FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-02-02** | Period of Report: **2000-12-31**
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FILER

FSF FINANCIAL CORP
CIK:**924370**| IRS No.: **411783064** | State of Incorp.:**MN** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **000-24648** | Film No.: **1523763**
SIC: **6035** Savings institution, federally chartered

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HUTCHINSON MN 55350

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HUTCHINSON MN 55350
3202344500

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2000

OR

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

For the transition period from to

Commission file number 0-24648

FSF FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

Minnesota	41-1783064
(State or other jurisdiction of incorporation or organization)	(IRS employer identification no.)
201 Main Street South, Hutchinson, Minnesota	55350-2573
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (320) 234-4500

Former name, former address and former fiscal year, if changed since last report.

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicated the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date January 31, 2001.

Class	Outstanding
$.10 par value common stock	2,396,674 shares

FSF FINANCIAL CORP. AND SUBSIDIARIES
FORM 10-Q
FOR THE QUARTER ENDED DECEMBER 31, 2000

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FSF FINANCIAL CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

<TABLE>
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	December 31, 2000	September 30, 2000
	(in thousands)	
ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$ 15,320	$ 8,482
Securities available for sale, at fair value:		
Equity securities	18,321	18,246
Mortgage-backed and related securities	15,527	15,369
Debt securities	12,975	12,728
Securities held to maturity, at amortized cost:		
Debt securities (fair value of $17,579 and $16,974)	18,400	18,393
Mortgage-backed and related securities (fair value of $25,963 and $25,145)	26,873	26,986
Loans held for sale	6,616	3,191
Loans receivable, net	338,465	341,813
Foreclosed real estate	321	321
Accrued interest receivable	4,549	4,432
Premises and equipment	5,491	5,514
Other assets	11,047	11,040
Total assets	$ 473,905	$ 466,515
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Demand deposits	$ 43,350	$ 36,964
Savings accounts	81,585	80,087
Certificates of deposit	182,612	177,772
Total deposits	307,547	294,823
Federal Home Loan Bank borrowings	121,500	127,500
Advances from borrowers for taxes and insurance	387	658
Other liabilities	4,004	3,769
Total liabilities	433,438	426,750
Stockholders' equity:		
Serial preferred stock, no par value 5,000,000 shares authorized, no shares issued	-	-
Common stock, $.10 par value 10,000,000 shares authorized, 4,501,277 and 4,501,277 shares issued	450	450
Additional paid in capital	43,143	43,391
Retained earnings, substantially restricted	29,454	28,925
Treasury stock at cost (2,091,603 and 2,094,822 shares)	(29,485)	(29,504)
Unearned ESOP shares at cost (118,060 and 126,823 shares)	(1,181)	(1,268)
Unearned MSP stock grants at cost (42,964 and 42,964 shares)	(458)	(458)
Accumulated comprehensive loss	(1,456)	(1,771)
Total stockholders' equity	40,467	39,765
Total liabilities and stockholders' equity	$ 473,905	$ 466,515

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

FSF FINANCIAL CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	For Three Months Ended December 31, 2000	1999
	(In thousands, except per share data)	
<S>	<C>	<C>
Interest income:		
Loans receivable	$ 7,856	$ 6,110
Mortgage-backed and related securities	621	655
Investment securities	739	769
Total interest income	9,216	7,534
Interest expense:		
Deposits	4,008	2,460
Borrowed funds	1,905	1,926
Total interest expense	5,913	4,386
Net interest income	3,303	3,148
Provision for loan losses	90	54
Net interest income after provision for loan losses	3,213	3,094
Non-interest income:		
Gain on sale of loans, net	372	346
Other service charges and fees	166	202
Service charges on deposit accounts	395	311
Commission income	270	240
Other	112	97
Total non-interest income	1,315	1,196
Non-interest expense:		
Compensation and benefits	1,882	1,833
Occupancy and equipment	366	298
Deposit insurance premiums	14	34
Data processing	183	163
Professional fees	99	74
Other	587	544
Total non-interest expense	3,131	2,946
Income before provision for income taxes	1,397	1,344
Income tax expense	540	523
Net income	$ 857	$ 821
Basic earnings per share	$ 0.38	$ 0.32
Diluted earnings per share	$ 0.37	$ 0.31
Cash dividend declared per common share	$ 0.150	$ 0.125
Comprehensive income	$ 1,172	$ 742

</TABLE>

See Notes to Unaudited Consolidated Financial Statement

FSF FINANCIAL CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

<S>	Three Months Ended December 31, 2000 <C>	1999 <C>
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 857	$ 821
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	151	139
Net amortization of discounts and premiums on securities held to maturity	(8)	(18)
Provision for loan losses	90	54
Net market value adjustment on ESOP shares	27	18
Amortization of ESOP and MSP stock compensation	88	154
Amortization of intangibles	29	27
Net gain on sale of assets	-	(36)
Net loan fees deferred and amortized	(27)	(5)
Loans originated for sale	(22,802)	(14,024)
Loans sold	19,377	14,948
(Increase) decrease in:		
Accrued interest receivable	(117)	28
Other assets	(102)	183
Increase (decrease) in other liabilities	139	244
Net cash provided by operating activities	(2,298)	2,533
Cash flows from investing activities:		
Loan originations and principal payments on loans, net	10,990	(1,318)
Purchase of loans	(7,706)	(8,533)
Principal payments on mortgage-related securities held to maturity	114	218
Proceeds from maturities of securities held to maturity	-	570
Investments in foreclosed real estate	-	(6)
Proceeds from sale of REO	-	240
Purchases of equipment and property improvements	(129)	(99)
Net cash provided by (used in) investing activities	$ 3,269	$ (8,928)

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

FSF FINANCIAL CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

<TABLE>
<CAPTION>

<S>	Three Months Ended December 31, 2000 <C>	1999 <C>
	(in thousands)	
Cash flows from financing activities:		
Net increase in deposits	$ 12,724	$ 896
FHLB advances	20,000	70,500
Payments on FHLB advances	(26,000)	(70,548)
Net short term borrowings	-	(200)
Net decrease in mortgage escrow funds	(271)	(296)
Treasury stock purchased	(444)	(790)
Proceeds from exercise of stock options	188	-
Dividends on common stock	(330)	(325)
Net cash provided by (used in) financing activities	5,867	(763)
Net (decrease) increase in cash and cash equivalents	6,838	(7,158)
Cash and cash equivalents		

Beginning of period	8,482	19,265
End of period	$ 15,320	$ 12,107
Supplemental disclosures of cash flow information: Cash payments for:		
Interest on advances and other borrowed money	$ 1,902	$ 1,928
Interest on deposits	4,230	2,629
Income taxes	237	238
Supplemental schedule of non-cash investing and financing activities:		
Reinvested amounts of capital gains and dividends from mutual fund investments	27	8

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

FSF FINANCIAL CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1- PRINCIPLES OF CONSOLIDATION

The unaudited consolidated financial statements as of and for the three months ended December 31, 2000, include the accounts of FSF Financial Corp. (the "Corporation") and its wholly owned subsidiaries, Insurance Planners of Hutchinson, Inc. (the "Agency") and First Federal fsb (the "Bank"), with its wholly owned subsidiaries, Firstate Services and Homeowners Mortgage Corporation ("HMC"). All significant inter-company accounts and transactions have been eliminated in consolidation.

NOTE 2- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and therefore, do not include information or footnotes necessary for a complete presentation of consolidated financial condition, results of operations and cash flows in conformity with Generally Accepted Accounting Principles. However, all adjustments consisting of normal recurring accruals, which in the opinion of management are necessary for fair presentation of the consolidated financial statements, have been included. The results of operations for the three month period ended December 31, 2000 are not necessarily indicative of the results which may be expected for the entire fiscal year or any other future period. For further information, refer to the consolidated financial statements and footnotes thereto included in the Corporation's Annual Report of Form 10-K for the year ended September 30, 2000.

NOTE 3- BUSINESS SEGMENTS

The Corporation's reportable business segments are business units that offer different products and services that are marketed through various channels. The Corporation has identified its wholly owned subsidiaries, the Bank and HMC, as reportable business segments. Both segments operate and are managed independently. Firstate Services, the Agency and FSF Financial Corp. (the "Holding Company") did not meet the quantitative thresholds for determining reportable segments and therefore are included in the "other" category.

<TABLE>
<CAPTION>

<S>	Bank Stand-alone <C>	HMC Stand-alone <C>	Other <C>	Eliminations <C>	Consolidated Total <C>
As of and for the three months ended December 31, 2000					
From operations:					
Interest income from external sources	$ 9,152	$ 37	$ 27	$ -	$ 9,216
Non-interest income from external sources	834	248	233	-	1,315
Inter-segment interest income	17	-	34	(51)	-
Interest expense	5,917	17	-	(21)	5,913
Provisions for loan losses	90	-	-	-	90
Depreciation and amortization	139	31	11	-	181
Other non-interest expense	2,417	627	300	(213)	3,131
Income tax expense (benefit)	601	(62)	1	-	540
Net income (loss)	$ 978	$ (115)	$ (6)	$ -	$ 857

Total Assets	$ 472,422	$ 4,761	$ 41,657	$ (44,935)	$ 473,905
As of and for the three months ended December 31, 1999					
From operations:					
Interest income from external sources	$ 7,455	$ 53	$ 26	$ -	$ 7,534
Non-interest income from external sources	630	347	219	-	1,196
Inter-segment interest income	56	-	3,036	(3,092)	-
Interest expense	4,384	61	-	(59)	4,386
Provisions for loan losses	54	-	-	-	54
Depreciation and amortization	157	7	2	-	166
Other non-interest expense	2,249	530	293	(126)	2,946
Income tax expense (benefit)	556	(31)	(2)	-	523
Net income (loss)	$ 897	$ (68)	$ 2,992	$ (3,000)	$ 821
Total Assets	$ 411,495	$ 5,804	$ 44,377	$ (43,234)	$ 418,442

</TABLE>

NOTE 4- EARNINGS PER SHARE

The earnings per share amounts were computed using the weighted average number of shares outstanding during the periods presented. For the three month period ended December 31, 2000, the weighted average number of shares outstanding for basic and diluted earnings per share computations were 2,237,370 and 2,328,713, respectively. For the three month period ended December 31, 1999, the weighted average number of shares outstanding for basic and diluted earnings per share computation were 2,590,702 and 2,649,635, respectively. The difference between the basic and diluted earnings per share denominator is the effect of stock based compensation plans.

FSF FINANCIAL CORP. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Private Securities Litigation Reform Act of 1995 contains safe harbor provisions regarding forward-looking statements. When used in this discussion, the words "believes", "anticipates", "contemplates", "expects" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Those risks and uncertainties include changes in interest rates, risks associated with the effect of integrating newly acquired businesses, the ability to control costs and expenses and general economic conditions. The Corporation undertakes no obligation to publicly release the results of any revisions to those forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

General

The Corporation's total assets at December 31, 2000 and September 30, 2000 totaled $473.9 million and $466.5 million. This increase of $7.4 million was a result of an increase in loans held for sale, cash and cash equivalents.

Cash and cash equivalents increased $6.8 million from $8.5 million at September 30, 2000 to $15.3 million at December 31, 2000. The Corporation utilized excess liquidity to fund the purchase of treasury shares and loan originations; however, the increase was mainly a result of an increase in deposits.

Securities available for sale increased $480,000 between December 31, 2000 and September 30, 2000, as a result of market value changes.

Loans held for sale increased $3.4 million to $6.6 million at December 31, 2000 from $3.2 million at September 30, 2000. As of December 31, 2000, the Bank and HMC had forward commitments to sell all of their loans held for sale in the secondary market. Payment for these loans usually occurs within fourteen days of funding.

Loans receivable decreased $3.3 million or 1.0% to $338.5 million at December 31, 2000 from $341.8 million at September 30, 2000. Total residential real estate and construction loan originations decreased by $2.0 million and when combined with the sale and prepayments of residential mortgages, resulted in a decrease in one-to-four family residential mortgages and construction loans of $10.3 million. Agricultural loans increased by $1.5 million. To supplement originations, the Bank purchased $7.7 million of commercial business loans and consumer loans increased by $1.5 million. The commercial loans purchased that meet the risk profile established by the Bank generally have interest rates that are based on the "Prime" rate as published in The Wall Street Journal and provide the Bank with the opportunity to continue to diversify the composition of and shorten the length of maturity of the loan portfolio.

The following table sets forth information on loans originated and purchased for the periods indicated:
<TABLE>
<CAPTION>

	Three Months Ended December 31, 2000	Three Months Ended December 31, 1999
	(in thousands)	
<S>	<C>	<C>
Loans originated:		
1-4 family residential mortgages	$ 14,244	$ 16,136
1-4 family construction loans	21,703	21,790
Land	237	468
Agriculture	6,202	4,916
Commercial business & real estate	3,740	4,111
Consumer	6,017	8,559
Total loans originated	52,143	55,980
Loans purchased:		
Commercial business	7,706	8,533
Total new loans	$ 59,849	$ 64,513
Total loans sold	$ 19,377	$ 14,948

</TABLE>

The following table sets forth the composition of the Bank's loan portfolio in dollars and in percentages of total loans at the dates indicated:
<TABLE>
<CAPTION>

	December 31, 2000 Amount	December 31, 2000 %	Septembe 30, 2000 Amount	Septembe 30, 2000 %
	(dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Residential real estate:				
One-to-four family (1)	$ 101,133	26.8	$ 101,034	26.3
Residential construction	71,998	19.0	82,408	21.5
Multi-family	5,539	1.5	4,737	1.2
	178,670	47.3	188,179	49.0
Agricultural loans	45,375	12.0	43,829	11.4
Land and commercial real estate	51,357	13.6	50,970	13.3
Commercial business	29,676	7.9	29,831	7.7
	126,408	33.5	124,630	32.4
Consumer loans:				
Home equity and second mortgages	30,240	8.0	28,106	7.3
Automobile loans	13,067	3.5	13,255	3.5
Other	29,484	7.7	29,943	7.8
Total consumer loans	72,791	19.2	71,304	18.6
Total loans	377,869	100.0	384,113	100.0

Less:		
Loans in process	(30,554)	(36,864)
Deferred fees	(684)	(711)
Allowance for loan losses	(1,550)	(1,534)
Total loans, net	$ 345,081	$ 345,004

</TABLE>

1. Includes loans held for sale in the amount of $6.6 million and $3.2 million as of December 31, 2000 and September 30, 2000, respectively.

Deposits, after interest credited, increased from $294.8 million at September 30, 2000 to $307.5 million at December 31, 2000, an increase of $12.7 million or 4.3%. Overall cost of funds on deposits during the period increased 112 basis points (100 basis points equals 1%) as the Bank attempted to maintain deposit rates consistent with market place competitors. Demand deposits increased $6.4 million or 17.3% from September 30, 2000, when compared to December 31, 2000, mainly due to year end deposits on business accounts. Savings accounts increased 1.9% during the same periods due to increasing balances in the Bank's First Prime Savings account. Certificates of deposit increased $4.8 million. The Bank utilized the increase in deposits to fund the continued loan growth and reduce Federal Home Loan Bank ("FHLB") borrowings.

The Corporation completed the repurchase of 56,692 shares of common stock, which when netted against 59,911 shares issued in connection with the exercise of stock options, decreased the number of treasury shares to 2,091,603 at December 31, 2000. Treasury shares are to be used for general corporate purposes, including the issuance of shares in connection with the exercise of stock options. Total stockholders' equity has increased $702,000 since September 30, 2000, due to net income and a decrease in accumulated comprehensive loss. Book value per share increased from $17.78 at September 30, 2000 to $18.00 at December 31, 2000.

Loans are reviewed on a regular basis and are placed on non-accrual status when, in the opinion of management, the collection of additional interest is doubtful. Loans are generally placed on non-accrual status when either principal or interest is 90 days or more past due. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate collectibility of the loan.

The following table sets forth information with respect to the Bank's non-performing assets for the periods indicated:

<TABLE>
<CAPTION>

<S>	December 31, 2000 <C>	September 30, 2000 <C>
	(in thousands)	
Loans accounted for on a non-accrual basis:		
Mortgage loans:		
Residential construction loans	$ 614	$ 323
Permanent loans secured by one-to-four family units	132	55
Permanent loans secured by non-residential real estate	-	-
Other	-	-
Non-mortgage loans:		
Commercial and agricultural	580	452
Consumer	208	159
Total non-accrual loans	1,534	989
Foreclosed real estate	321	321
Total non-performing assets	$ 1,855	$ 1,310
Total non-performing loans to net loans	0.44%	0.29%
Total non-performing loans to total assets	0.32%	0.21%

Total non-performing assets to total assets	0.39%	0.28%

</TABLE>

COMPARISON OF THE THREE MONTHS ENDED DECEMBER 31, 2000 AND 1999

The following table sets forth information with respect to the Corporation's average balance sheet, interest and dividends earned or paid and related yields and rates (dollars in thousands):

<TABLE>
<CAPTION>

	Three Months Ended December 31,					
	2000			1999		
	Average Balance	Interest	Interest Yields & Rates (1)	Average Balance	Interest	Interest Yields & Rates (1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:						
Loans receivable (2)	$ 343,899	$ 7,856	9.14 %	$ 288,856	$ 6,110	8.46 %
Mortgage-backed securities	42,313	621	5.87	43,459	655	6.03
Investment securities (3)	56,862	739	5.20	58,402	769	5.27
Total interest-earning assets	443,074	9,216	8.32	390,717	7,534	7.71
Other assets	23,792			22,760		
Total assets	$ 466,866			$ 413,477		
Liabilities:						
Interest-bearing deposits	$ 296,496	$ 4,008	5.41 %	$ 229,578	$ 2,460	4.29 %
Borrowings	125,174	1,905	6.09	137,308	1,926	5.61
Total interest-bearing	421,670	5,913	5.61 %	366,886	4,386	4.78 %
Other liabilities	5,080			4,367		
Total liabilities	426,750			371,253		
Stockholders' equity	40,116			42,224		
Total liabilities and stockholders' equity	$ 466,866			$ 413,477		
Net interest income		$ 3,303			$ 3,148	
Net spread (4)			2.71 %			2.93 %
Net margin (5)			2.98 %			3.22 %
Ratio of average interest-earning assets to average interest-bearing liabilities	1.05X			1.06X		

</TABLE>

1. Annualized.
2. Average balances include non-accrual loans and loans held for sale.
3. Includes interest-bearing deposits in other financial institutions.
4. Net spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
5. Net margin represents net interest income as a percentage of interest-earning assets.

Net Income
The Corporation recorded net income of $857,000 for the three months ended December 31, 2000, as compared to net income of $821,000 for the three month period ended December 31, 1999. This increase in net income was $36,000 or 4.4%.

Total Interest Income
Total interest income increased by $1.7 million or 22.7% to $9.2 million for the three months ended December 31, 2000. The average yield on loans increased to

9.14% for the quarter ended December 31, 2000 from 8.46% for the quarter ended December 31, 1999. During the same period, the average yield on mortgage-backed securities decreased 16 basis points. The average balance of investment securities decreased to $56.9 million for the quarter ended December 31, 2000 from $58.4 million for the quarter ended December 31, 1999, as a result of a reduction in the Bank's liquidity. The average yield decreased from 5.27% for the three months ended December 31, 1999 to 5.20% for the same period in 2000.

Total Interest Expense

Total interest expense increased to $5.9 million for the three months ended December 31, 2000 from $4.4 million for the same period in 1999. The average balance of interest-bearing deposits increased from $229.6 million for the three months ended December 31, 1999 to $296.5 million for the three months ended December 31, 2000, mainly due to an increase in certificates of deposit accounts. The average cost of deposits increased 112 basis points from 4.29% for the three month period ended December 31, 1999 to 5.41% for the same period in 2000, as the rates offered by the Bank increased. No assurance can be made that deposits can be maintained in the future without further increasing the cost of funds if interest rates increase. The average balance of borrowings decreased $12.1 million to $125.2 million for the three months ended December 31, 2000 from $137.3 million for the three months ended December 31, 1999. The cost of such borrowings increased by 48 basis points to 6.09% for the three months ended December 31, 2000 from 5.61% for the same period in 1999. Borrowings decreased as the Bank utilized repayments of loans and the increase in deposits to meet liquidity needs.

Net Interest Income

Net interest income increased from $3.1 million for the three months ended December 31, 1999 to $3.2 million for the same period ended December 31, 2000. Average interest-earning assets increased $52.4 million from $390.7 million for the three months ended December 31, 1999 to $443.1 million for the three months ended December 31, 2000, while the average yield on those interest-earning assets increased from 7.71% for 1999 to 8.32% for 2000. Average interest-bearing liabilities increased by $54.8 million to $421.7 million for the three months ended December 31, 2000 from $366.9 million for the three months ended December 31, 1999, while the cost of those interest-bearing liabilities increased from 4.78% in 1999 to 5.61% in 2000.

Provision for Loan Losses

The Corporation's provision for loan losses was $90,000 for the three months ended December 31, 2000, as compared to $54,000 for the same period in 1999. Management believes, based on a detailed review of the loan portfolio, historic loan losses, current economic conditions and other factors, that the current level of provision for loan losses and the resulting level of the allowance for loan losses reflects an adequate reserve against potential losses from the loan portfolio. The allowance for loan losses is established through a provision for loan losses charged to expense. While the Corporation maintains its allowance for losses at a level which it considers to be adequate, there can be no assurance that further additions will not be made to the loss allowances or that such losses will not exceed the estimated amounts.

The following table sets forth information with respect to the Bank's allowance for loan losses at the dates indicated:

<TABLE>
<CAPTION>

	For the Three Months At December 31, 2000	1999
	(in thousands)	
<S>	<C>	<C>
Average loans outstanding	$ 343,899	$ 288,856
Allowance balance (beginning of period)	$ 1,534	$ 1,387
Provision (credit):		
Residential	-	-

Land and commercial real estate	25	20
Commercial & agricultural business	65	34
Consumer	-	-
Total provision	90	54
Charge-offs:		
Residential	-	-
Commercial and agricultural business	39	-
Consumer	40	24
Total charge-offs	79	24
Recoveries:		
Residential	-	-
Land and commercial real estate	-	-
Consumer	5	9
Total recoveries	5	9
Net charge-offs	74	15
Allowance balance (end of period)	$ 1,550	$ 1,426
Allowance as percent of total loans	0.45%	0.49%
Net loans charged off as a percent of average loans	0.02%	0.01%

</TABLE>

Non-interest Income

Total non-interest income increased $119,000 during the three-month period ended December 31, 2000 to $1.3 million, as compared with the same period in 1999. Gains on loans sold increased from $346,000 at December 31, 1999 to $372,000 at December 31, 2000. Commission income increased from $240,000 for the quarter ended December 31, 1999 to $270,000 for the quarter ended December 31, 2000. Other service charges and fees decreased from $202,000 for the three months ended December 31, 1999 to $166,000 for the three months ended December 31, 2000, as a result of reduced mortgage loan originations. Other income increased $15,000 for the three months ended December 31, 2000.

Non-interest Expense

Total non-interest expense increased $185,000 or 6.3% over the periods compared. Data processing expense increased $20,000 to $183,000 for the period ended December 31, 2000, due to processing expenses associated with the increased delivery of electronic services to customers. Professional fees increased from $74,000 for the first quarter of fiscal 2000 to $99,000 for the first quarter of fiscal 2001, due to the use of outsourcing for some services related to personnel changes and additional audit requirements.

Income Tax Expense

Income taxes increased by $17,000 to $540,000 for the three month period ended December 31, 2000 from $523,000 for the same period in 1999, which was primarily due to an increase of $53,000 in income before tax. The effective tax rate decreased by 1.5% for the same periods as the result of an increase in tax exempt income of $75,000.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary sources of funds are deposits, borrowings, principal and interest payments on loans, investments and mortgage-backed securities, sales of mortgage loans and funds provided by operations. While scheduled payments on loans, mortgage-backed securities and short-term investments are relatively predictable sources of funds, deposit flows and early loan repayments are greatly influenced by general interest rates, economic conditions and competition.

The Bank is required under federal regulations to maintain certain specified levels of "liquid investments", which include certain United States Government obligations and other approved investments. Federal regulations reduced the requirement for Banks to maintain liquid assets at 5%, to not less than 4% of its net withdrawable accounts plus short-term borrowings and eliminated the requirement to maintain not less than 1% of short-term liquid assets of such accounts and borrowings. The Bank's regulatory liquidity was 7.3% at December 31, 2000.

The amount of certificate accounts that are scheduled to mature during the twelve months ending December 31, 2001 is approximately $134.1 million. To the extent that these deposits do not remain upon maturity, the Bank believes that it can replace these funds with new deposits, excess liquidity and FHLB advances or outside borrowings. It has been the Bank's experience that substantial portions of such maturing deposits remain at the Bank.

At December 31, 2000, the Bank and HMC had outstanding loan commitments of $1.3 million. Funds required to meet these commitments are derived primarily from current excess liquidity, loan sales, advances, deposit inflows or loan and security repayments.

OTS regulations require the Bank to maintain core capital of 4.0% of assets, of which 2.0% must be tangible equity capital, excluding goodwill. The Bank is also required to maintain risk-based capital equal to 8.0% of total risk-based assets. The Bank's regulatory capital exceeded its tangible equity, tier 1 (risk-based), tier 1 (core) and risk-based capital requirements by 6.4%, 3.9%, 7.2% and 3.1%, respectively.

Management believes that under current regulations, the Bank will continue to meet its minimum capital requirements in the foreseeable future. Events beyond the control of the Bank, such as increased interest rates or a downturn in the economy in areas in which the Bank operates, could adversely affect future earnings and, as a result, the ability of the Bank to meet its future minimum capital requirements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes from the information regarding market risk disclosed under the heading "Asset and Liability Management" in the Corporation's Annual Report for the year ended September 30, 2000.

ITEM 1. LEGAL PROCEEDINGS

Neither the Corporation nor any of its subsidiaries were engaged in any legal proceedings of a material nature at December 31, 2000. From time to time, the Corporation is a party to legal proceedings in the ordinary course of business wherein it enforces its security interest in loans.

ITEM 2. CHANGES IN SECURITIES

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER MATERIALLY IMPORTANT EVENTS

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

<TABLE>
<CAPTION>

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(a)	The following exhibits are filed as part of this report.	
	3.1	Articles of Incorporation of FSF Financial Corp. *
	3.2	Bylaws of FSF Financial Corp. *
	4.0	Stock Certificate of FSF Financial Corp. *
	10.1	Form of Employment Agreement with Donald A. Glas, George B. Loban and Richard H. Burgart *
	10.2	First Federal fsb Management Stock Plan **
	10.3	FSF Financial Corp. 1996 Stock Option Plan **
	10.4	FSF Financial Corp. 1998 Stock Compensation Plan ***

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*   Incorporated herein by reference into this document from the Exhibits to Form S-1, Registration Statement initially filed with the Commission on June 1, 1994. Registration No. 33-79570.

**   Incorporated herein by reference into this document from the Registrant's Proxy Statement for the Annual Meeting of Stockholders held on January 17, 1996 and filed with the Commission on December 13, 1995.

*** Incorporated herein by reference into this document from the Registrant's Proxy Statement for the Annual Meeting of Stockholders held on January 20, 1998 and filed with the Commission on December 10, 1997.

FSF FINANCIAL CORP. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements 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.

FSF FINANCIAL CORP.

Date: February 2, 2001

By: /s/ Donald A. Glas

Donald A. Glas
Chief Executive Officer

Date: February 2, 2001

By: /s/ Richard H. Burgart

Richard H. Burgart
Chief Financial Officer