

First Federal Savings Bank

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February 25, 2014

Congressman Andy Barr
1432 Longworth House Office Building
Washington, DC 20515

Dear Congressman Barr:

I am the Chief Financial Officer for First Financial Service Corporation (NASDAQ: FFKY) and its subsidiary First Federal Savings Bank (FFSB) in Elizabethtown, KY. FFSB, a community bank with approximately \$850,000 in assets and has been serving its community for over 90 years.

I am writing to express my strong support for your proposed legislation that is seeking interpretive guidance on the Volcker Rule's definition of an "ownership interest" as it relates to collateral loan obligations (CLOs) as well as the proposal to grandfather any CLO investments that were made prior to December 31, 2013.

I recently expressed my personal concern in a letter dated February 4, 2014 to the Honorable Janet L. Yellen, Honorable Mary Jo White, Honorable Mark P. Wetjen, Honorable Martin J. Gruenberg, and Honorable Thomas J. Curry. I also had the opportunity to listen to the webcast of the hearing that took place on February 5, 2014 entitled "The Impact of the Volcker Rule on Job Creators, Part II." I was very pleased to hear you read selection's from that letter during the hearing as it is a very important issue to me, FFSB, our customers, our shareholders, and the community that we have been serving for over 90 years.

Like many other banks, we were surprised to learn that previously admissible investments such as CLOs would become inadmissible due to the changes in the Final Rule and a forced liquidation of these investments would materialize during the conformance period. Based on my interpretation as well as many others in the industry, CLO debt securities in no way have an ownership interest in the CLO but are rather simply creditors and that is why I support your proposal to seek the interpretive guidance on the definition of an "ownership interest."

In my letter to the regulators I noted the potential impact that the implementation of this rule as it stands could have on FFSB. A forced liquidation of these investments could be viewed as a fire sale by the market resulting in deep discounts and material losses to our bank. Losses related to our CLO portfolio as a result of this rule could potentially translate to hiring freezes and/or layoffs for our employees and higher rates and fees to our customers in an effort to overcome these losses. These losses would be related to investments that were previously viewed as admissible investments, but may now be inadmissible due to a rule that lacks clarity and appears to be open for interpretation. FFSB has already experienced this interpretation issue with our primary regulator.

It is hard to understand, as a management team that was able to take a financial institution through the darkest days of the financial crisis, why we should be presented with another existential threat based solely on an arbitrary and expansive interpretation of the Volcker Rule.

Again, please accept my sincere appreciation in your continued efforts to finding the right solution to this important issue. I stand ready to help in any way that I can.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Perez", is written over a horizontal line.

Frank Perez
Chief Financial Officer
First Federal Savings Bank