deposit insurance premiums than BIF insured institutions until, all things being equal, the SAIF attained its required reserve ratio.

In order to eliminate this disparity and any competitive disadvantage between BIF and SAIF member institutions with respect to deposit insurance premiums, legislation to recapitalize the SAIF was enacted in September 1996. The legislation provides for a one-time assessment to be imposed on all deposits assessed at the SAIF rates, as of March 31, 1995, in order to recapitalize the SAIF. It also provides for the merger of the BIF and the SAIF on January 1, 1999 if no savings associations then exist. The special assessment rate has been established at .657% of deposits by the FDIC and the resulting assessment of $431,625 was paid in November 1996. This special assessment significantly increased

noninterest expense and adversely affected the Company's results of operations for the year ended September 30, 1996. As a result of the special assessment, First Federal's deposit insurance premiums were reduced to .0648% based upon its current risk classification and the new assessment schedule for SAIF insured institutions. These premiums are subject to change in future periods.

Prior to the enactment of the legislation, a portion of the SAIF assessment imposed on savings associations was used to repay obligations issued by a federally chartered corporation to provide financing ("FICO") for resolving the thrift crisis in the 1980s. Although the FDIC has proposed that the SAIF assessment be equalized with the BIF assessment schedule, effective October 1, 1996, SAIF-insured institutions will continue to be subject to a FICO assessment as a result of this continuing obligation. Although the legislation also now requires assessments to be made on BIF-assessable deposits for this purpose, effective January 1, 1997, that assessment will be limited to 20% of the rate imposed on SAIF assessable deposits until the earlier of December 31, 1999 or when no savings association continues to exist, thereby imposing a greater burden on SAIF member institutions such as First Federal. Thereafter, however, assessments on BIF-member institutions will be made on the same basis as SAIF-member institutions. The rates to be established by the FDIC to implement this requirement for all FDIC-insured institutions is uncertain at this time, but are anticipated to be about a 6.5 basis points assessment on SAIF deposits and 1.5 basis points on BIF deposits until BIF insured institutions participate fully in the assessment.

Regulatory Capital Requirements. Federally insured savings associations, such as First Federal, are required to maintain a minimum level of regulatory capital. The OTS has established capital standards, including a tangible capital requirement, a leverage ratio (or core capital) requirement and a risk-based capital requirement applicable to such savings associations. These capital requirements must be generally as stringent as the comparable capital requirements for national banks. The OTS is also authorized to impose capital requirements in excess of these standards on individual associations on a case by case basis.

The capital regulations require tangible capital of at least 1.5% of adjusted total assets (as defined by regulation). Tangible capital generally includes common stockholders' equity and retained income, and certain noncumulative perpetual preferred stock and related income. In addition, all intangible assets, other than a limited amount of purchased mortgage servicing rights, must be deducted from tangible capital. At September 30, 1996, the Association did not have any intangible assets.

The OTS regulations establish special capitalization requirements for savings associations that own subsidiaries. In determining compliance with the capital requirements, all subsidiaries engaged solely in activities permissible for national banks or engaged in certain other activities solely as agent for its customers are "includable" subsidiaries that are consolidated for capital purposes in proportion to the association's level of ownership. For excludable subsidiaries, the debt and equity investments in such subsidiaries are deducted from assets and capital. At September 30, 1996, the Association had no subsidiaries.

At September 30, 1996, First Federal had tangible capital of $10.5

million, or 9.87% of adjusted total assets, which is approximately $8.9 million above the minimum requirement of 1.5% of adjusted total assets in effect on that date.

The capital standards also require core capital equal to at least 3% of adjusted total assets. Core capital generally consists of tangible capital plus certain intangible assets, including a limited amount of purchased credit card relationships. As a result of the prompt corrective action provisions discussed below, however, a savings association must maintain a core capital ratio of at least 4% to be considered adequately capitalized unless its supervisory condition is such to allow it to maintain a 3% ratio. At September 30, 1996, First Federal had no intangibles which were subject to these tests.

At September 30, 1996, First Federal had core capital equal to $10.5 million, or 9.87% of adjusted total assets, which is $7.3 million above the minimum leverage ratio requirement of 3% in effect on that date.

The OTS risk-based requirement requires savings associations to have total capital of at least 8% of risk-weighted assets. Total capital consists of core capital, as defined above, and supplementary capital. Supplementary capital consists of certain permanent and maturing capital instruments that do not qualify as core capital and general valuation loan and lease loss allowances up to a maximum of 1.25% of risk-weighted assets. Supplementary capital may be used to satisfy the risk-based requirement only to the extent of core capital. The OTS is also authorized to require a savings association to maintain an additional amount of total capital to account for concentration of credit risk and the risk of non-traditional activities. At September 30, 1996, First Federal had no capital instruments that qualify as supplementary capital and $690,000 of general loss reserves, which was $103,000 in excess of 1.25% of risk-weighted assets.

Certain exclusions from capital and assets are required to be made for the purpose of calculating total capital. Such exclusions consist of equity investments (as defined by regulation) and that portion of land loans and non-residential construction loans in excess of an 80% loan-to-value ratio and reciprocal holdings of qualifying capital instruments. First Federal had no such exclusions from capital and assets at September 30, 1996.

In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet items, will be multiplied by a risk weight, ranging from 0% to 100%, based on the risk inherent in the type of asset. For example, the OTS has assigned a risk weight of 50% for prudently underwritten permanent one- to four-family first lien mortgage loans not more than 90 days delinquent and having a loan to value ratio of not more than 80% at origination unless insured to such ratio by an insurer approved by the FNMA or FHLMC.

OTS regulations also require that every savings association with more than normal interest rate risk exposure to deduct from its total capital, for purposes of determining compliance with such requirement, an amount equal to 50% of its interest-rate risk exposure multiplied by the present value of its assets. This exposure is a measure of the potential decline in the net portfolio value of a savings association, greater than 2% of the present value of its assets, based upon a hypothetical 200 basis point increase or decrease in interest rates (whichever results in a greater decline). Net portfolio value is the present value of expected cash flows from assets, liabilities and off-balance sheet contracts. The rule will not become effective until the OTS evaluates the process by which savings associations may appeal an interest rate risk deduction determination. It is uncertain as to when this evaluation may be completed. Any savings association with less than $300 million in assets and a total capital ratio in excess of 12%, such as the Association, is exempt from this requirement unless the OTS determines otherwise.

On September 30, 1996, First Federal had total risk-based capital of $11.1 million (including $10.5 million in core capital and $587,000 in qualifying supplementary capital) and risk-weighted assets of $46.8 million; or total capital of 23.77% of risk-weighted assets. This amount was $7.4 million above the 8% requirement in effect on that date.

The OTS and the FDIC are authorized and, under certain circumstances required, to take certain actions against savings associations that fail to meet their capital requirements. The OTS is generally required to take action to restrict the activities of an "undercapitalized association" (generally defined to be one with less than either a 4% core capital ratio, a 4% Tier 1 risked-based capital ratio or an 8% risk-based capital ratio). Any such association must submit a capital restoration plan and until such plan is approved by the OTS may not increase its assets, acquire another institution, establish a branch or engage in any new activities, and generally may not make capital distributions. The OTS is authorized to impose the additional restrictions that are applicable to significantly undercapitalized associations.

As a condition to the approval of the capital restoration plan, any company controlling an undercapitalized association must agree that it will enter into a limited capital maintenance guarantee with respect to the institution's achievement of its capital requirements.

Any savings association that fails to comply with its capital plan or is "significantly undercapitalized" (i.e., Tier 1 risk-based or core capital ratios of less than 3% or a risk-based capital ratio of less than 6%) must be made subject to one or more of additional specified actions and operating restrictions which may cover all aspects of its operations and include a forced merger or acquisition of the association. An association that becomes "critically undercapitalized" (i.e., a tangible capital ratio of 2% or less) is subject to further mandatory restrictions on its activities in addition to those applicable to significantly undercapitalized associations. In addition, the OTS must appoint a receiver (or conservator with the concurrence of the FDIC) for a savings association, with certain limited exceptions, within 90 days after it becomes critically undercapitalized. Any undercapitalized association is also subject to the general enforcement authority of the OTS and the FDIC, including the appointment of a conservator or receiver.

The OTS is also generally authorized to reclassify an association into a lower capital category and impose the restrictions applicable to such category if the institution is engaged in unsafe or unsound practices or is in an unsafe or unsound condition.

The imposition by the OTS or the FDIC of any of these measures on First Federal may have a substantial adverse effect on First Federal's operations and profitability and the value of the Company's common stock. Company shareholders do not have preemptive rights, and therefore, if the Company is directed by the OTS or the FDIC to issue additional shares of common stock, such issuance may result in the dilution in the percentage of ownership of the Company's shareholders.

Limitations on Dividends and Other Capital Distributions. OTS regulations impose various restrictions on savings associations with respect to their ability to make distributions of capital, which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account. OTS regulations also prohibit a savings association from declaring or paying any dividends or from repurchasing any of its stock if, as a result, the regulatory capital of the association would be reduced below the amount required to be maintained for the liquidation account established in connection with its mutual to stock conversion.

Generally, savings associations, such as First Federal, that before and after the proposed distribution meet their capital requirements, may make capital distributions during any calendar year equal to the greater of 100% of net income for the year-to-date plus 50% of the amount by which the lesser of the association's tangible, core or risk-based capital exceeds its capital requirement for such capital component, as measured at the beginning of the calendar year, or 75% of its net income for the most recent four quarter period. However, an association deemed to be in need of more than normal supervision by the OTS may have its dividend authority restricted by the OTS. The Company may pay dividends in accordance with this general authority.

Savings associations proposing to make any capital distribution need only submit written notice to the OTS 30 days prior to such distribution. Savings associations that do not, or would not meet their current minimum capital requirements following a proposed capital distribution, however, must obtain OTS approval prior to making such distribution. The OTS may object to the distribution during that 30- day period notice based on safety and soundness concerns. See "- Regulatory Capital Requirements."

The OTS has proposed regulations that would revise the current capital distribution restrictions. Under the proposal a savings association may make a capital distribution without notice to the OTS (unless it is a subsidiary of a holding company) provided that it has a CAMEL 1 or 2 rating, is not of

supervisory concern, and would remain adequately capitalized (as defined in the OTS prompt corrective action regulations) following the proposed distribution. Savings associations that would remain adequately capitalized following the proposed distribution but do not meet the other noted requirements must notify the OTS 30 days prior to declaring a capital distribution. The OTS stated it will generally regard as permissible that amount of capital distributions that do not exceed 50% of the institution's excess regulatory capital plus net income to date during the calendar year. A savings association may not make a capital distribution without prior approval of the OTS and the FDIC if it is undercapitalized before, or as a result of, such a distribution. As under the current rule, the OTS may object to a capital distribution if it would constitute an unsafe or unsound practice. No assurance may be given as to whether or in what form the regulations may be adopted.

Liquidity. All savings associations, including First Federal, are required to maintain an average daily balance of liquid assets equal to a certain percentage of the sum of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less. For a discussion of what the Association includes in liquid assets, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -Liquidity and Capital Resources" in the Annual Report. This liquid asset ratio requirement may vary from time to time (between 4% and 10%) depending upon economic conditions and savings flows of all savings associations. At the present time, the minimum liquid asset ratio is 5%.

In addition, short-term liquid assets (e.g., cash, certain time deposits, certain bankers acceptances and short-term United States Treasury obligations) currently must constitute at least 1% of the association's average daily balance of net withdrawable deposit accounts and current borrowings. Penalties may be imposed upon associations for violations of either liquid asset ratio requirement. At September 30, 1996, First Federal was in compliance with both requirements, with an overall liquid asset ratio of 8.01% and a short-term liquid asset ratio of 2.7%.

Accounting. An OTS policy statement applicable to all savings associations clarifies and reemphasizes that the investment activities of a savings association must be in compliance with approved and documented investment policies and strategies, and must be accounted for in accordance with generally accepted accounting principles ("GAAP"). Under the policy statement, management must support its classification of and accounting for loans and securities (i.e., whether held for investment, sale or trading) with appropriate documentation. First Federal is in compliance with these amended rules.

OTS accounting regulations, which may be made more stringent than GAAP by the OTS, require that transactions be reported in a manner that best reflects their underlying economic substance and inherent risk and that financial reports must incorporate any other accounting regulations or orders prescribed by the OTS.

Qualified Thrift Lender Test. All savings associations, including First Federal, are required to meet a qualified thrift lender ("QTL") test to avoid certain restrictions on their operations. This test requires a savings association to have at least 65% of its portfolio assets (as defined by regulation) in qualified thrift investments on a monthly average for nine out of every 12 months on a rolling basis. As an alternative, the savings association may maintain 60% of its assets in those assets specified in Section 7701(a)(19) of the Internal Revenue Code. Under either test, such assets primarily consist of residential housing related loans and investments. Such assets primarily consist of residential housing related loans and investments. At September 30, 1996, First Federal met the test and has always met the test since its effectiveness. At September 30, 1996, First Federal's QTL percentage was 90.4%.

Any savings association that fails to meet the QTL test must convert to a national bank charter, unless it requalifies as a QTL and thereafter remains a QTL. If an association does not requalify and converts to a national bank charter, it must remain SAIF-insured until the FDIC permits it to transfer to the BIF. If such an association has not yet requalified or converted to a national bank, its new

investments and activities are limited to those permissible for both a savings association and a national bank, and it is limited to national bank branching rights in its home state. In addition, the association is immediately ineligible to receive any new FHLB borrowings and is subject to national bank limits for payment of dividends. If such association has not requalified or converted to a national bank within three years after the failure, it must divest of all investments and cease all activities not permissible for a national bank. In addition, it must repay promptly any outstanding FHLB borrowings, which may result in prepayment penalties. If any association that fails the QTL test is controlled by a holding company, then within one year after the failure, the holding company must register as a bank holding company and become subject to all restrictions on bank holding companies. See "- Holding Company Regulation."

Community Reinvestment Act. Under the Community Reinvestment Act

("CRA"), every FDIC insured institution has a continuing and affirmative obligation consistent with safe and sound banking practices to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the OTS, in connection with the examination of First Federal, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications, such as a merger or the establishment of a branch, by First Federal. An unsatisfactory rating may be used as the basis for the denial of an application by the OTS.

The federal banking agencies, including the OTS, have recently revised the CRA regulations and the methodology for determining an institution's compliance with the CRA. Due to the heightened attention being given to the CRA in the past few years, the Association may be required to devote additional funds for investment and lending in its local community. The Association was examined for CRA compliance in September 1995 and received a rating of satisfactory.

Transactions with Affiliates. Generally, transactions between a savings association or its subsidiaries and its affiliates are required to be on terms as favorable to the association as transactions with non-affiliates. In addition, certain of these transactions, such as loans to an affiliate, are restricted to a percentage of the association's capital. Affiliates of First Federal include the Company and any company which is under common control with First Federal. In addition, a savings association may not lend to any affiliate engaged in activities not permissible for a bank holding company or acquire the securities of most affiliates. First Federal's subsidiaries are not deemed affiliates; however, the OTS has the discretion to treat subsidiaries of savings associations as affiliates on a case by case basis.

Certain transactions with directors, officers or controlling persons are also subject to conflict of interest regulations enforced by the OTS. These conflict of interest regulations and other statutes also impose restrictions on loans to such persons and their related interests. Among other things, such loans must be made on terms substantially the same as for loans to unaffiliated individuals.

Holding Company Regulation. The Company is a unitary savings and loan holding company subject to regulatory oversight by the OTS. As such, the Company is required to register and file reports with the OTS and is subject to regulation and examination by the OTS. In addition, the OTS has enforcement authority over the Company and its non-savings association subsidiaries which also permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings association.

As a unitary savings and loan holding company, the Company generally is not subject to activity restrictions. If the Company acquires control of another savings association as a separate subsidiary, it would become a multiple savings and loan holding company, and the activities of the Company and any of its subsidiaries (other than the Association or any other SAIF-insured savings association) would

become subject to such restrictions, unless such other associations each qualify as a QTL and were acquired in a supervisory acquisition.

If First Federal fails the QTL test, the Company must obtain the approval of the OTS prior to continuing after such failure, directly or through its other subsidiaries, any business activity other than those approved for multiple savings and loan holding companies or their subsidiaries. In addition, within one year of such failure the Company must register as, and will become subject to, the restrictions applicable to bank holding companies. The activities authorized for a bank holding company are more limited than are the activities authorized for a unitary or multiple savings and loan holding company. See "- Qualified Thrift Lender Test."

The Company must obtain approval from the OTS before acquiring control of any other SAIF-insured association. Such acquisitions are generally prohibited if they result in a multiple savings and loan holding company controlling savings associations in more than one state. However, such interstate acquisitions are permitted based on specific state authorization or in a supervisory acquisition of a failing savings association.

Federal Securities Law. The stock of the Company is registered with the SEC under the Exchange Act. The Company is subject to the information, proxy solicitation, insider trading restrictions and other requirements of the SEC under the Exchange Act.

Company stock held by persons who are affiliates (generally officers, directors and principal stockholders) of the Company may not be resold without registration or unless sold in accordance with certain resale restrictions. If the Company meets specified current public information requirements, each affiliate of the Company is able to sell in the public market, without registration, a limited number of shares in any three-month period.

Federal Reserve System. The Federal Reserve Board requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts (primarily checking, NOW and Super NOW checking accounts). At September 30, 1996, First Federal was in compliance with these reserve requirements. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy liquidity requirements that may be imposed by the OTS. See "- Liquidity."

Savings associations are authorized to borrow from the Federal Reserve Bank "discount window," but Federal Reserve Board regulations require associations to exhaust other reasonable alternative sources of funds, including FHLB borrowings, before borrowing from the Federal Reserve Bank.

Federal Home Loan Bank System. First Federal is a member of the FHLB of Topeka, which is one of 12 regional FHLBs that administers the home financing credit function of savings associations. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members (i.e., advances) in accordance with policies and procedures, established by the board of directors of the FHLB, which are subject to the oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances are required to provide funds for residential home financing.

As a member, First Federal is required to purchase and maintain stock in the FHLB of Topeka. At September 30, 1996, First Federal had $1.2 million in FHLB stock, which was in compliance with this requirement. In past years, First Federal has received substantial dividends on its FHLB stock. Over the past five fiscal years such dividends have averaged 7.04% and were 6.44% for fiscal year 1996.

Under federal law, the FHLBs are required to provide funds for the resolution of troubled savings associations and to contribute to low- and moderately priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have affected adversely the level of FHLB dividends paid and could continue to do so in the future. These contributions could also have an adverse effect on the value of FHLB stock in the future. A reduction in value of First Federal's FHLB stock may result in a corresponding reduction in First Federal's capital.

For the fiscal year ended September 30, 1996, dividends paid by the FHLB of Topeka to First Federal totaled $70,398, which constitute a $9,746 increase over the amount of dividends received in fiscal year 1995.

Federal Taxation. Savings associations such as the Association that met certain definitional tests relating to the composition of assets and other conditions prescribed by the Internal Revenue Code of 1986, as amended (the "Code"), were permitted to establish reserves for bad debts and to make annual additions thereto which could, within specified formula limits, be taken as a deduction in computing taxable income for federal income tax purposes for taxable years beginning prior to January 1, 1996. The amount of the bad debt reserve deduction for "non-qualifying loans" was computed under the experience method. The amount of the bad debt reserve deduction for "qualifying real property loans" (generally loans secured by improved real estate) could be computed under either the experience method or the percentage of taxable income method (based on an annual election).

Under the experience method, the bad debt reserve deduction was an amount determined under a formula based generally upon the bad debts actually sustained by the savings association over a period of years.

The percentage of specially computed taxable income that was used to compute a savings association's bad debt reserve deduction under the percentage of taxable income method (the "percentage bad debt deduction") was 8%. The percentage bad debt deduction thus computed was reduced by the amount permitted as a deduction for non-qualifying loans under the experience method. The availability of the percentage of taxable income method permitted qualifying savings associations to be taxed at a lower effective federal income tax rate than that applicable to corporations generally (approximately 31.3% assuming the maximum percentage bad debt deduction).

Under the percentage of taxable income method, the percentage bad debt deduction could not exceed the amount necessary to increase the balance in the reserve for "qualifying real property loans" to an amount equal to 6% of such loans outstanding at the end of the taxable year or the greater of (i) the amount deductible under the experience method or (ii) the amount which when added to the bad debt deduction for "non-qualifying loans" equalled the amount by which 12% of the amount comprising savings accounts at year end exceeded the sum of surplus, undivided profits and reserves at the beginning of the year.

In August 1996, legislation was enacted that repeals the above-described reserve method of accounting (including the percentage of taxable income method) used by many thrift institutions to calculate their bad debt reserve for federal income tax purposes. Thrift institutions with $500 million or less in assets may, however, continue to use the experience method. As a result, First Federal must recapture that portion of the reserve that exceeds the amount that could have been taken under the experience method for post-1987 tax years. The legislation also requires thrifts to account for bad debts for federal income tax purposes on the same basis as commercial banks for tax years beginning after December 31, 1995. The recapture will occur over a six-year period, the commencement of which will be delayed until the first taxable year beginning after December 31, 1997, provided the institution meets certain residential lending requirements. The legislation also requires thrift institutions to account for bad

debts for federal income tax purposes on the same basis as commercial banks for tax years beginning after December 31, 1995.

In addition to the regular income tax, corporations, including savings associations such as the Association, generally are subject to a minimum tax. An alternative minimum tax is imposed at a minimum tax rate of 20% on alternative minimum taxable income, which is the sum of a corporation's regular taxable income (with certain adjustments) and tax preference items, less any available exemption. The alternative minimum tax is imposed to the extent it exceeds the corporation's regular income tax and net operating losses can offset no more than 90% of alternative minimum taxable income. For taxable years beginning after 1986 and before 1996, corporations, including savings associations such as First Federal, are also subject to an environmental tax equal to .12% of the excess of alternative minimum taxable income for the taxable year (determined without regard to net operating losses and the deduction for the environmental tax) over $2 million.

To the extent earnings appropriated to a savings association's bad debt reserves for "qualifying real property loans" and deducted for federal income tax purposes exceed the allowable amount of such reserves computed under the experience method and to the extent of the association's supplemental reserves for losses on loans ("Excess"), such Excess may not, without adverse tax consequences, be utilized for the payment of cash dividends or other distributions to a shareholder (including distributions on redemption, dissolution or liquidation) or for any other purpose (except to absorb bad debt losses). As of September 30, 1996, the Association's Excess for tax purposes totaled approximately $2.5 million.

The Company and Association file consolidated federal income tax returns on a fiscal year basis using the accrual method of accounting. Thrift institutions, such as the Association, that file federal income tax returns as part of a consolidated group are required by applicable Treasury regulations to reduce their taxable income for purposes of computing the percentage bad debt deduction for losses attributable to activities of the non-savings association members of the consolidated group that are functionally related to the activities of the savings association member.

The Company has not been audited by the Internal Revenue Service for the last 10 years and has federal income tax returns which are open and subject to audit for the years 1992 through 1995. In the opinion of management, any examination of still open returns would not result in a deficiency which could have a material adverse effect on the financial condition of the Association.

Kansas Taxation. The Company and Association file separate Kansas income and Kansas privilege tax returns on a fiscal year basis using the accrual method of accounting.

Kansas law permits savings and loan associations to deduct from net income, a reserve established for the sole purpose of meeting or absorbing losses, in the amount of five percent of such net income determined without the benefit of such deduction, or, in the alternative, a reasonable addition to a reserve for losses based on past experiences. The Kansas privilege tax is computed on the basis of 4.5% of taxable income, plus 2.25% of taxable income in excess of $25,000.

The Company has not been audited by the Kansas Department of Revenue for the last ten years and has Kansas privilege tax returns which are open and subject to audit for the years 1992 through 1995. In the opinion of management, any examination of such open returns would not result in a deficiency which could have a material adverse effect on the financial condition of the Company.

Delaware Taxation. As a Delaware holding company, the Company is exempted from Delaware corporate income tax but is required to file an annual report with and pay an annual fee to the State of Delaware. The Company is also subject to an annual franchise tax imposed by the State of Delaware.

For additional information regarding taxation, see Note K of the Notes to the Consolidated Financial Statements in the Annual Report.

Competition

First Federal faces strong competition, both in originating real estate and other loans and in attracting deposits. Competition in originating real estate loans comes primarily from commercial banks and credit unions.

The Association attracts all of its deposits, primarily from Montgomery County where the Association's office is located; therefore, competition for those deposits is principally from commercial banks and credit unions located in the same community. The Association competes for these deposits by offering a variety of deposit accounts at competitive rates and convenient business hours. The Association estimates its share of the savings market in its primary market area to be approximately 17%.

Executive Officers of the Company

The following table sets forth certain information with respect to each of the executive officers of the Company.

NAME	AGE(1)	POSITION(S) HELD
Larry G. Spencer	48	President and Chief Executive Officer
Gary L. Overfield	44	Senior Vice President and Secretary
James B. Mitchell	41	Vice President and Chief Financial Officer

----
(1) At September 30, 1996.

Executive Officers of the Association

The following table sets forth certain information with respect to each of the executive officers of the Association.

NAME	AGE(1)	POSITION(S) HELD
Larry G. Spencer	48	President and Chief Executive Officer and Director
Gary L. Overfield	44	Senior Vice President, and Secretary and Chief Loan Officer
Jim L. Clubine	43	Vice President and Asset Manager
James B. Mitchell	41	Vice President and Chief Financial Officer

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(1) At September 30, 1996.

Larry G. Spencer. Mr. Spencer is President and Chief Executive Officer of the Association. Mr. Spencer has been employed by First Federal since 1974 and has held a variety of positions including Executive Vice President. Mr. Spencer was promoted to his present position in 1990. Mr. Spencer received a degree in Business Administration from Pittsburg State University and served in the U.S. Army for three years. He has served on the board of the Chamber of Commerce, Main Street, the Independence Community College Endowment Association and the Community Chest and is presently a member of the board of Junior

Achievement and Independence Industries. He is also a member of the Rotary Club.

Gary L. Overfield. Mr. Overfield is Senior Vice President, Secretary and Chief Loan Officer of the Association, a position he has held since 1990. Mr. Overfield has been employed by First Federal since 1976 and has held a variety of positions including Vice President and Loan Officer from 1985 to 1990. Mr. Overfield is a graduate of Pittsburg State University. He is currently licensed by the State of Kansas as a Life and Accident and Health Insurance agent. He was a member of the Board of Directors and previous Secretary of the Independence Rotary Club, a youth coach for the Independence Recreation Commission, previous Treasurer for the local chapter of Duck's Unlimited, and previous Director and Treasurer for the Independence Chamber of Commerce.

Jim L. Clubine. Mr. Clubine is Vice President and Asset Manager, a position he has held since 1990. Prior to joining First Federal, he was employed as Branch Manager by MidAmerica Federal of Parsons, Kansas from 1979 to 1990. Mr. Clubine is a member of Independence Chamber of Commerce (Ambassador Club), Mercy Hospital Foundation Fund Raising Committee, and a member of the Rotary Club. He has served on the board of the Chamber of Commerce, Community Chest, and was a Previous Chairman of the March of Dimes. Mr. Clubine is a graduate of Kansas State University.

James B. Mitchell. Mr. Mitchell is Vice President and Chief Financial Officer of the Association, a position he has held since March 1992. Prior to joining First Federal, he was employed by Eureka Savings Bank, Eureka, Kansas, in the capacity of Strategic Asset Manager from 1988 to 1991 and Chief Financial Officer from 1991 to 1992. From 1976 to 1988, Mr. Mitchell was Chief Financial Officer for Peoples Savings and Loan, Parsons, Kansas. Mr. Mitchell has an accounting degree from Pittsburg State University.

Employees

At September 30, 1996, the Association had a total of 22 employees. The Association's employees are not represented by any collective bargaining group. Management considers its employee relations to be good.

Item 2. Description of Property

The Company owns its office located at Myrtle and Sixth in Independence, Kansas. The total net book value of the Company's premises and equipment at September 30, 1996, was $910,813.

First Federal has received approval from the OTS to establish a branch office in Coffeyville, Kansas. The establishment of this branch will increase the Association's ability to serve the needs of the communities served by First Federal by providing an additional location at which deposits can be received and loan applications taken from existing First Federal customers currently living in Coffeyville. In addition, the Coffeyville location will increase the Association's ability to serve Montgomery County's anticipated economic growth due to the relocation of Cessna Aircraft and American Insulated Wire to this area. The Association anticipates this office will open in mid-December.

The Company maintains depositor and borrower customer files on an on-line basis with the FiServ Data Processing System, Milwaukee, Wisconsin. The net book value of the data processing and computer equipment utilized by the Company at September 30, 1996, was approximately $66,166.

Item 3. Legal Proceedings

First Federal is involved as plaintiff or defendant in various legal actions arising in the normal course of their business. While the ultimate outcome of these proceedings cannot be predicted with certainty, it is the opinion of management, after consultation with counsel representing First Federal in the proceedings, that the resolution of these proceedings should not have a material effect on the Company's results of operations. The Company was not involved in any legal proceedings at September 30, 1996.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended September 30, 1996.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

Page 32 of the attached 1996 Annual Report to Stockholders is herein incorporated by reference.

Item 6. Management's Discussion and Analysis or Plan of Operation

Pages 4 through 13 of the attached 1996 Annual Report to Stockholders are herein incorporated by reference.

Item 7. Financial Statements

The following information appearing in the Company's Annual Report to Stockholders for the year ended September 30, 1996, is incorporated by reference in this Annual Report on Form 10-KSB as Exhibit 13.
<TABLE>
<CAPTION>

Annual Report Section	Pages in Annual Report
<S>	<C>
Report of Independent Certified Public Accountants	14
Consolidated Balance Sheets (September 30, 1996 and 1995)	15
Consolidated Statements of Earnings (For the Years Ended September 30, 1996 and 1995)	16
Consolidated Statements of Stockholders' Equity (For the Years Ended September 30, 1996 and 1995)	17
Consolidated Statements of Cash Flows (For the Years Ended September 30, 1996 and 1995)	18
Notes to Consolidated Financial Statements	19-31

</TABLE>

With the exception of the aforementioned information in Part II of the Form 10-KSB, the Corporation's Annual Report to Stockholders for the year ended September 30, 1996 is not deemed filed as part of this Annual Report on Form 10-KSB.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There has been no Current Report on Form 8-K filed within 24 months prior to the date of the most recent financial statements reporting a change of accountants and/or reporting disagreements on any matter of accounting principle or financial statement disclosure.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

Directors

Information concerning Directors of the Company is incorporated herein by reference from the definitive Proxy Statement for the Annual Meeting of Stockholders to be held in 1997, a copy of which will be filed not later than 120 days after the close of fiscal year.

Executive Officers

Information regarding the business experience of the executive officers of the Company and the Association contained in Part I of this Form 10-KSB is incorporated herein by reference.

Item 10. Executive Compensation

Information concerning executive compensation is incorporated herein by reference from the definitive Proxy Statement for the Annual Meeting of Stockholders to be held in 1997, a copy of which will be filed not later than 120 days after the close of the fiscal year.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Information concerning security ownership of certain beneficial owners and management is incorporated herein by reference from the definitive Proxy Statement for the Annual Meeting of Stockholders to be held in 1997, a copy of which will be filed not later than 120 days after the close of the fiscal year.

Item 12. Certain Relationships and Related Transactions

Information concerning certain relationships and related transactions is incorporated herein by reference from the definitive Proxy Statement for the Annual Meeting of Stockholders to be held in 1997, a copy of which will be filed not later than 120 days after the close of the fiscal year.

Item 13. Exhibits and Reports on Form 8-K

(a) Exhibits

<TABLE>
<CAPTION>

Regulation S-B Exhibit Number	Document	Reference to Prior Filing or Exhibit Number Attached Hereto
<S>	<C>	<C>
2	Plan of acquisition, reorganization, arrangement, liquidation, or succession	None
3(a)	Articles of Incorporation	*
3(b)	By-Laws	*
4	Instruments defining the rights of security holders, including debentures	*
9	Voting Trust Agreement	None
10	Executive Compensation Plans and Arrangements	
	(a) 1994 Stock Option and Incentive Plan	**
	(b) Recognition and Retention Plan	*
	(c) Employment Agreements	*
11	Statement re: computation of per share earnings	***
12	Statement re: computation of ratios	Not required
13	Annual Report to Security Holders	13
16	Letter on change in certifying accountants	None
18	Letter on change in accounting principles	None
21	Subsidiaries of the Registrant	21
23	Consents of Experts and Counsel	23
24	Power of Attorney	Not required
27	Financial Data Schedule	27
99	Additional exhibits	None

</TABLE>

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* Filed as exhibits to the Company's Form S-1 registration statement filed on June 22, 1994 (File No. 33-64812) pursuant to Section 5 of the Securities Act of 1933. All of such previously filed documents are hereby incorporated herein by reference in accordance with Item 601 of Regulation S-B.

** Filed as an exhibit to the Company's Annual Report on Form 10-KSB filed on December 29, 1994 (File No. 0-22184) pursuant to the Securities Exchange Act of 1934.

***See Note 1 of Notes to Consolidated Financial Statements in the Annual Report to Shareholders' attached hereto as Exhibit 13.

(b) Reports on Form 8-K

During the quarter ended September 30, 1996, the Company did not file any Current Reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of Section 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.

FIRST INDEPENDENCE CORPORATION

<TABLE>
<CAPTION>

<S>	<C>	<C>
Date:	_______________________	By: /s/ Larry G. Spencer -- Larry G. Spencer, President, Chief Executive Officer and Director (Duly Authorized Representative)

</TABLE>

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated.

/s/ Larry G. Spencer

Larry G. Spencer, President, Chief Executive Officer, Officer and Director (Principal Executive and Operating Officer)

Date: 12/30/96

/s/ Donald E. Aitken

Donald E. Aitken, Chairman of the Board

Date: 12/30/96

/s/ Harold L. Swearingen

Harold L. Swearingen, Director

Date: 12/30/96

/s/ Lavern W. Strecker

Lavern W. Strecker, Director

Date: 12/30/96

/s/ James B. Mitchell

James B. Mitchell, Vice President and Chief
Financial Officer (Principal Financial and
Accounting Officer)

Date: 12/30/96

/s/ William T. NewKirk II

William T. NewKirk II, Director

Date: 12/30/96

/s/ John T. Updegraff

John T. Updegraff, Director

Date: 12/30/96

/s/ Joseph M. Smith

Joseph M. Smith, Director

Date: 12/30/96

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

Exhibit Number	
<S>	<C>
11	Statement Regarding Computation of Per Share Earnings (included under Note 1 of Notes to Consolidated Financial Statements in the Annual Report to Stockholders' attached hereto as Exhibit 13)
13	Annual Report to Security Holders
21	Subsidiaries of the Registrant
23	Consent of Accountants
27	Financial Data Schedule

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ANNUAL MEETING

The Annual Meeting of Stockholders will be held at the office of the Company located at Myrtle and Sixth Streets, Independence, Kansas at 2:00 p.m. Independence, Kansas time, on January 22, 1997.

[LOGO]

First Independence Corporation

TO OUR STOCKHOLDERS, DEPOSITORS AND FRIENDS:

It is my pleasure to present to you the 1996 Annual Report of First Independence Corporation, parent of First Federal Savings and Loan Association of Independence, which reflects results from our third complete year as a stock company. As you will see by reading the accompanying financial statements, First Independence had another excellent year with $815,000 in net earnings. Earnings per share for the 1996 fiscal year were $1.37 based upon 595,686 weighted average common shares outstanding during the year ended September 30, 1996.

In 1996 we continued to see the quality of our assets improve. Non-performing assets decreased to $614,000 at September 30, 1996, or .57% of total assets, from $789,000 at September 30, 1995, or .78% of total assets. Non-performing assets have been reduced from 6% of capital at September 30, 1995, to less than 5% of capital at fiscal year-end 1996.

An additional way to judge the strength of a company is by its capital. First Independence Corporation's stockholders' equity at September 30, 1996, was $13.0 million. This represents an equity-to-asset ratio of 11.98% and a book value per share of $22.29. This financial position has allowed First Independence Corporation to distribute to stockholders a portion of its net earnings in the form of a dividend. During fiscal 1996, a total dividend of $.375 per share was authorized by the Board of Directors, which resulted in a payment to stockholders of an aggregate dividend of approximately $214,000. The current $.10 quarterly dividend per share represents a 33% increase over the fiscal 1995 quarterly dividend per share. As with every decision we make, our dividend policy is designed to take into consideration our responsibility to and interest in our stockholders.

First Independence continues to be committed to our market. This is evidenced by the $22.0 million in loans originated by the company during the fiscal year. These loans provide funds for many people in our community to build, buy, remodel, or consolidate other financial obligations. Additionally, we strive to provide our savings customers a safe, secure bank where they can deposit their funds and earn a fair rate of return, as well as chose from the variety of accounts we offer. The success of this commitment is evidenced by the increase in deposits of $1.5 million, which translates to a 2.1% increase over last year.

The next fiscal year we will see our new branch in Coffeyville opened. We are looking forward to providing new and better service for our friends in Coffeyville and its surrounding communities. Our major emphasis in our operations in the coming year will be to increase our market share in our existing market area. Growth and profitability can be achieved at the least cost by taking advantage of cross sell opportunities with our existing customer base.

On a sad note, former Director A. French DeFever passed away in May 1996. French retired from the Board in 1993 after serving more than 23 years. French will be missed, and he will always be remembered as a gentleman and a friend.

On behalf of the directors, officers and staff of First Federal and First Independence Corporation, we thank you for your continued support and confidence.

Sincerely,

/s/ Larry G. Spencer

Larry G. Spencer
President & CEO

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	September 30, 1996	1995	1994	1993(1)	1992
	(In Thousands)				
Selected Financial Condition Data:					
Total assets	$108,539	$101,904	$94,593	$96,166	$90,863
Cash, cash equivalents and interest-bearing deposits	1,763	2,115	1,415	20,146	6,552
Loans receivable, net	67,683	60,370	56,895	58,089	66,024
Mortgage-backed securities - at cost	28,039	28,594	29,617	13,963	11,606
Investment securities - at cost	2,000	1,000	4,245	271	2,329
Securities available for sale	5,894	7,358	12	--	--
Real estate acquired through foreclosure, net	12	62	234	1,409	2,084
Deposits	69,356	67,927	64,384	84,941	84,081
Borrowings	24,300	18,800	15,400	3,000	209
Stockholders' equity	13,003	13,600	13,351	6,103	4,783

	Year Ended September 30, 1996	1995	1994	1993 (1)	1992
	(In Thousands)				
Selected Operations Data:					
Total interest income	$ 7,773	$ 7,186	$ 6,296	$ 6,570	$ 8,201
Total interest expense	4,669	3,852	2,857	3,490	5,465
Net interest income	3,104	3,334	3,439	3,080	2,736
Provision for losses on loans	--	--	45	332	61
Net interest income after provision for losses on loans	3,104	3,334	3,394	2,748	2,675
Other income	331	267	216	217	187
Gain (loss) on sale of investments	251	--	--	326	(56)
Provision for loss on real estate acquired through foreclosure	--	--	--	--	(319)
General, administrative and other expense	(2,384)	(1,820)	(1,653)	(1,506)	(1,388)
Earnings before income tax expense and cumulative effect of change in accounting principle	1,302	1,781	1,957	1,785	1,099

Income tax expense	487	694	750	465	180
Earnings before cumulative effect of change in accounting principle	815	1,087	1,207	1,320	919
Cumulative effect of change in accounting principle	--	--	241	--	--
Net earnings	$ 815	$ 1,087	$ 1,448	$ 1,320	$ 919

</TABLE>

(1) Does not reflect proceeds from the Association's conversion to stock form and stock issuance by First Independence Corporation which was completed on October 5, 1993.

FINANCIAL RATIOS

<TABLE>
<CAPTION>

<S>	September 30, 1996 <C>	1995 <C>	1994 <C>	1993 (1) <C>	1992 <C>
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on assets (ratio of net earnings to average total assets)	0.78%	1.12%	1.61%	1.50%	0.95%
Interest rate spread information:					
Average during period	2.36	2.87	3.38	3.45	2.69
End of period	2.17	2.36	3.34	2.94	3.37
Net interest margin (2)	3.02	3.52	3.91	3.64	2.91
Ratio of operating expense to average total assets	2.28	1.88	1.82	1.61	1.26
Return on equity (ratio of net earnings to average equity)	6.21	8.16	11.21	24.63	20.16
Quality Ratios:					
Non-performing assets to total assets, at end of period (3)	0.57	0.78	1.27	2.81	4.21
Allowance for loan losses to non-performing assets, at end of period (3)	112.36	87.45	55.31	24.72	23.80
Capital Ratios:					
Equity to total assets, at end of period	11.98	13.35	14.11	6.35	5.26
Average equity to average assets	12.57	13.78	14.38	6.08	4.69
Ratio of average interest-earning assets to average interest-bearing liabilities	114.50	115.83	116.42	104.66	103.70
Dividend payout ratio (4)	27.37	16.47	7.73	N/A	N/A
Number of full service offices	1	1	1	1	1

</TABLE>

(1) Does not reflect proceeds from the Association's conversion to stock form and stock issuance by First Independence Corporation which was completed on October 5, 1993.

(2) Net interest income divided by average interest-earning assets.

(3) Includes non-accruing loans, accruing loans delinquent 90 days or more and assets acquired through foreclosure.

(4) Dividends paid per share divided by earnings per share. The ratio for 1994 does not give pro forma effect for annualizing dividends paid.

Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

Effective October 5, 1993, First Federal Savings and Loan Association of Independence, Kansas ("First Federal" or the "Association") converted from a federally chartered mutual savings association to a federally chartered stock savings association and concurrently became a subsidiary of a holding company, First Independence Corporation (the "Company"). The Company owns all outstanding stock of First Federal and the Company's earnings are primarily dependent on the operations of First Federal. Currently, the Company has no other business activity other than acting as the holding company for First Federal. As a result, the following discussion relates primarily to the activities of First Federal. This discussion should be read in conjunction with the consolidated Financial Statements and accompanying Notes included elsewhere in this report.

The Company's business consists of attracting deposits from the general public and using such deposits primarily to make residential mortgage and other loans. The Company's revenues are derived principally from interest charges on mortgage loans and mortgage- backed securities and, to a lesser extent, from interest earned on investment securities and interest-bearing deposits. In addition, the Company receives fees from loan originations, late payments and for various services related to transaction and other deposit accounts, and dividends on its Federal Home Loan Bank ("FHLB") stock.

The operations of the Company, and savings institutions and their holding companies in general, are significantly affected by general economic conditions and the related monetary and fiscal policies of regulatory agencies. Deposit flows and cost of funds are influenced by interest rates on competing investments and general market rates of interest. Lending activities are affected by the demand for financing of real estate and other types of assets, which in turn is affected by the interest rates at which such financing may be offered and other factors including the availability of funds.

Historically, the Company's principal business was the origination for its portfolio of long-term, fixed rate mortgage loans, using funds provided by passbook and short-term certificates of deposit accounts. During the early 1980's, the Board commenced the development and implementation of a strategy designed to reduce vulnerability to interest rate fluctuations by increasing the Company's adjustable rate assets. As a result of the implementation of this strategy, management believes that the Company has reduced its vulnerability to changes in interest rates.

FORWARD-LOOKING STATEMENTS

Certain statements in this report that relate to First Independence Corporation's plans, objectives or future performance may be deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on Management's current expectations. Actual strategies and results in future periods may differ materially from those currently expected because of various risks and uncertainties. Additional discussion of factors affecting First Independence's business and prospects is contained in the Company's periodic filings with the Securities and Exchange Commission.

ASSET/LIABILITY MANAGEMENT

The matching of assets and liabilities may be analyzed by examining the extent to which they are "interest rate sensitive" and by monitoring an institution's interest rate sensitivity "gap." An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets anticipated, based upon certain assumptions, to mature or reprice within a specific time period and the amount of interest-bearing liabilities anticipated, based upon certain assumptions, to mature or reprice within that same time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect operations while a positive gap would tend to benefit operations.

A primary objective of asset/liability management is to manage interest rate risk. First Federal monitors its asset/liability mix on an ongoing basis and, from time to time, may institute certain changes in its product mix and asset and liability maturities.

Since the early 1980's, the Company has stressed the origination of adjustable rate residential mortgage loans ("ARMs"), subject to market conditions. In recent periods, the Company has also purchased adjustable-rate mortgage-backed securities. At September 30, 1996, approximately $30.8 million, or 44.3% of the Company's total loans secured by real estate, were ARMs. On the same date, the Company also had $16.4 million in adjustable-rate mortgage-backed securities.

The Company's ARMs and adjustable-rate mortgage-backed securities adjust to various indices. The Company monitors the mix of indices on its adjustable rate assets and seeks, consistent with market conditions, to achieve a close match in the repricing characteristics of its assets and liabilities.

To increase the interest rate sensitivity of its assets, the Company has also maintained a relatively high level of short and intermediate- term investment securities and other assets. At September 30, 1996, the Company had $4.0 million of investment securities and interest-

bearing deposits maturing or repricing within three years. Finally, the Company has undertaken various marketing programs from time to time over the last decade in order to extend the term of its deposit liabilities. In 1993, the Company introduced a new certificate of deposit program in an attempt to reduce deposit outflows and attract longer term deposits which were being lost as a result of the general decline in market rates of interest. This program offers two certificate products which have 4- and 5-year terms. At September 30, 1996, the Company had approximately $7.7 million in these two certificates.

In the future, in managing its interest rate sensitivity, the Company intends to continue to stress the origination of ARMs, subject to market conditions, the purchase of adjustable-rate mortgage-backed securities and the maintenance of a relatively high level of short- term securities and other assets.

Office of Thrift Supervision ("OTS") regulations provide a Net Portfolio Value ("NPV") approach to the quantification of interest rate risk. In essence, this approach calculates the difference between the present value of expected cash flows from assets and the present value of expected cash flows from liabilities, as well as cash flows from off-balance-sheet contracts arising from an assumed 200 basis point increase or decrease in interest rates (whichever results in the greater pro forma decrease in NPV). Under OTS regulations, an institution's "normal" level of interest rate risk in the event of this assumed change in interest rates is a decrease in the institution's NPV in an amount not to exceed 2% of the present value of its assets. Thrift institutions with greater than "normal" interest rate exposure must take a deduction from their total capital available to determine if they meet their risk-based capital requirement. The amount of that deduction is one- half of the difference between (a) the institution's actual calculated exposure to the 200 basis point interest rate increase or decrease (whichever results in the greater pro forma decrease in NPV) and (b) its "normal" level of exposure which is 2% of the present value of its assets. Savings associations, such as First Federal, with less than $300 million in assets and a risk-based capital ratio in excess of 12% are exempt from this requirement unless the OTS determines otherwise. The OTS has postponed the implementation of the capital deduction component of this regulation until it completes its analysis of the methods of interest rate risk measurements proposed by the other banking regulators.

Presented below, as of September 30, 1996, is an analysis of the Association's interest rate risk as measured by changes in NPV for instantaneous and sustained parallel shifts in the yield curve, in 100 basis point increments, up and down 200 basis points and compared to Board policy limits. The table was prepared and furnished to the Association by the Office of Thrift Supervision. Assumptions used in calculating the amounts in this table were determined by the OTS (dollars in thousands):

<TABLE>
<CAPTION>

Change in interest rate (Basis Points)	Board Limit % Change	Net Portfolio Value At September 30, 1996		
		$ Amount	$ Change	% Change
<S>	<C>	<C>	<C>	<C>
+200	-40%	$ 7,774	$ (3,745)	-33%
+100	-25	9,785	(1,734)	-15
0	---	11,519	---	---
-100	-25	12,851	1,332	+12
-200	-40	13,575	2,056	+18

</TABLE>

As indicated in the table above, management has structured its assets and liabilities to minimize its exposure to interest rate risk. In the event of a 200 basis point change in interest rates, the Association would experience an 18% increase in NPV in a declining rate environment and a 33% decrease in a rising rate environment. During periods of rising interest rates, the value of monetary assets and liabilities generally decline. Conversely, during periods of falling interest rates, the value of monetary assets and liabilities generally increase. However, the amount of change in value of specific assets and liabilities due to changes in interest rates is not the same in a rising interest rate environment as in a falling interest rate environment (i.e., as indicated above, the amount of value increase under a specific rate decline may not equal the amount of value decrease under an identical upward rate movement).

Certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as ARMs, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the table. Finally, the ability of many borrowers to service their debt may decrease in the event of an interest rate increase. As a result, the actual effect of changing interest rates may differ from that presented in the foregoing table.

ASSET QUALITY

Total non-performing assets decreased to $614,000 at September 30, 1996 as compared to $789,000 at September 30, 1995. The ratio of non-performing assets to total assets at September 30, 1996 was .57% compared to .78% at September 30, 1995. Included in non-performing assets at September 30, 1996 were eighteen mortgage loans and four consumer loans totaling $576,000 and $26,000, respectively. Foreclosed real estate totaled $12,000 at September 30, 1996.

In addition to the non-performing assets, as of September 30, 1996, there was also one $210,000 loan designated by the Company as "of concern", due to management's concerns regarding the ability of the borrower to comply with loan repayment terms. Management has taken into account its non-performing assets and other loans of concern in establishing its allowance for loan losses, which totaled $690,000 at September 30, 1996.

RESULTS OF OPERATIONS

Average Balances, Interest Rates and Yields. The following table presents for the periods indicated the total dollar amount of interest income from average interest-earning assets and related yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. No tax equivalent adjustments were made. All average balances are monthly average balances. Non-accruing loans have been included in the table as loans carrying a zero yield.

<TABLE>
<CAPTION>

	Year Ended September 30,			
	1996			1995
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance
	(Dollars in Thousands)			
<S>	<C>	<C>	<C>	<C>
Interest-earning assets:				
Loans receivable (1)	$ 63,152	$5,190	8.22%	$58,628
Mortgage-backed securities	29,510	1,930	6.54	29,191
Investment securities	7,233	479	6.62	4,977
FHLB stock	1,103	70	6.38	1,028
Interest-bearing deposits in other financial institutions	--	--	--	--
Federal funds sold	1,434	79	5.53	650
Other	445	25	5.64	275
Total interest-earning assets	102,877	7,773	7.56	94,749
Interest-bearing liabilities:				
Demand and NOW deposits	18,765	762	4.06	13,508
Savings deposits and certificates	51,950	2,820	5.43	51,019
FHLB advances	19,133	1,087	5.68	17,275

Total interest-bearing liabilities	89,848	4,669	5.20	81,802
Net interest income		$3,104		
Net interest rate spread			2.36%	
Net earning assets	$ 13,029			$12,947
Net yield on average interest-earning assets			3.02%	
Average interest-earning assets to average interest-bearing liabilities		114.50%		

</TABLE>

(RESTUBBED TABLE CONTINUED FROM ABOVE)

<TABLE>
<CAPTION>

<S>	Interest Earned/ Paid <C>	1994 Yield/ Rate <C>	1994 Average Outstanding Balance <C>	1994 Interest Earned/ Paid <C>	1994 Yield/ Rate <C>
Interest-earning assets:					
Loans receivable (1)	$4,804	8.19%	$57,497	$4,666	8.12%
Mortgage-backed securities	1,939	6.64	22,981	1,272	5.54
Investment securities	321	6.45	2,584	129	4.99
FHLB stock	61	5.93	1,022	66	6.46
Interest-bearing deposits in other financial institutions	--	--	103	11	10.68
Federal funds sold	44	6.77	3,142	137	4.36
Other	17	6.18	537	15	2.79
Total interest-earning assets	7,186	7.58	87,866	6,296	7.17
Interest-bearing liabilities:					
Demand and NOW deposits	408	3.02	17,997	494	2.74
Savings deposits and certificates	2,441	4.78	50,336	2,054	4.08
FHLB advances	1,004	5.81	7,142	309	4.33
Total interest-bearing liabilities	3,853	4.71	75,475	2,857	3.79
Net interest income	$3,333			$3,439	
Net interest rate spread		2.87%			3.38%
Net earning assets			$12,391		
Net yield on average interest-earning assets		3.52%			3.91%
Average interest-earning assets to average interest-bearing liabilities	115.83%			116.42%	

</TABLE>

(1) Calculated net of deferred loan fees, loan discounts, loans in process and loss reserves.

Rate/Volume Analysis of Net Interest Income

The following schedule presents the dollar amount of changes in interest income and interest expense for major components of interest- earning assets and interest-bearing liabilities. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

<TABLE>
<CAPTION>

	Year Ended September 30, 1996 vs. 1995 Increase (Decrease) Due to			1995 vs. 1994 Increase (Decrease) Due to		
	Volume	Rate	Total Increase (Decrease)	Volume	Rate	Total Increase (Decrease)
	(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets:						
Loans receivable	$372	$ 14	$ 386	$ 92	$ 46	$ 138
Mortgage-backed securities	21	(30)	(9)	384	283	667
Investment securities	149	9	158	146	46	192
FHLB stock	4	5	9	--	(5)	(5)
Interest-bearing deposits in other financial institutions			0	(11)	--	(11)
Federal funds sold	44	(9)	35	(144)	51	(93)
Other	10	(2)	8	(10)	12	2
Total interest-earning assets	600	(13)	587	457	433	890
Interest-bearing liabilities:						
Demand and NOW deposits	188	166	354	(132)	46	(86)
Savings deposits and certificates	45	334	379	28	359	387
FHLB advances	106	(23)	83	560	135	695
Total interest-bearing liabilities	$339	$477	816	$ 456	$540	996
Net interest income			$ (229)			$(106)

</TABLE>

The following table sets forth the weighted average yields on the Company's interest-earning assets, the weighted average interest rates on interest-bearing liabilities and the interest rate spread between the weighted average yields and rates for the Company at the dates indicated. Non-accruing loans have been included in the table as carrying a zero yield.

<TABLE>
<CAPTION>

	At September 30, 1996	1995	1994
<S>	<C>	<C>	<C>
Weighted average yield on:			
Loans receivable	7.78%	8.13%	8.00%
Mortgage-backed securities	6.53	6.97	6.19
Investment securities	6.68	7.61	5.51
Federal funds sold	5.48	5.57	4.23
Other interest-earning assets	4.93	5.35	4.68
Combined weighted average yield on interest-earning assets	7.34	7.59	7.26
Weighted average rate paid on:			
Savings deposits and certificates	5.38	5.38	4.03
Demand and NOW deposits	4.03	3.78	2.70
FHLB advances	5.65	5.94	4.87
Combined weighted average rate paid on interest-bearing liabilities	5.17	5.23	3.92
Spread	2.17	2.36	3.34

</TABLE>

FINANCIAL CONDITION

The Company's total assets increased $6.6 million, or 6.5%, from $101.9 million at September 30, 1995 to $108.5 million at September 30, 1996. This increase was primarily due to increases in net loans receivable of $7.3 million, premises and equipment of $200,000 and Federal Home Loan Bank stock of $200,000. These increases in assets, along with a reduction in advanced payments by borrowers for taxes and insurance of $600,000 were funded by increases in advances obtained from the Federal Home Loan Bank of Topeka of $5.5 million, savings deposits of $1.5 million and checks issued in excess of cash items of $500,000. Funding was also provided by decreases in mortgage-backed securities of $700,000, cash and cash equivalents of $400,000 and investment securities of $300,000.

Total loans receivable increased $7.3 million from $60.4 million at September 30, 1995, to $67.7 million at September 30, 1996. Increased economic activity in the Company's lending area resulted in loan originations exceeding loan repayments. The loan portfolio is comprised primarily of first mortgage loans secured by one- to four-family residential real estate located in the Company's market area. The increase in one- to four-family mortgage loans consisted primarily of 15- and 30-year fixed-rate loans and, to a lesser extent, one-year adjustable rate mortgages and mortgage loans with a fixed rate for the first three years of the loan term that automatically convert to one-year adjustable rate loans during the fourth year.

The allowance for loan losses totaled $690,000 at September 30, 1996 which was unchanged from the allowance for loan losses at September 30, 1995. The ratio of the allowance for loan losses as a percent of total loans decreased from 1.14% at September 30, 1995 to 1.02% at September 30, 1996, due to the increase in total loans receivable at September 30, 1996. The allowance for loan losses as a percent of non-performing loans increased, however, from 94.91% at September 30, 1995 to 114.57% at September 30, 1996. At September 30, 1996, the Company's non-performing loans were comprised primarily of one- to four-family residential loans.

The allowance for loan losses is determined based upon an evaluation of pertinent factors underlying the types and qualities of the Company's loans. Management considers such factors as the repayment status of a loan, the estimated net realizable value of the underlying collateral, the borrower's ability to repay the loan, current and anticipated economic conditions which might affect the borrower's ability to repay the loan and the Company's past statistical history concerning charge-offs.

Total deposits increased $1.5 million from $67.9 million at September 30, 1995, to $69.4 million at September 30, 1996. Deposits increased in fiscal 1996 primarily as a result of the "Bulldog" certificate account developed in January 1995 and the "Platinum" money fund account introduced in May 1995. The "Bulldog" account offers interest rates from 25 to 50 basis points above the local market for a term of eighteen to thirty months. The "Platinum" money fund account offers tiered rates on a limited transaction account with the highest rate paid on balances of $50,000 and above. Management feels the "Bulldog" certificate and "Platinum" money fund provide an alternative to deposit customers looking to higher risk investments with higher yields than certificates of deposit and money market accounts.

Total borrowed funds increased $5.5 million from $18.8 million at September 30, 1995 to $24.3 million at September 30, 1996. These short-term borrowings were utilized primarily to fund an increase in loan originations, as well as to invest in adjustable rate mortgage-backed securities. By investing borrowed funds in securities at a positive spread over the term of the borrowings, the Company is attempting to enhance its net interest income. Management believes that the Company, while exposed to an increase in interest rate risk with increasing rates, has sufficient assets repricing within one year or less to allow it to take on this additional interest rate risk.

Total stockholders' equity decreased approximately $600,000 from $13.6 million at September 30, 1995 to $13.0 million at September 30, 1996. The decrease was primarily the result of the company's use of $1,207,000 to repurchase 62,923 shares of common stock, a decrease in unrealized gains on securities available for sale of $188,000, net of deferred taxes (primarily due to the sale of FHLMC stock which had been designated as available for sale at September 30, 1995, therefore, an unrealized gain of $150,000, net of applicable income

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taxes, had been recognized as a component of stockholders' equity at that date) and dividends of $214,000 paid to stockholders. These decreases were partially offset by the Company's net earnings from operations of $815,000, the repayment of employee stock ownership plan ("ESOP") debt of $73,000, a fair value adjustment of $60,000 on ESOP shares committed for release, the amortization of unearned stock compensation of $44,000 and common stock options exercised of $20,000.

COMPARISON OF FISCAL YEARS ENDED SEPTEMBER 30, 1996 AND SEPTEMBER 30, 1995

General. Net earnings for the fiscal year ended September 30, 1996 were $815,000 as compared to $1,087,000 for the fiscal year ended September 30, 1995, a decrease of $272,000, or 25.0%. The decrease in net earnings was primarily due to a one-time pre-tax charge of $432,000, resulting in a net after tax reduction to earnings of $256,000. This one-time charge was the result of legislation enacted on September 30, 1996 which mandated a special assessment of 65.7 basis points on deposits of SAIF-insured institutions as of March 31, 1995, in order to recapitalize the Savings Association Insurance Fund. To a lesser extent, the decrease in net earnings was due to a decrease in net interest income of $229,000 and an increase in non-interest expenses, exclusive of the SAIF special assessment, of $132,000. These decreases to net earnings were partially offset by an increase in non-interest income of $315,000 and a decrease in income tax expense of $207,000.

Net Interest Income. Net interest income decreased $229,000, or 6.87%, for the fiscal year ended September 30, 1996 as compared to the fiscal year ended September 30, 1995. This decrease was due primarily to an increase in interest expense of $816,000, or 21.2%, offset partially by an increase in interest income of $587,000, or 8.2%. Interest expense increased primarily due to a 49 basis point increase in the average rate paid on interest-bearing liabilities and, to a lesser extent, an $8.0 million increase in the average balance of interest-bearing liabilities. Interest income increased primarily due to an $8.1 million increase in the average balance of interest-earning assets, partially offset by a 2 basis point decrease in yield on interest-earning assets.

Interest Income. Interest income for the fiscal year ended September 30, 1996, increased to $7.8 million from $7.2 million for the fiscal year ended September 30, 1995. This increase resulted primarily from an $8.1 million increase in the average outstanding balance of interest-earning assets (due to the increase in the average balance of loans receivable and investment securities financed with borrowings from the Federal Home Loan Bank of Topeka and increased savings deposits) during the fiscal year ended September 30, 1996, as compared to the fiscal year ended September 30, 1995. These increases were partially offset by a decrease in the average yield on interest-earning assets. The average yield on interest-earning assets decreased 2 basis points to 7.56% during fiscal 1996, from 7.58% during fiscal 1995. This decrease was caused primarily by a decrease in yield on the Company's mortgage-backed securities portfolio from 6.64% to 6.54% A portion of the Company's adjustable rate mortgage-backed securities adjusted downward due to decreases in market rates and lower yielding current rate mortgage-backed securities were purchased during the fiscal year.

Interest Expense. Interest expense for the fiscal year ended September 30, 1996, increased by $800,000 to $4.7 million as compared to $3.9 million for the fiscal year ended September 30, 1995. This increase was primarily the result of a 49 basis point increase in average interest rates paid on interest-bearing liabilities, caused by higher rates paid on new deposit products developed in fiscal 1995 and an increase in rates paid on maturing certificates, as rates paid on certificates of deposit increased during the terms of the maturing certificates. To a lesser extent, the increase in interest expense was due to an $8.0 million increase in the average outstanding balance of interest-bearing liabilities during the fiscal year ended September 30, 1996 as compared to the fiscal year ended September 30, 1995. This increase in interest-bearing liabilities was primarily the result of a $6.2 million increase in the average outstanding balance of deposits due primarily to the "Platinum" money fund account introduced in May 1995. The "Platinum" money fund account is a limited transaction account which offers tiered rates with the highest rate paid on balances of $50,000 and above. To a lesser extent, the increase was due to a $1.9 million increase in the average outstanding amount of advances obtained from the Federal Home Loan Bank of Topeka. The advances were used by the Company to invest in loans receivable and mortgage-backed securities at a positive spread over the term of the advances.

Provision for Loan Losses. There was no provision for losses on loans for the fiscal years ended September 30, 1996 and September 30, 1995. Management determined that additional provisions were not necessary based upon their analysis of the established allowance and review of the composition of the loan portfolio. The Company will continue to monitor its allowance for loan losses and make future additions to the allowance through the provision for loan losses as economic and regulatory conditions dictate. However, there can be no assurance that future losses will not exceed estimated amounts or that additional provisions for loan losses will not be required in future periods. In addition, the Company's determinations as to the amount of the allowance for loan losses are subject to review by the regulatory agencies which can order the establishment of additional general or specific allowances.

Non-interest Income. Non-interest income increased $315,000 to $582,000 during the fiscal year ended September 30, 1996 as compared to $267,000 for the fiscal year ended September 30, 1995. The increase was primarily due to a non-recurring $251,000 gain on the sale of FHLMC stock which was recognized in the fiscal year ended September 30, 1996, with no gains on the sale of securities recognized in the fiscal year ended September 30, 1995. Recurring non-interest income generally consists of servicing fees as well as deposit and other types of fees. Non-interest income levels are anticipated to remain stable in the future due to the small number of checking accounts held by the Company.

Non-interest Expense. Total non-interest expense increased to $2,384,000 for the fiscal year ended September 30, 1996 from $1,820,000 for the fiscal year ended September 30, 1995, an increase of $564,000, or 31.0%. The increase was primarily due to a one- time pre-tax charge of $432,000, related to a special assessment of 65.7 basis points on deposits of SAIF-insured institutions as of March 31, 1995, in order to recapitalize the Savings Association Insurance Fund. As a result of the recapitalization of the Savings Association Insurance Fund, the Company expects its deposit insurance premium to be reduced from its current level in future periods. To a lesser extent, the increase was due to increases in compensation and employee benefits of $65,000, other expenses of $37,000, occupancy and equipment of $12,000, and data processing fees of $10,000. The increase in compensation expense was primarily due to annual increases in salaries and bonuses and expense associated with the Company's ESOP due to the increase in the Company's stock price.

Income Tax Expense. Income tax expense was $487,000 for the fiscal year ended September 30, 1996 compared to $694,000 for the fiscal year ended September 30, 1995, a decrease of $207,000. The decrease was primarily the result of a decrease in pretax income. The Company's effective tax rates were 37.4% and 39.0% for the fiscal years ended September 30, 1996 and September 30, 1995, respectively. The decrease in the effective tax rates during fiscal 1996 was due primarily to a state tax credit received by the Company due to a charitable contribution to a non-profit organization.

COMPARISON OF FISCAL YEARS ENDED SEPTEMBER 30, 1995 AND SEPTEMBER 30, 1994

General. Net earnings for the fiscal year ended September 30, 1995 were $1,087,000 as compared to $1,448,000 for the fiscal year ended September 30, 1994, resulting in a decrease of $361,000, or 24.9%. The decrease in net earnings was primarily due to the recognition of a $241,000 one-time gain resulting from the cumulative effect of a change in accounting principle recognized in the fiscal year ended September 30, 1994, with no similar activity in the fiscal year ended September 30, 1995. Net earnings before the cumulative effect of change in accounting principle for the fiscal year ended September 30, 1995 decreased to $1,087,000 from $1,207,000 for the fiscal year ended September 30, 1994, a decrease of $120,000, or 9.9%. This decrease was primarily due to decreases in net interest income of $106,000, a decrease in non-interest income of $12,000, and an increase in non-interest expenses of $104,000. These decreases to net earnings were partially offset by a decrease in provision for loan losses of $45,000 and a decrease in income tax expense of $56,000.

Net Interest Income. Net interest income decreased $106,000, or 3.08%, for the fiscal year ended September 30, 1995 as compared to the fiscal year ended September 30, 1994. This decrease was due primarily to an increase in interest expense of $996,000, or 34.9%, offset partially by an increase in interest income of $890,000, or 14.1%. Interest expense increased primarily due to a 92 basis point increase in the average rate paid on interest-bearing liabilities and, to a lesser extent, a $6.3 million increase in the average balance of interest-bearing liabilities. Interest income increased primarily due to a $6.9 million increase in the average balance of interest-earning assets and, to a lesser extent, a 41 basis point increase in yield on interest-earning assets.

Interest Income. Interest income for the fiscal year ended September 30, 1995, increased to $7.2 million from $6.3 million for the fiscal year ended September 30, 1994. This increase resulted primarily from a $6.9 million increase in the average outstanding balance of interest-earning assets (due to the increase in the average balance of mortgage-backed securities financed with borrowings from the FHLB) during the fiscal year ended September 30, 1995, as compared to the fiscal year ended September 30, 1994. To a lesser extent, the increase was due to an increase in the average yield on interest-earning assets. The average yield on interest-earning assets increased 41 basis points to 7.58% at September 30, 1995, from 7.17% at September 30, 1994. This increase was caused primarily by an increase in yield on the Company's mortgage-backed securities portfolio from 5.54% to 6.64% due to a decision made by the Company to purchase $10.0 million in mortgage-backed securities in an effort to increase net interest income, increase assets, and better utilize capital. To a lesser extent, the increase in yield was due to an increase in the loan portfolio yield from 8.12% to 8.19% and the investment securities portfolio yield from 4.99% to 6.45% for the fiscal year ended September 30, 1995, as compared to the same period in fiscal 1994. A portion of the Company's adjustable rate loans adjusted upward in response to increases in market rates and higher yielding investment securities were purchased during the fiscal year.

Interest Expense. Interest expense for the fiscal year ended September 30, 1995, increased by $1.0 million to $3.9 million as compared to $2.9 million for the fiscal year ended September 30, 1994. This increase was primarily the result of a 92 basis point increase in average interest rates paid on interest-bearing liabilities, caused by increases in market interest rates and higher rates paid on new deposit products developed in fiscal 1995. To a lesser extent, the increase in interest expense was due to a $6.3 million increase in the average outstanding balance of interest-bearing liabilities during the fiscal year ended September 30, 1995 as compared to the fiscal year ended

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September 30, 1994. This increase in interest-bearing liabilities was primarily the result of a $10.1 million increase in the average outstanding balance of advances obtained from the Federal Home Loan Bank of Topeka. The advances were used by the Company to invest in mortgage-backed securities at a positive spread over the term of the advances. The increase in FHLB advances was partially offset by a $3.8 million decrease in the average balance of deposits, due to outflow of deposits resulting from depositors seeking higher risk investments offered by non-financial institutions with higher yields than certificates of deposit.

Provision for Loan Losses. There was no provision for losses on loans for the fiscal year ended September 30, 1995, as compared to $45,000 for the fiscal year ended September 30, 1994, a decrease of $45,000, or 100.0%. Management determined that additional provisions were not necessary based upon their analysis of the established allowance and review of the composition of the loan portfolio. The Company will continue to monitor its allowance for loan losses and make future additions to the allowance through the provision for loan losses as economic and regulatory conditions dictate. However, there can be no assurance that future losses will not exceed estimated amounts or that additional provisions for loan losses will not be required in future periods. In addition, the Company's determinations as to the amount of the allowance for loan losses are subject to review by the regulatory agencies which can order the establishment of additional general or specific allowances.

Non-interest Income. Non-interest income increased $70,000 to $267,000 during the fiscal year ended September 30, 1995 as compared to $197,000 for the fiscal year ended September 30, 1994. The increase was primarily due to an increase in the income from real estate operations of $82,000 due to gains on sale of real estate owned. Recurring non-interest income generally consists of servicing fees as well as deposit and other types of fees. Non-interest income levels are anticipated to remain stable in the future due to the small number of checking accounts held by the Company.

Non-interest Expense. Total non-interest expense increased to $1,820,000 for the fiscal year ended September 30, 1995 from $1,634,000 for the fiscal year ended September 30, 1994, an increase of $186,000, or 11.4%. The increase was primarily due to an increase in compensation and employee benefits of $167,000, an increase in other expenses of $50,000 due to an increase in advertising expense, and an increase in occupancy and equipment of $5,000. These increases were partially offset by a decrease in federal deposit insurance premiums of $40,000 due to the reduction in the average outstanding balance of deposits. The increase in compensation expense was primar- ily due to the addition of two new employees (one being a loan officer with expertise in FHA and VA lending), annual increases in salaries and bonuses, and the adoption of SOP 93-6 on accounting for ESOP shares which was adopted by the Company on October 1, 1994.

Income Tax Expense. Income tax expense was $694,000 for the fiscal year ended September 30, 1995 compared to $750,000 for the fiscal year ended September 30, 1994, a decrease of $56,000. The Company's effective tax rates were 39.0% and 38.3% for the fiscal years ended September 30, 1995 and September 30, 1994, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The OTS requires minimum levels of liquid assets. OTS regulations presently require First Federal to maintain an average daily balance of liquid assets (United States Treasury, federal agency, and other investments having maturities of five years or less) equal to at least 5.0% of the sum of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less. Such requirements may be changed from time to time by OTS to reflect changing economic conditions. Such investments are intended to provide a source of relatively liquid funds upon which First Federal may rely if necessary to fund deposit withdrawals and other short-term funding needs. First Federal's regulatory liquidity at September 30, 1996 was 8.01%. First Federal normally attempts to maintain liquidity between 7% and 9%. In addition to the regulatory liquidity requirement, the Association is required to maintain short-term liquid assets, as defined, equal to 1.0% of the average sum of net withdrawable deposits and other liabilities, as defined. First Federal's short-term liquidity ratio at September 30, 1996 was 2.70%.

The Company's primary sources of funds consist of deposits and loan and mortgage-backed securities repayments. Other potential sources of funds available include borrowings from the Federal Home Loan Bank ("FHLB") of Topeka. The Company uses its liquid resources principally to meet on-going commitments, to fund maturing certificates of deposit and deposit withdrawals, to invest, to fund existing and future loan commitments, to maintain liquidity, and to meet operating expenses. Management believes that loan repayments and other sources of funds will be adequate to meet the Company's foreseeable liquidity needs.

The Company's primary investing activity is the origination of mortgage loans and the purchase of mortgage-backed and other securities. At September 30, 1996, mortgage loans and mortgage-backed securities accounted for 88.8% of the Company's total assets. The Company has been able to generate sufficient cash through the retail deposit market, its traditional funding source, and through short- term borrowings, to provide the cash utilized in investing activities. A $9.0 million line of credit has also been established with the FHLB of Topeka, which is scheduled to mature on February 7, 1997. The line of credit is subject to various conditions, including the pledging of acceptable collateral. The primary purpose of the line of credit is to serve as a back-up liquidity facility for the Company, however, the Company may from time to time utilize the line of credit to purchase investment securities and fund other commitments.

Liquidity management is both a daily and long-term responsibility of management. The Company adjusts its investments in liquid assets based upon management's assessment of (i) expected loan demand, (ii) expected deposit flows, (iii) yields available on interest-bearing deposits, and (iv) the objectives of its asset/liability management program. Excess liquidity is invested generally in interest-bearing overnight deposits and other short-term government and agency obligations. If the Company requires additional funds, beyond its internal ability to generate, it has additional borrowing capacity with the FHLB of Topeka.

The Company anticipates that it will have sufficient funds available to meet current loan commitments. At September 30, 1996, the Company had outstanding commitments to extend credit which amounted to $264,000. The Company is not aware of any trends, events or uncertainties which will have or that are reasonably likely to have a material effect on the Company's liquidity, capital resources or operations.

Certificates of deposit scheduled to mature in one year or less at September 30, 1996 totaled approximately $31.0 million. Management believes that a significant portion of such deposits will remain with the Company. There can be no assurance, however, that the Company can retain all such deposits. At September 30, 1996, the Company had $24.3 million in advances from the FHLB of Topeka.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), among other things, mandated the adoption of new minimum capital requirements that are no less stringent than the minimum capital requirements for national banks. These minimum capital standards generally require the maintenance of regulatory capital sufficient to meet each of three tests: the tangible capital requirement, the core capital requirement, and the risk-based capital requirement. The tangible capital requirement provides for minimum tangible capital (defined as retained earnings less all intangible assets) equal to 1.5% of adjusted total assets. The core capital requirement provides for minimum core capital (tangible capital plus supervisory goodwill) equal to 3.0% of assets. The risk-based capital requirement provides for the maintenance of core capital plus general loss allowances (less a specified percentage of certain equity investments) equal to 8.0% of risk-weighted assets. In computing risk-weighted assets, the Association multiplies the book value of each asset on its balance sheet by a defined risk-weighting factor (e.g., one- to four-family residential loans carry a risk-weighted factor of 50%). Management has reviewed these capital standards and determined that the Association is in compliance with each of the three requirements. As of September 30, 1996, the Association's tangible capital, core capital, and risk-based capital of $10.5 million, $10.5 million, and $11.1 million exceeded the applicable minimum requirements by $8.9 million, $7.3 million, and $7.4 million, respectively.

The following table sets forth the Association's compliance with such requirements at September 30, 1996.

	OTS requirement		Association capital level at September 30, 1996		
Capital standard	% of Assets	Amount	% of Assets	Amount	Amount of Excess
	(Dollars in Thousands)				
Tangible capital	1.50%	$1,602	9.87%	$10,542	$8,940
Core capital (1)	3.00	3,204	9.87	10,542	7,338
Risk-based capital	8.00	3,746	23.77	11,129	7,383

(1) Based on current core capital requirement of 3%.

See Note L of Notes to Consolidated Financial Statements for additional information.

Management has reviewed the restriction in FIRREA relating to loans to one borrower, qualification as a qualified thrift lender, and other restrictions on lending and investment, and has determined that, based on the Association's capital position and lending and investment policies, these restrictions have not had a material impact on the Association's operations.

IMPACT OF INFLATION AND CHANGING PRICES

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and results of operations in terms of historical dollars without considering changes in the relative purchasing power of money over time because of inflation.

Unlike most industrial companies, virtually all of the assets and liabilities of First Federal are monetary in nature. As a result, interest rates have a more significant impact on the Association's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. In the present interest rate environment, the liquidity, maturity structure, and quality of First Federal's assets and liabilities are important factors in the maintenance of acceptable performance levels.

EFFECT OF NEW ACCOUNTING STANDARDS

Recent pronouncements by the Financial Accounting Standards Board ("FASB") will have an impact on financial statements issued in subsequent periods. Set forth below are summaries of such pronouncements.

Several new accounting standards have been issued by the FASB that will apply for the Company's consolidated financial statements for the year ending September 30, 1997. SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of," requires a review of long-term assets for impairment of recorded value and resulting write-downs if the value is impaired. SFAS No. 122, "Accounting for Mortgage Servicing Rights," requires recognition of an asset when servicing rights are retained on in-house originated loans that are sold. SFAS No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, entities to use a "fair value based method" to account for stock-based compensation plans. If the fair value accounting is not adopted, entities must disclose the pro forma effect on net income and on earnings per share had the accounting been adopted. SFAS No. 125, "Accounting for Transfer and Servicing of Financial Assets and Extinguishment of Liabilities," provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities and requires a consistent application of a financial- components approach that focuses on control. Under that approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred and derecognizes liabilities when extinguished. SFAS No. 125 also supersedes SFAS No. 122, and requires that servicing assets and liabilities be subsequently measured by amortization in proportion to and over the period of estimated net servicing income or loss and requires assessment for asset impairment or increases obligation based on their fair values. SFAS No. 125 applies to transfers and extinguishments occurring after December 31, 1996, and early or retroactive application is not permitted.

These statements are not expected to have a material effect on the Company's consolidated financial position or results of operation.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

[LOGO]

Board of Directors
First Independence Corporation and Subsidiary

We have audited the accompanying consolidated balance sheets of First Independence Corporation and Subsidiary as of September 30, 1996 and 1995, and the related consolidated statements of earnings, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Independence Corporation and Subsidiary as of September 30, 1996 and 1995, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with generally accepted accounting principles.

As more fully explained in Note A3 to the consolidated financial statements the Corporation changed its method of accounting for certain investment and mortgage-backed securities during the year ended September 30, 1995.

Grant Thornton LLP

Wichita, Kansas
October 24, 1996

First Independent Corporation and Subsidiary
CONSOLIDATED BALANCED SHEETS

September 30,

<TABLE>
<CAPTION>

<S>	<C> 1996	<C> 1995
Cash and due from banks	$ 753,134	$ 369,632
Federal funds sold	400,000	1,300,000
Other interest-bearing deposits	610,295	444,993
Cash and cash equivalents	1,763,429	2,114,625
Investment securities held to maturity (estimated fair value of $1,970,980 in 1996 and $1,006,840 in 1995)	2,000,000	1,000,000

Investment securities available for sale	5,235,073	6,524,956
Mortgage-backed securities held to maturity (estimated fair value of $27,873,630 in 1996 and $28,416,954 in 1995)	28,039,314	28,593,826
Mortgage-backed securities available for sale	659,207	832,700
Loans receivable, net	67,682,920	60,369,956
Premises and equipment, net	910,813	663,463
Federal Home Loan Bank stock, at cost	1,239,500	1,040,000
Accrued interest receivable	667,920	618,438
Real estate acquired through foreclosure	11,845	62,020
Deferred income taxes	173,904	19,987
Other	155,304	64,044
	$108,539,229	$101,904,015
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 69,356,422	$ 67,926,628
Advances from borrowers for taxes and insurance	678,072	1,242,941
Checks issued in excess of cash items	492,627	--
Advances from Federal Home Loan Bank	24,300,000	18,800,000
Income taxes payable	--	36,855
Accrued expenses and other	709,599	297,656
Total liabilities	95,536,720	88,304,080
Stockholders' equity		
Preferred stock, $.01 par value, 500,000 shares authorized; none issued	--	--
Common stock, $.01 par value, 2,500,000 shares authorized; 749,196 shares issued	7,492	7,492
Additional paid-in capital	7,053,143	6,998,314
Retained earnings - substantially restricted	8,960,098	8,358,681
Unrealized gain (loss) on securities available for sale, net of related taxes	(11,293)	176,580
Required contributions for shares acquired by Employee Stock Ownership Plan (ESOP)	(290,949)	(363,686)
Unearned stock compensation - recognition and retention plan (RRP)	(87,278)	(130,922)
Treasury stock, 165,775 shares in 1996 and 104,852 shares in 1995 - at cost	(2,628,704)	(1,446,524)
Total stockholders' equity	13,002,509	13,599,935
	$108,539,229	$101,904,015

</TABLE>

The accompanying notes are an integral part of these statements.

First Independent Corporation and Subsidiary
CONSOLIDATED STATEMENTS OF EARNINGS

Year ended September 30,

<TABLE>
<CAPTION>

<S> <C>	1996	1995 <C>
Interest income		
Loans	$5,189,361	$4,804,423
Mortgage-backed securities	1,929,927	1,939,066
Investment securities	478,990	321,230
Interest-bearing deposits and other	174,825	121,409
Total interest income	7,773,103	7,186,128
Interest expense		
Deposits	3,581,799	2,849,036
Borrowed funds	1,087,249	1,003,632
Total interest expense	4,669,048	3,852,668
Net interest income	3,104,055	3,333,460
Other income		
Gain on sale of investment securities	250,945	--
Service charges	178,949	140,714
Real estate operations	94,199	62,757
Other	58,292	63,495
	582,385	266,966
General, administrative and other expense		
Employee compensation and benefits	1,093,509	1,028,819
Federal deposit insurance premiums	591,677	151,080
Occupancy and equipment	131,172	119,103
Data processing fees	138,659	129,269

Other operating	429,304	391,664
	2,384,321	1,819,935
Earnings before income taxes	1,302,119	1,780,491
Income tax expense	486,826	693,825
NET EARNINGS	$ 815,293	$1,086,666
Earnings per share		
Primary	$ 1.37	$ 1.69
Fully diluted	$ 1.37	$ 1.67

</TABLE>

The accompanying notes are an integral part of these statements.

First Independent Corporation and Subsidiary
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Years ended September 30, 1996 and 1995

<TABLE>
<CAPTION>

<S>	Common stock <C>	Additional paid-in capital <C>	Retained earnings <C>	Unrealized gain (loss) on securities available for sale, net <C>
Balance at October 1, 1994	$7,492	$6,967,859	$7,442,782	$ --
Net earnings for the year	--	--	1,086,666	--
Cash dividends of $.275 per share	--	--	(170,767)	--
Common stock options exercised	--	(5,250)	--	--
Unrealized gain on securities available for sale upon adoption of SFAS No. 115	--	--	--	41,382
Appreciation of securities available for sale	--	--	--	135,198
ESOP loan repayments	--	--	--	--
Fair value adjustment on ESOP shares committed for release	--	35,705	--	--
Amortization of unearned stock compensation	--	--	--	--
Purchase of 69,393 shares of treasury stock	--	--	--	--
Balance at September 30, 1995	7,492	6,998,314	8,358,681	176,580
Net earnings for the year	--	--	815,293	--
Cash dividends of $.375 per share	--	--	(213,876)	--
Common stock options exercised	--	(5,250)	--	--
Depreciation of securities available for sale	--	--	--	(187,873)
ESOP loan repayments	--	--	--	--
Fair value adjustment on ESOP shares committed for release	--	60,079	--	--
Amortization of unearned stock compensation	--	--	--	--
Purchase of 62,923 shares of treasury stock	--	--	--	--
Balance at September 30, 1996	$7,492	$7,053,143	$8,960,098	$ (11,293)

</TABLE>

(RESTUBBED TABLE CONTINUED FROM ABOVE)

<TABLE>
<CAPTION>

	Required contri- butions	Unearned

	for shares acquired by ESOP	stock compen- sation - RRP	Treasury stock	Total
<S>	<C>	<C>	<C>	<C>
Balance at October 1, 1994	$(436,423)	$(174,566)	$ (456,518)	$13,350,626
Net earnings for the year	--	--	--	1,086,666
Cash dividends of $.275 per share	--	--	--	(170,767)
Common stock options exercised	--	--	25,250	20,000
Unrealized gain on securities available for sale upon adoption of SFAS No. 115	--	--	--	41,382
Appreciation of securities available for sale	--	--	--	135,198
ESOP loan repayments	72,737	--	--	72,737
Fair value adjustment on ESOP shares committed for release	--	--	--	35,705
Amortization of unearned stock compensation	--	43,644	--	43,644
Purchase of 69,393 shares of treasury stock	--	--	(1,015,256)	(1,015,256)
Balance at September 30, 1995	(363,686)	(130,922)	(1,446,524)	13,599,935
Net earnings for the year	--	--	--	815,293
Cash dividends of $.375 per share	--	--	--	(213,876)
Common stock options exercised	--	--	25,250	20,000
Depreciation of securities available for sale	--	--	--	(187,873)
ESOP loan repayments	72,737	--	--	72,737
Fair value adjustment on ESOP shares committed for release	--	--	--	60,079
Amortization of unearned stock compensation	--	43,644	--	43,644
Purchase of 62,923 shares of treasury stock	--	--	(1,207,430)	(1,207,430)
Balance at September 30, 1996	$(290,949)	$ (87,278)	$ (2,628,704)	$13,002,509

</TABLE>

The accompanying notes are an integral part of this statement.

First Independent Corporation and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended September 30,

<TABLE>
<CAPTION>

	1996	1995
<S> <C>		<C>
Cash flows from operating activities		
Net earnings	$ 815,293	$ 1,086,666
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	55,895	47,218
Amortization of premiums and discounts on investments and mortgage-backed securities	106,967	20,918
Gain on sale of investment securities	(250,945)	--
Amortization of deferred loan origination fees	(64,119)	(48,514)
Amortization of expense related to employee benefit plans	176,460	152,086
Gain on sale of real estate acquired through foreclosure	(111,956)	(66,014)
Deferred income taxes	(38,769)	(48,486)
Other	3,402	--
Increase (decrease) in cash due to changes in		
Accrued interest receivable	(49,482)	(68,852)
Other assets	(4,829)	2,243
Accrued expenses and other liabilities	503,251	43,100
Income taxes payable	(123,286)	(28,495)
Net cash provided by operating activities	1,017,882	1,091,870
Cash flows from investing activities		
Proceeds from sale of available for sale securities	263,145	--
Proceeds from maturities and repayment of securities		
Available for sale	3,167,307	2,145,255
Held to maturity	5,236,916	3,040,819
Purchase of securities		

Available for sale	(2,217,489)	(3,958,217)
Held to maturity	(5,790,535)	(4,059,060)
Net increase in loans	(7,215,690)	(3,161,504)
Capital expenditures	(308,867)	(249,418)
Proceeds from sale of real estate acquired through foreclosure	37,669	104,736
Other	2,219	--
Net cash used in investing activities	(6,825,325)	(6,137,389)
Cash flows from financing activities		
Net increase in deposits	$ 1,429,794	$ 3,542,315
Net decrease in advances from borrowers for taxes and insurance	(564,868)	(31,068)
Checks issued in excess of cash items	492,627	--
Advances from Federal Home Loan Bank	20,900,000	12,200,000
Repayment of Federal Home Loan Bank advances	(15,400,000)	(8,800,000)
Cash dividends paid	(213,876)	(170,767)
Purchase of treasury stock	(1,207,430)	(1,015,256)
Stock options exercised	20,000	20,000
Net cash provided by financing activities	5,456,247	5,745,224
Net increase (decrease) in cash and cash equivalents	(351,196)	699,705
Cash and cash equivalents at beginning of year	2,114,625	1,414,920
Cash and cash equivalents at end of year	$ 1,763,429	$ 2,114,625
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Income taxes	$ 648,881	$ 770,806
Interest	4,669,113	3,820,508
Noncash investing and financing activities		
Transfer from loans to real estate acquired through foreclosure	11,845	58,951
Issuance of loans receivable in connection with the sale of real estate acquired through foreclosure	45,000	353,802

</TABLE>

The accompanying notes are an integral part of these statements.

NOTE A -- SUMMARY OF ACCOUNTING POLICIES

First Independence Corporation (the "Corporation") is a savings and loan holding company whose activities are primarily limited to holding the stock of First Federal Savings and Loan Association of Independence (the "Association"). Future references to the Corporation or the Association are utilized herein as the context requires. The Association conducts a general banking business in southeastern Kansas which consists of attracting deposits from the general public and applying those funds to the origination of loans for residential, consumer and nonresidential purposes and the purchase of investment and mortgage-backed securities. The Association's profitability is significantly dependent on net interest income, which is the difference between interest income generated from interest-earning assets (i.e., loans and investments) and the interest expense paid on interest-bearing liabilities (i.e., customer deposits and borrowed funds). Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by the Association can be significantly influenced by a number of environmental factors, such as governmental monetary policy, that are outside of management's control.

The consolidated financial information presented herein has been prepared in accordance with generally accepted accounting principles (GAAP) and general accounting practices within the financial services industry. In preparing consolidated financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from such estimates.

The following is a summary of the Corporation's significant accounting policies which have been consistently applied in the preparation of the accompanying consolidated financial statements.

1. Principles of consolidation

The consolidated financial statements include the accounts of First Independence Corporation and its wholly-owned subsidiary, First Federal

Savings and Loan Association of Independence. All significant intercompany balances and transactions have been eliminated.

2. Cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, due from banks, federal funds sold and other overnight deposits.

3. Investment securities and mortgage-backed securities

Investment securities and mortgage-backed securities are accounted for in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115). SFAS No. 115 requires such investments to be classified in three categories and accounted for as follows: (a) debt securities that the Corporation has the positive intent and ability to hold to maturity are classified as held to maturity securities and reported at amortized cost, (b) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings and (c) debt and equity securities not classified as either held to maturity securities or trading securities are classified as available for sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders' equity.

The Company adopted the provisions of SFAS No. 115 as of October 1, 1994. In connection with the adoption of SFAS No. 115, the Company transferred $4,245,386 of investment securities and $994,083 of mortgage-backed securities from the held to maturity category to the available for sale category. Investment securities available for sale were increased by $118,235 and mortgage-backed securities available for sale were decreased by $51,490, reflecting the unrealized gains and losses on these securities. Such unrealized gains and losses, net of applicable deferred income taxes of $25,363, resulted in an increase to stockholders' equity of $41,382. The Company does not have any securities that are held in a trading portfolio under SFAS No. 115.

Premiums and discounts on investment securities are amortized to operations over the term of the security using the level yield method. Premiums and discounts on mortgage-backed securities are amortized and accreted to operations using the level yield method over the estimated life of the underlying loans collateralizing the securities. Gains and losses on the sale of securities designated as available for sale are recorded using the specific identification method.

4. Loans receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance, adjusted for any charge-offs, the allowance for loan losses, unearned discounts and net deferred loan origination fees. The allowance for loan losses is increased by charges to operations and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Association's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions.

Specific reserves are established for any impaired nonresidential loan for which the recorded investment in the loan exceeds the measured value of the loan. Loans subject to impairment valuation are defined as nonaccrual loans or any other loan where it is probable that all amounts due according to the contractual terms will not be collected, exclusive of smaller balance homogenous loans such as home equity, consumer and 1-4 family residential real estate loans. The values of loans subject to impairment valuation are determined based on the present value of expected future cash flows, the market price of the loans, or the fair values of the underlying collateral if the loan is collateral dependent.

Uncollectible interest on loans that are contractually past due is charged off or an allowance is established based on management's periodic evaluation. The allowance is established by a charge to interest income equal to all interest previously accrued. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status. If the collection of principal in whole or in part is in doubt, all payments received on nonaccrual loans are credited to principal until such doubt is eliminated.

5. Loan origination fees and related costs

Loan origination fees received, net of certain direct origination costs are deferred on a loan-by-loan basis and amortized to interest income using the interest method, giving effect to actual loan prepayments. Loan origination costs are considered to be direct costs attributable to originating a loan.

6. Real estate acquired through foreclosure

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value at the date of foreclosure establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in real estate operations.

7. Premises and equipment

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is included in occupancy and equipment expense and is provided by the straight-line method over the following estimated useful lives:

	Years
Building	8-50
Furniture, fixtures and equipment	5-20
Automobiles	5

The costs of maintenance and repairs are charged to operations as incurred. The costs of significant additions, renewals and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the properties. Gains and losses on disposition of property and equipment are included in operations.

8. Employee stock ownership plan

The Corporation sponsors a leveraged employee stock ownership plan (ESOP). The ESOP holds company stock which serves as collateral for the ESOP debt. As shares are released from collateral, the Corporation reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings-per-share ("EPS") computations. Dividends on released and allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are recorded as compensation cost.

9. Income taxes

First Independence Corporation and its subsidiary file a consolidated federal income tax return. Deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax basis of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be settled or realized.

10. Earnings per share

Primary earnings per share is based upon the weighted average shares outstanding during the year including those stock options that are dilutive. Weighted average common shares deemed outstanding totaled 594,793 and 643,579 for the years ended September 30, 1996 and 1995, respectively.

Fully-diluted earnings per share assumes the exercise of all outstanding stock options at the beginning of the respective fiscal period and subsequent reinvestment of the cash proceeds in the Company's common shares at either the closing price or weighted average market price of the common stock for the fiscal year, whichever is greater. Fully diluted earnings per share for the years ended September 30, 1996 and 1995 are based on 595,686 and 651,959 weighted-average shares outstanding, respectively.

Common shares outstanding exclude unallocated and uncommitted shares held by the ESOP trust.

NOTE B -- INVESTMENT SECURITIES

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair value of investment securities are as follows:

September 30, 1996

Held to maturity	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
U.S. Government agency obligations	$2,000,000	$ --	$29,020	$1,970,980
Available for sale				
Intermediate term liquidity portfolio	$ 308,102	$ --	$ 579	$ 307,523
U.S. Government and agency obligations	4,934,938	29,016	36,404	4,927,550
	$5,243,040	$ 29,016	$36,983	$5,235,073

September 30, 1995

Held to maturity	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
U.S. Government agency obligation	$1,000,000	$ 6,840	$ --	$1,006,840
Available for sale				
FHLMC stock	$ 12,200	$241,255	$ --	$ 253,455
Intermediate term liquidity portfolio	289,957	4,044	--	294,001
U.S. Government and agency obligations	5,921,356	59,516	3,372	5,977,500
	$6,223,513	$304,815	$ 3,372	$6,524,956

The amortized cost and estimated fair value of U.S. Government and agency obligations at September 30, 1996, by term to maturity are as follows:

Held to maturity	Amortized cost	Estimated fair value
Due in five to ten years	$1,000,000	$ 991,190
Due after ten years	1,000,000	979,790
	$2,000,000	$1,970,980
Available for sale		
Due in one year or less	$1,003,369	$1,005,300
Due in one to two years	978,843	988,000
Due in two to five years	2,952,726	2,934,250
	$4,934,938	$4,927,550

During the year ended September 30, 1996 the Association sold FHLMC stock designated as available for sale for total proceeds of $263,145 realizing a gain of $250,945.

The intermediate term liquidity portfolio does not have a contractual due date.

Investment securities with a fair value of $995,625 at September 30, 1995 were pledged to secure government deposits.

First Independent Corporation and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

September 30, 1996 and 1995

NOTE C -- MORTGAGE-BACKED SECURITIES

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair value of mortgage-backed securities are summarized as follows:

<TABLE>
<CAPTION>

	September 30, 1996			
Held to maturity	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<S>	<C>	<C>	<C>	<C>
GNMA certificates	$ 122,921	$ 10,687	$ --	$ 133,608
FHLMC certificates	10,066,669	60,422	62,866	10,064,225
FNMA certificates	8,912,022	118,258	47,439	8,982,841
Collateralized mortgage obligations	8,937,702	--	244,746	8,692,956
	$28,039,314	$189,367	$355,051	$27,873,630
Available for sale				
FHLMC certificates	$ 669,454	$ --	$ 10,247	$ 659,207

</TABLE>

<TABLE>
<CAPTION>

	September 30, 1995			
Held to maturity	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<S>	<C>	<C>	<C>	<C>
GNMA certificates	$ 182,176	$ 15,707	$ --	$ 197,883
FHLMC certificates	9,652,668	65,768	77,269	9,641,167
FNMA certificates	9,186,347	113,983	57,686	9,242,644
Collateralized mortgage obligations	9,572,635	4,071	241,446	9,335,260
	$28,593,826	$199,529	$376,401	$28,416,954
Available for sale				
FHLMC certificates	$ 849,337	$ --	$ 16,637	$ 832,700

</TABLE>

Mortgage-backed securities generally mature ratably over the 30-year term of the underlying loans collateralizing the securities. Expected maturities on mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Mortgage-backed securities with a fair value of $11,005,909 and $5,198,412 at September 30, 1996 and 1995, respectively, are pledged to secure government and other deposits.

NOTE D -- LOANS RECEIVABLE

Loans receivable at September 30 are summarized as follows:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
First mortgage loans		
Secured by one-to-four family residences	$57,352,844	$50,747,382
Secured by multi-family residences	1,370,715	1,419,322
Nonresidential	7,223,602	7,454,206

Construction	1,833,750	526,000
Total first mortgage loans	67,780,911	60,146,910
Consumer and other loans		
Savings	364,011	314,277
Automobile	402,592	269,069
Home equity and second mortgages	781,199	640,241
Unsecured home improvement	183,630	101,769
Other	184,723	159,564
Total consumer and other loans	1,916,155	1,484,920
Less		
Allowance for loan losses	(690,009)	(690,009)
Loans in process	(1,050,012)	(372,017)
Unearned discounts	(2,929)	(2,569)
Deferred loan origination fees	(271,196)	(197,279)
	(2,014,146)	(1,261,874)
Net loans receivable	$67,682,920	$60,369,956

</TABLE>

Activity in the allowance for loan losses is summarized as follows for the years ended September 30:

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>
Balance at beginning of year	$690,009	$667,274
Loans charged off	--	(15,619)
Loan recoveries	--	38,354
Balance at end of year	$690,009	$690,009

</TABLE>

The Association's lending efforts have historically focused on one-to-four family residential real estate loans, which comprise approximately 82% of the total loan portfolio. Approximately 5% and 6% of the Association's one-to-four family residential real estate loans at September 30, 1996 and 1995, respectively, are secured by properties located outside of the primary lending area of Montgomery and surrounding Kansas counties. Generally, such loans have been underwritten on the basis of 80% to 90% loan-to-value ratio or mortgage insurance was required. The Association, as with any lending institution, is subject to the risk that real estate values could deteriorate in its primary lending area thereby impairing collateral values. Management believes, however, that real estate values in the Association's primary lending area are currently stable or increasing.

Approximately 12% (1996) and 14% (1995) of the loan portfolio is comprised of nonresidential and multi-family real estate loans with approximately 20% and 21% of this total at September 30, 1996 and 1995, respectively, collateralized by properties located outside the Association's primary lending area.

Loans serviced under a County Mortgage Revenue Bond totaled $1,606,982 and $1,987,278 at September 30, 1996 and 1995, respectively.

In the normal course of business, the Association makes loans to directors, executive officers and related entities. An analysis of aggregate loan activity with this group is as follows:

<TABLE>
<CAPTION>

<S>	<C>
Loans outstanding at October 1, 1995	$521,099
New loans	77,000
Repayments	(35,017)

Loans outstanding at September 30, 1996	$563,082

SFAS 114, "Accounting by Creditors for Impairment of a Loan," was adopted on October 1, 1995. The adoption of SFAS 114 had no effect on the Association's financial statements. The valuation allowance related to impaired loans is included in the allowance for loan losses.

Loan impairment is measured by estimating the expected future cash flows and discounting them at the respective effective interest rate or by valuing the underlying collateral. The recorded investment in these loans and the valuation allowance for losses related to loan impairment at September 30, 1996 are as follows:

Principal amount of impaired loans	$210,309
Less valuation allowance	73,309
	$137,000

The Association has no impaired loans for which there is no related allowance for losses. Interest income of $17,267 was recognized and collected on impaired loans during the year ended September 30, 1996.

Nonaccrual loans totaled $366,832 and $554,606 at September 30, 1996 and 1995, respectively. Interest income that would have been recorded under the original terms of such loans approximated $20,000 and $28,000 for the years ended September 30, 1996 and 1995, respectively. Interest income that was recorded was insignificant for the years ended September 30, 1996 and 1995. The Association is not committed to make additional loans to borrowers whose loans have been modified.

NOTE E -- ACCRUED INTEREST RECEIVABLE

Accrued interest receivable at September 30 is summarized as follows:

	1996	1995
Loans receivable	$404,266	$369,261
Mortgage-backed securities	205,389	203,657
Investment securities	58,265	45,520
	$667,920	$618,438

NOTE F -- PREMISES AND EQUIPMENT

Premises and equipment at September 30 are summarized as follows:

	1996	1995
Land	$ 74,958	$ 77,958
Building	923,518	741,092
Furniture, fixtures and equipment	307,821	292,538
Automobiles	38,729	38,729
	1,345,026	1,150,317
Less accumulated depreciation	434,213	486,854
	$ 910,813	$ 663,463

NOTE G -- REAL ESTATE OPERATIONS

A summary of real estate operations is as follows for the years ended September 30:

<TABLE>
<CAPTION>

	1996	1995
Gain on sale of real estate acquired through foreclosure, net	$ 111,956	$66,014
Net operating expense	(17,757)	(3,257)
Income from real estate operations	$ 94,199	$62,757

</TABLE>

Real estate operations of the Association consist primarily of paying property taxes and general maintenance expenses on the properties held.

NOTE H -- DEPOSITS

Deposits at September 30 are summarized as follows:

<TABLE>
<CAPTION>

	Weighted average rate at September 30,		1996		1995	
	1996	1995	Amount	Percent	Amount	Percent
NOW accounts	2.31%	2.31%	$ 1,631,512	2.35%	$ 1,318,964	1.94%
First Super NOW accounts	2.56	2.56	1,600,400	2.31	1,580,049	2.33
First Money Fund accounts	4.48	4.17	15,552,973	22.43	11,693,691	17.21
Total demand deposits	4.15	3.83	18,784,885	27.09	14,592,704	21.48
Passbook savings accounts	2.89	2.89	2,649,720	3.82	2,751,930	4.05
Certificates of deposit						
3.00% to 3.99%	3.81	3.83	8,565	.01	803,922	1.18
4.00% to 4.99%	4.58	4.30	4,216,378	6.08	10,498,010	15.46
5.00% to 5.99%	5.46	5.42	30,296,166	43.68	16,882,250	24.85
6.00% to 6.99%	6.37	6.49	13,366,636	19.27	22,350,742	32.91
7.00% to 7.99%	7.02	7.40	25,241	.04	38,918	.06
8.00% to 8.99%	8.35	8.33	8,831	.01	8,152	.01
Total savings certificates	5.64	5.64	47,921,817	69.09	50,581,994	74.47
Total savings	5.48	5.50	50,571,537	72.91	53,333,924	78.52
Total deposits	5.12	5.13	$69,356,422	100.00%	$67,926,628	100.00%

</TABLE>

The aggregate amount of certificates of deposit and savings with a minimum denomination of $100,000 was $2,489,514 and $3,796,240 at September 30, 1996 and 1995, respectively.

Scheduled maturities of certificates of deposit are as follows:

September 30, 1996

<TABLE>
<CAPTION>

	Less than one year	One to three years	Three to five years	Total
3.00% to 3.99%	$ 8,565	$ --	$ --	$ 8,565
4.00% to 4.99%	3,420,783	795,595	--	4,216,378
5.00% to 5.99%	19,637,400	9,795,294	863,472	30,296,166
6.00% to 6.99%	7,903,547	3,068,176	2,394,913	13,366,636
7.00% to 7.99%	--	--	25,241	25,241
8.00% to 8.99%	8,831	--	--	8,831
	$30,979,126	$13,659,065	$3,283,626	$47,921,817

</TABLE>

September 30, 1995

<TABLE>
<CAPTION>

	Less than one year	One to three years	Three to five years	Total
3.00% to 3.99%	$ 803,922	$ --	$ --	$ 803,922
4.00% to 4.99%	7,899,953	2,103,198	494,859	10,498,010
5.00% to 5.99%	11,766,266	4,542,119	573,865	16,882,250
6.00% to 6.99%	9,861,826	10,223,683	2,265,233	22,350,742
7.00% to 7.99%	14,667	--	24,251	38,918
8.00% to 8.99%	--	8,152	--	8,152
	$30,346,634	$16,877,152	$3,358,208	$50,581,994

Interest expense on deposits for the years ended September 30 is summarized as follows:

	1996	1995
Certificates of deposit	$2,819,977	$2,441,327
NOW accounts	730,627	379,175
Demand deposits	31,195	28,534
	$3,581,799	$2,849,036

NOTE I -- ADVANCES FROM FEDERAL HOME LOAN BANK

Advances from the Federal Home Loan Bank at September 30 consist of the following:

Note date	Maturity date	Interest rate	Type (1)	1996	1995
April 1993	April 1998	5.04%	F	$ 400,000	$ 600,000
April 1993	April 1998	4.92	F	800,000	1,200,000
February 1994	September 1998	5.47	A	1,500,000	1,500,000
April 1994	April 1997	5.48	A	1,500,000	1,500,000
February 1995	February 1996	6.65	A	--	1,500,000*
May 1995	March 1996	6.46	A	--	1,100,000
May 1995	April 1996	6.46	A	--	1,100,000
August 1995	February 1996	6.12	A	--	1,000,000
August 1995	August 1996	6.25	A	--	1,000,000
September 1995	October 1995	5.95	F	--	8,300,000
March 1996	March 1997	5.76	F	1,000,000	--
April 1996	April 1997	5.85	F	800,000	--
April 1996	February 1997	5.40	A	4,700,000*	--
April 1996	April 1999	5.75	A	2,900,000	--
July 1996	July 2001	7.06	F	1,000,000	--
August 1996	February 1997	5.66	F	1,000,000	--
August 1996	November 1996	5.47	F	4,500,000	--
August 1996	August 2001	6.70	F	1,000,000	--
September 1996	October 1996	5.52	F	1,133,334	--
September 1996	October 1996	5.52	F	533,333	--
September 1996	October 1996	5.52	F	533,333	--
September 1996	September 2001	6.79	F	1,000,000	--
				$24,300,000	$18,800,000

(1) F = fixed interest rate
A = adjustable interest rate

*Advance is on a line of credit totaling $9,000,000. Advance is prepayable without penalty.

Aggregate maturities for the years following September 30, 1996 are as follows:

1997 ..	$16,300,000
1998 ..	2,100,000
1999 ..	2,900,000
2000 ..	--
2001 ..	3,000,000
	$24,300,000

Assets of the Association are subject to a blanket pledge agreement to collateralize the advances.

NOTE J -- EMPLOYEE BENEFITS

The Corporation sponsors a leveraged employee stock ownership plan ("ESOP") that covers all full-time employees. All employees of the Corporation are eligible to participate in the ESOP after they attain age 21 and complete one year of service during which they work at least 1,000 hours. The Corporation makes annual contributions to the ESOP equal to the ESOP's debt service. All dividends received by the ESOP are credited to the employee's stock ownership account. The unallocated ESOP shares are pledged as collateral for its debt. As the debt is repaid, shares are released from collateral and allocated to active employees, based on the proportion of debt service paid in the year. Accordingly, unpaid ESOP debt is reflected as a deduction from stockholders' equity. ESOP compensation expense was $145,360 and $119,625 for the years ended September 30, 1996 and 1995, respectively.

The ESOP shares as of September 30, 1996 were as follows:

Allocated shares	21,821
Unreleased shares	29,095
Total ESOP shares	50,916
Fair value of unreleased shares at September 30, 1996	$545,531

Additionally, the Corporation has a Recognition and Retention Plan (RRP) as a means of providing directors and certain key employees of the Association with an ownership interest in a manner designed to compensate such directors and key employees for services to the Corporation. During fiscal 1994 the RRP purchased 21,821 shares of common stock. Such shares are earned and allocated ratably to participants over five years. Expense under the RRP totaled $43,644 for each of the years ended September 30, 1996 and 1995.

The Company has adopted a Stock Option and Incentive Plan (SOP) for designated participants. The SOP provides for up to 72,737 shares of common stock to be issued to participants. The option price of any options granted may not be less than the market value of the common stock on the date of the grant. Options for 57,820 shares have been granted at $10 per share, 5,818 at $12.375 per share and 1,000 at $13.375 per share. Options for 2,000 shares were exercised during each of the years ended September 30, 1996 and 1995 at $10 per share. Options for 60,638 shares remain outstanding and exercisable as of September 30, 1996.

The Association participates in a defined benefit multi-employer pension plan. Substantially all employees are eligible and benefits are based on the employee's salary and years of service. No contribution was made or required to be made by the Association for the years ended September 30, 1996 and 1995 due to the plan's overfunded status. Separate actuarial disclosure information is not available due to the plan being a multi-employer pension plan.

NOTE K -- INCOME TAXES

Income tax expense for the years ended September 30 consists of the following:

	1996	1995
Current		
Federal	$447,595	$626,944
State	78,000	115,367
	525,595	742,311
Deferred	(38,769)	(48,486)
	$486,826	$693,825

Reconciliation of income tax expense computed at the federal statutory rate of 34% and income tax expense for the years ended September 30 is as follows:

	1996	1995
Income tax expense at statutory rate	$442,720	$605,367
Kansas privilege tax, net of federal tax benefit	51,434	70,329
State contribution credit	(28,875)	--
Other	21,547	18,129
	$486,826	$693,825

The tax effects of temporary differences that give rise to deferred tax assets and liabilities at September 30 are as follows:

	1996	1995
Deferred tax assets		
Allowance for loan losses	$226,927	$222,869
SAIF recapitalization assessment	171,156	--
Deferred gain on real estate acquired through foreclosure	--	50,775
Accrued bonuses	7,138	6,922
State contribution credit	28,875	--
Other	4,710	10,216
Total deferred tax assets	438,806	290,782
Deferred tax liabilities		
Securities available for sale	20,232	56,684
Depreciation of property and equipment	29,191	26,561
Federal Home Loan Bank stock dividends	215,479	181,969
Management retention program net of book amortization	--	5,581
Total deferred tax liabilities	264,902	270,795
Net deferred tax asset	$173,904	$ 19,987

The Association was allowed a special bad debt deduction based on a percentage of earnings, generally limited to 8% of otherwise taxable income and subject to certain limitations based on aggregate loans and savings account balances at the end of the year. This percentage of earnings bad debt deduction had accumulated to approximately $2.7 million as of September 30,

1996. If the amounts that qualify as deductions for federal income tax purposes are later used for purposes other than for bad debt losses, including distributions in liquidation, such distributions will be subject to federal income taxes at the then current corporate income tax rate. The approximate amount of unrecognized deferred tax liability relating to the cumulative bad debt deduction is $850,000 at September 30, 1996. See Note M for additional information regarding future percentage of earnings bad debt deductions.

NOTE L -- STOCKHOLDERS' EQUITY AND REGULATORY CAPITAL

The Association is subject to various regulatory capital requirements administered by the Office of Thrift Supervision (OTS). Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Association's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Association must meet specific capital guidelines that involve quantitative measures of the Association's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Association's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Association to maintain minimum amounts and ratios (set forth in the table below) of total risk-based and Tier I capital to risk-weighted assets, and of Tier I (core) capital and tangible capital to adjust total assets. Management believes, as of September 30, 1996, that the Association meets all capital adequacy requirements to which it is subject.

As of September 30, 1996, the most recent notification from the OTS categorized the Association as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Association's category. To be categorized as well capitalized the Association must maintain minimum total risk-based, Tier 1 risk-based and Tier I (core) ratios as set forth in the table below.

<TABLE>
<CAPTION>

	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
As of September 30, 1996						
Total risk-based capital	$11,129,000	23.8%	$3,746,000	(is greater than or equal to)8.0%	$4,682,000	(is greater than or equal to)10.0%
Tier I risk-based capital	10,542,000	22.5	1,873,000	(is greater than or equal to)4.0	2,809,000	(is greater than or equal to) 6.0
Tier I (core) capital	10,542,000	9.9	3,204,000	(is greater than or equal to)3.0	5,339,000	(is greater than or equal to) 5.0
Tangible capital	10,542,000	9.9	1,602,000	(is greater than or equal to)1.5	--	--

</TABLE>

<TABLE>
<CAPTION>

	Actual	For capital adequacy purposes	To be well capitalized under prompt corrective action provisions

	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
As of September 30, 1995						
Total risk-based capital	$11,186,000	26.1%	$3,433,000	(is greater than or equal to)8.0%	$4,291,000	(is greater than or equal to)10.0%
Tier I risk-based capital	10,648,000	24.8	1,717,000	(is greater than or equal to)4.0	2,575,000	(is greater than or equal to) 6.0
Tier I (core) capital	10,648,000	10.7	2,982,000	(is greater than or equal to)3.0	4,971,000	(is greater than or equal to) 5.0
Tangible capital	10,648,000	10.7	1,491,000	(is greater than or equal to)1.5	--	--

</TABLE>

Regulations of the OTS impose limitations on the payment of dividends and other capital distributions by savings associations. Under such regulations a savings association that immediately prior to and on a pro forma basis, after giving effect to a proposed capital distribution, has total capital (as defined by OTS regulation) that is equal to or greater than the amount of its fully phased-in capital requirement is generally permitted without OTS approval (but subsequent to 30 days prior notice to the OTS of the planned dividend) to make capital distributions during a calendar year in the amount of up to the greater of (1) 100% of its net earnings to date during the year plus an amount equal to one-half of the amount by which its total capital to assets ratio exceeded its fully phased-in capital to assets ratio at the beginning of the year or (2) 75% of its net income for the most recent four quarters. Pursuant to such OTS dividend regulations, the Association had the ability to pay dividends of approximately $4,000,000 to First Independence Corporation at September 30, 1996.

NOTE M -- RECENT LEGISLATIVE DEVELOPMENTS

The deposit accounts of the Association and other savings associations are insured by the FDIC in the Savings Association Insurance Fund ("SAIF"). The reserves of the SAIF were below the level required by law, because a significant portion of the assessments paid into the fund were used to pay the cost of prior thrift failures. The deposit accounts of commercial banks are insured by the FDIC in the Bank Insurance Fund ("BIF"), except to the extent such banks have acquired SAIF deposits. The reserves of the BIF met the level required by law in May 1995. As a result of the respective reserve levels of the funds, deposit insurance assessments paid by healthy savings associations exceeded those paid by healthy commercial banks by approximately $.19 per $100 in deposits in 1995. In 1996, no BIF assessments are required for healthy commercial banks except for a $2,000 minimum fee.

Legislation was enacted to recapitalize the SAIF that provides for a special assessment totaling $.657 per $100 of SAIF deposits held at March 31, 1995, in order to increase SAIF reserves to the level required by law. The Association had $65.7 million in deposits at March 31, 1995, resulting in an assessment of approximately $431,000, or $260,000 after tax, which was charged to operations in the fourth quarter of fiscal 1996.

A component of the recapitalization plan provides for the merger of the SAIF and BIF on January 1, 1999. However, the SAIF recapitalization legislation currently provides for an elimination of the thrift charter or of the separate federal regulation of thrifts prior to the merger of the deposit insurance funds. As a result, the Association would be regulated as a bank under federal laws which would subject it to the more restrictive activity limits imposed on national banks. Under separate legislation related to the recapitalization plan, the Association is required to recapture as taxable income approximately $137,000 of its bad debt reserve, which represents the post-1987 additions to the reserve and will be unable to utilize the percentage of earnings method to compute its reserve in the future. The Association has provided deferred taxes for this amount and will be permitted to amortize the recapture of its bad debt reserve over six years.

September 30, 1996 and 1995

NOTE N -- COMMITMENTS

The Association has contracted with a construction company for the completion of a branch in Coffeyville, Kansas. The total contract amount is $422,455. As of September 30, 1996, $115,424 of the contract amount had been billed and paid leaving a remaining commitment of $307,031.

The Association is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers including commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of the commitments reflect the extent of the Association's involvement in such financial instruments.

The Association's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Association uses the same credit policies in making commitments and conditional obligations as those utilized for on-balance sheet instruments. The Association's commitments to extend credit at September 30, 1996 include loans in process as disclosed in Note D and first mortgage loans with fixed rates ranging from 8.5% to 9% aggregating $150,800 and at variable rates ranging from 6.5% to 7.75% aggregating $113,175. Collateral for loans in process and commitments are the same as for other Association loans. The commitment period is generally for forty-five days.

NOTE O -- FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," requires that the Association disclose estimated fair values for its financial instruments. The following methods and assumptions were used to estimate the fair value of each class of financial instruments at September 30, 1996.

Cash and cash equivalents: The balance sheet carrying amounts for cash and short-term instruments approximate the estimated fair values of such assets.

Investment securities and mortgage-backed securities: Fair values for investment securities and mortgage-backed securities are based on quoted market prices, if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans receivable: For variable rate loans that reprice frequently and which entail no significant change in credit risk, fair values are based on the carrying values. The estimated fair values of fixed rate loans are estimated based on discounted cash flow analyses using prepayment assumptions and interest rates currently offered for loans with similar terms to borrowers of similar credit quality. Nonperforming loans have not been discounted. The carrying amount of accrued interest receivable approximates its fair value.

Commitments to extend credit: No premium or discount was ascribed to loan commitments because when funded virtually all funding will be at current market rates.

Federal Home Loan Bank stock: The balance sheet carrying amount approximates the stocks fair value.

Deposit liabilities: The fair values estimated for demand deposits, NOW accounts, savings and certain types of money market accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values of fixed rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered to a schedule of aggregated expected monthly time deposit maturities. The carrying amount of accrued interest payable approximates its fair value.

Advances from Federal Home Loan Bank: For variable rate advances fair values are considered equal to their carrying values. The estimated fair value of fixed rate advances are estimated based on discounted cash flow analysis using interest rates currently offered for advances with similar terms.

The following table provides summary information on the fair value of financial instruments. Such information does not purport to represent the aggregate net fair value of the Association. Further, the fair value estimates are based on various assumptions, methodologies and subjective considerations, which vary widely among different financial institutions and which are subject to change. The carrying amounts are the amounts at which the financial instruments are reported in the consolidated financial statements.

	1996	
	Carrying amount of assets and (liabilities)	Estimated fair value of assets and (liabilities)
Cash and cash equivalents	$ 1,763,429	$ 1,763,429
Investment securities available for sale	5,235,073	5,235,073
Investment securities held to maturity	2,000,000	1,970,980
Mortgage-backed securities available for sale	659,207	659,207
Mortgage-backed securities held to maturity	28,039,314	27,873,630
Loans	68,372,929	67,768,345
Federal Home Loan Bank stock	1,239,500	1,239,500
Deposits	(69,356,422)	(68,999,524)
Advances from Federal Home Loan Bank	(24,300,000)	(24,204,628)

STOCKHOLDER INFORMATION

Stock Listing Information
First Federal Savings and Loan Association of Independence converted from a mutual to a stock savings and loan association effective October 5, 1993, and formed First Independence Corporation (the "Company") to act as its holding company. The Company's Common Stock (the "Common Stock") is traded on the National Association, of Securities Dealers Automated Quotation ("NASDAQ") Small-Cap Market under the symbol "FFSL."

Stock Price Information and Dividends
As of December 6, 1996, there were approximately 213 shareholders of record of the Company's Common Stock, not including those shares held in nominee or street name through various brokerage firms or banks.

The following table sets forth the high and low bid prices of the Common Stock and dividends declared for each fiscal quarter since it began trading on October 7, 1993. The stock price information was provided by the NASD, Inc.

Quarter Ended	High	Low	Dividends Declared
December 31, 1993	$12.75	$11.50	$--
March 31, 1994	12.50	11.625	.05
June 30, 1994	12.25	11.00	.05
September 30, 1994	13.75	12.25	.05
December 31, 1994	13.50	12.25	.05
March 31, 1995	15.25	12.75	.075
June 30, 1995	15.75	15.00	.075
September 30, 1995	18.50	15.50	.075
December 31, 1995	18.75	18.50	.075
March 31, 1996	18.75	18.50	.100
June 30, 1996	18.50	17.75	.100
September 30, 1996	18.75	17.75	.100

The Company has paid a cash dividend on its Common Stock for each quarter since the Association's conversion to stock form. Future dividends, if any, will be dependent upon the results of operations and financial condition of the Company, tax considerations, industry standards, economic conditions, general business practices and other factors. The Company's ability to pay dividends is dependent on the dividend payments it receives from the

Association, which are subject to regulations and the Association's continued compliance with all regulatory capital requirements. See Note L of the Notes to Consolidated Financial Statements for a discussion of regulations governing the Association's ability to pay dividends.

Annual Report on Form 10-KSB and Investor Information

A copy of the Company's annual report on Form 10-KSB, filed with the Securities and Exchange Commission, is available without charge by writing:

Gary L. Overfield
Senior Vice President and Secretary
First Independence Corporation
Myrtle and Sixth
Independence, Kansas 67301

Stock Transfer Agent

Inquiries regarding stock transfer, registration, lost certificates or changes in name and address should be directed to the stock transfer agent and registrar by writing:

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016

Investor Information

Stockholders, investors, and analysts interested in additional information may contact:

James B. Mitchell,
Vice President and Chief Financial Officer.

Corporate Office
First Independence Corporation
Myrtle and Sixth
Independence, Kansas 67301
(316) 331-1660

Special Counsel
Silver, Freedman & Taff, L.L.P.
7th Floor - East Tower
1100 New York Avenue, NW
Washington, DC 20005

Independent Auditor
Grant Thornton, LLP
800 Fourth Financial Center
Wichita, Kansas 67202

First Federal Savings and Loan Association of Independence
Myrtle and Sixth
Independence, Kansas 67301
(316) 331-1660

DIRECTORS AND EXECUTIVE OFFICERS

FIRST INDEPENDENCE CORPORATION

OFFICERS

Donald E. Aitken
Chairman of the Board

Larry G. Spencer
President and Chief Executive Officer

Gary L. Overfield
Senior Vice President and Secretary

James B. Mitchell
Vice President and Chief Financial Officer

BOARD OF DIRECTORS

Donald E. Aitken
Chairman of the Board
First Independence Corporation and
First Federal Savings and Loan Association of Independence
Manager
City Publishing Co., Inc.

Larry G. Spencer
President and Chief Executive Officer
First Independence Corporation
President and Chief Executive Officer
First Federal Savings and Loan Association of Independence

William T. Newkirk II
Agent
Newkirk, Dennis & Buckles Insurance Co.

John T. Updegraff
Retired - Former Vice President and Senior Counsel
Arco Pipe Line Company

Harold L. Swearingen
Retired - Former Telecommunications Manager
Arco Pipe Line Company

Joseph M. Smith
County Extension Agent - Agriculture and Coordinator
Montgomery County Extension Council

Laverne W. Strecker
Retired - Former Manager of Accounting and Control
Arco Pipe Line Company

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF INDEPENDENCE

OFFICERS

Donald E. Aitken
Chairman of the Board

Larry G. Spencer
President and Chief Executive Officer

Gary L. Overfield
Senior Vice President and Secretary

James B. Mitchell
Vice President and Chief Financial Officer

Jim L. Clubine
Vice President and Asset Manager

Gregg S. Webster
Vice President

Lori L. Kelley
Assistant Vice President and Compliance Officer

Betty J. Redman
Treasurer

BOARD OF DIRECTORS

Donald E. Aitken

Larry G. Spencer

William T. Newkirk II

John T. Updegraff

Harold L. Swearingen

Lavern W. Strecker

Joseph M. Smith

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

<TABLE>
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Parent	Subsidiary	Percentage of Ownership	State of Incorporation or Organization
<S>	<C>	<C>	<C>
First Independence Corporation	First Federal Savings and Loan Association of Independence	100%	Federal

</TABLE>

Exhibit 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated October 24, 1996, accompanying the consolidated financial statements incorporated by reference in the Annual Report of First Independence Corporation and Subsidiary on Form 10-KSB for the year ended September 30, 1996. We hereby consent to the incorporation by reference of said report in the Registration Statement of First Independence Corporation on Form S-8 (File No. 33-58095, effective March 13, 1995 and File No. 33-75404, effective February 16, 1994).

GRANT THORNTON LLP

/s/ Grant Thornton LLP

Wichita, Kansas
December 24, 1996

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