Kentucky First Federal Bancorp
Form 10-Q
February 14, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2017

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ____________ to _______________

Commission File Number: 0-51176

KENTUCKY FIRST FEDERAL BANCORP

(Exact name of registrant as specified in its charter)

United States of America	61-1484858
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

216 West Main Street, Frankfort, Kentucky 40601

(Address of principal executive offices)(Zip Code)

(502) 223-1638

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-Accelerated filer (Do not check if a smaller reporting company)	Smaller Reporting Company
	Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At February 9, 2018, the latest practicable date, the Corporation had 8,444,515 shares of $.01 par value common stock outstanding.

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PART I

FINANCIAL INFORMATION

ITEM 1: Financial Statements

Kentucky First Federal Bancorp

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)

	December 31, 2017	June 30, 2017
ASSETS		
Cash and due from financial institutions	$ 4,392	$4,035
Interest-bearing demand deposits	4,968	8,769
Cash and cash equivalents	9,360	12,804
Time deposits in other financial institutions	6,681	4,201
Securities available for sale	66	71
Securities held-to-maturity, at amortized cost- approximate fair value of $1,271 and $1,523 at December 31, and June 30, 2017, respectively	1,249	1,487
Loans held for sale	240	--
Loans, net of allowance of $1,531 and $1,533 at December 31, and June 30, 2017, respectively	260,806	258,244
Real estate owned, net	806	358
Premises and equipment, net	5,706	5,810
Federal Home Loan Bank stock, at cost	6,482	6,482
Accrued interest receivable	720	679
Bank-owned life insurance	2,408	3,158
Goodwill	14,507	14,507
Prepaid federal income taxes	13	74
Prepaid expenses and other assets	396	610
Total assets	$ 309,440	$308,485

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits	$ 191,303	$ 182,845
Federal Home Loan Bank advances	48,627	55,780
Advances by borrowers for taxes and insurance	236	818
Accrued interest payable	23	21
Deferred federal income taxes	433	719
Deferred revenue	567	578
Other liabilities	586	578
Total liabilities	241,775	241,339
Commitments and contingencies	--	--
Shareholders' equity		
Preferred stock, 500,000 shares authorized, $.01 par value; no shares issued and outstanding	--	--
Common stock, 20,000,000 shares authorized, $.01 par value; 8,596,064 shares issued	86	86
Additional paid-in capital	35,084	35,084
Retained earnings	34,605	34,180
Unearned employee stock ownership plan (ESOP), 75,621 shares and 84,959 shares at December 31, and June 30, 2017, respectively	(756)	(850)
Treasury shares at cost, 151,549 and 151,549 common shares at December 31, and June 30, 2017, respectively	(1,355)	(1,355)
Accumulated other comprehensive income	1	1
Total shareholders' equity	67,665	67,146
Total liabilities and shareholders' equity	$ 309,440	$ 308,485

See accompanying notes to condensed consolidated financial statements.

Kentucky First Federal Bancorp

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Six months ended December 31,		Three months ended December 31,	
	2017	2016	2017	2016
Interest income				
Loans, including fees	$5,608	$5,405	$2,838	$2,712
Mortgage-backed securities	23	31	11	6
Other securities	--	6	--	3
Interest-bearing deposits and other	254	158	135	90
Total interest income	5,885	5,600	2,984	2,811
Interest expense				
Interest-bearing demand deposits	11	11	5	6
Savings	114	127	57	63
Certificates of Deposit	510	361	279	183
Deposits	635	499	341	252
Borrowings	335	170	161	89
Total interest expense	970	669	502	341
Net interest income	4,915	4,931	2,482	2,470
Provision for loan losses	3	56	3	52
Net interest income after provision for loan losses	4,912	4,875	2,479	2,418
Non-interest income				
Earnings on bank-owned life insurance	412	47	388	23
Net gain on sales of loans	11	9	11	9
Net gain on sales of real estate owned	51	74	8	1
Valuation adjustments of real estate owned	--	(25)	--	(25)
Other	102	139	29	68
Total non-interest income	576	244	436	76
Non-interest expense				
Employee compensation and benefits	2,733	2,655	1,364	1,311
Occupancy and equipment	325	353	167	171
Outside service fees	86	95	47	54
Legal fees	16	20	8	7
Data processing	215	193	113	96
Auditing and accounting	137	158	71	79

FDIC insurance premiums	44	48	21	(12)
Franchise and other taxes	119	121	60	61
Foreclosure and real estate owned expenses (net)	61	68	27	47
Other	628	558	328	287
Total non-interest expense	4,364	4,269	2,206	2,101
Income before income taxes	1,124	850	709	393
Federal income tax expense	(25)	299	(160)	139
NET INCOME	$1,149	$551	$869	$254
EARNINGS PER SHARE				
Basic and diluted	$0.14	$0.07	$0.11	$0.03
DIVIDENDS PER SHARE	$0.20	$0.20	$0.10	$0.10

See accompanying notes to condensed consolidated financial statements.

Kentucky First Federal Bancorp

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Six months ended December 31,		Three months ended December 31,	
	2017	2016	2017	2016
Net income	$1,149	$551	$869	$254
Other comprehensive gain, net of taxes: Unrealized holding gains on securities designated as available for sale, net of taxes of $0, $19, $0 and $21 during the respective periods	--	36	--	41
Comprehensive income	$1,149	$587	$869	$295

See accompanying notes to condensed consolidated financial statements.

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Kentucky First Federal Bancorp

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Six months ended December 31, 2017	2016
Cash flows from operating activities:		
Net income	$1,149	$551
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	159	172
Accretion of purchased loan credit discount	(43)	(92)
Amortization of purchased loan premium	7	7
Amortization (accretion) of deferred loan origination costs (fees)	44	30
Amortization of premiums on investment securities	7	33
Amortization of premiums on deposits	--	(35)
Net gain on sale of loans	(11)	(9)
Net loss (gain) on sale of real estate owned	(51)	(74)
Valuation adjustments of real estate owned	--	25
Deferred gain on sale of real estate owned	(11)	(9)
ESOP compensation expense	94	103
Earnings on bank-owned life insurance	(42)	(47)
Provision for loan losses	3	56
Origination of loans held for sale	(498)	(458)
Proceeds from loans held for sale	269	212
Increase (decrease) in cash, due to changes in:		
Accrued interest receivable	(41)	34
Prepaid expenses and other assets	214	531
Accrued interest payable	2	7
Other liabilities	8	(47)
Federal income taxes	(225)	97
Net cash provided by operating activities	1,034	1,087
Cash flows from investing activities:		
Purchase of held-to-maturity U.S. Treasury notes	--	(6,499)
Purchase of term deposits in other financial institutions	(2,727)	(988)
Maturities of term deposits in other financial institutions	247	--
Securities maturities, prepayments and calls:		
Held to maturity	231	1,270
Available for sale	5	3

Proceeds from bank-owned life insurance	792	--
Loans originated for investment, net of principal collected	(3,186)	(9,297)
Proceeds from sale of real estate owned	221	697
Additions to real estate owned	(5)	(28)
Additions to premises and equipment, net	(55)	(49)
Net cash used in investing activities	(4,477)	(14,891)
Cash flows from financing activities:		
Net increase (decrease) in deposits	8,458	(5,440)
Payments by borrowers for taxes and insurance, net	(582)	(499)
Proceeds from Federal Home Loan Bank advances	6,000	29,100
Repayments on Federal Home Loan Bank advances	(13,153)	(9,201)
Dividends paid on common stock	(724)	(744)
Net cash provided by (used in) financing activities	(1)	13,216
Net increase (decrease) in cash and cash equivalents	(3,444)	(588)
Beginning cash and cash equivalents	12,804	13,108
Ending cash and cash equivalents	$9,360	$12,520

See accompanying notes to condensed consolidated financial statements.

Kentucky First Federal Bancorp

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Unaudited)

(In thousands)

	Six months ended December 31,	
	2017	2016
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Federal income taxes	$200	$200
Interest on deposits and borrowings	$968	$697
Transfers of loans to real estate owned, net	$782	$507
Loans made on sale of real estate owned	$169	$110

See accompanying notes to condensed consolidated financial statements.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

(unaudited)

The Kentucky First Federal Bancorp ("Kentucky First" or the "Company") was incorporated under federal law in March 2005, and is the mid-tier holding company for First Federal Savings and Loan Association of Hazard, Hazard, Kentucky ("First Federal of Hazard") and Frankfort First Bancorp, Inc. ("Frankfort First"). Frankfort First is the holding company for First Federal Savings Bank of Kentucky, Frankfort, Kentucky ("First Federal of Kentucky"). First Federal of Hazard and First Federal of Kentucky (hereinafter collectively the "Banks") are Kentucky First's primary operations, which consist of operating the Banks as two independent, community-oriented savings institutions.

In December 2012, the Company acquired CKF Bancorp, Inc., a savings and loan holding company which operated three banking locations in Boyle and Garrard Counties in Kentucky. In accounting for the transaction, the assets and liabilities of CKF Bancorp were recorded on the books of First Federal of Kentucky in accordance with accounting standard ASC 805, Business Combinations.

1. <u>Basis of Presentation</u>

The accompanying unaudited condensed consolidated financial statements, which represent the consolidated balance sheets and results of operations of the Company, were prepared in accordance with the instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles. However, in the opinion of management, all adjustments (consisting of only normal recurring adjustments) which are necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the six- and three-month periods ended December 31, 2017, are not necessarily indicative of the results which may be expected for an entire fiscal year. The consolidated balance sheet as of June 30, 2017 has been derived from the audited consolidated balance sheet as of that date. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K annual report for 2017 filed with the Securities and Exchange Commission.

<u>Principles of Consolidation</u> - The consolidated financial statements include the accounts of the Company, Frankfort First, and its wholly-owned banking subsidiaries, First Federal of Hazard and First Federal of Kentucky (collectively hereinafter "the Banks"). All intercompany transactions and balances have been eliminated in consolidation.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

(unaudited)

New Accounting Standards:

FASB ASC 606 - In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers, and subsequently issued several amendments to the standard. The core principle of ASU 2014-09 is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosures are required to provide information regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. As amended, ASU 2014-09 becomes effective for annual periods and interim periods within those annual periods beginning after December 15, 2017, or the fiscal year beginning July 1, 2018, with respect to the Company. Management is finalizing its assessment of impact of the effects of ASU 2014-09, as amended, on the Company's financial statements and disclosures. We do not expect the new standard or any of the amendments to result in a material change from our current accounting for revenue, because the majority of the Company's financial instruments are outside of the scope of Topic 606. Management will continue to evaluate the impact, if any, of any additional guidance that is forthcoming.

FASB ASC 825 - In January 2016, the FASB issued an update ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update: 1) Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. 2) Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. 3) Eliminate the requirement to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. 4) Require entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. 5) Require an entity to present separately in other comprehensive income the portion of the total change in fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. 6) Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. 7) Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2017, or the fiscal year beginning July 1, 2018, with respect to the

Company. Management is finalizing its assessment of impact of the effects of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact. However, a fair value estimate on a loan portfolio would consider exit price.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

(unaudited)

New Accounting Standards (continued)

FASB ASC 718 - In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Shared-Based Payment Accounting. The amendments are intended to improve the accounting for employee shared-based payments and affects all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including the income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The amendments in this update became effective July 1, 2017, with respect to the Company and, as expected, it did not have a material impact of the consolidated financial statements.

FASB ASC 326 - In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The final standard will change estimates for credit losses related to financial assets measured at amortized cost such as loans, held-to-maturity debt securities, and certain other contracts. For estimating credit losses, the FASB is replacing the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The Company will now use forward-looking information to enhance its credit loss estimates. The amendment requires enhanced disclosures to aid investors and other users of financial statements to better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of our portfolio. The largest impact to the Company will be on its allowance for loan and lease losses, although the ASU also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The standard is effective public companies for annual periods and interim periods within those annual periods beginning after December 15, 2019, or in the Company's case the fiscal year beginning July 1, 2020. ASU 2016-13 will be applied through a cumulative effect adjustment to retained earnings (modified-retrospective approach), except for debt securities for which an other-than-temporary impairment had been recognized before the effective date. A prospective transition approach is required for these debt securities. We have formed a functional committee that is assessing our data and system needs and are evaluating the impact of adopting the new guidance. We expect to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, but cannot yet determine the magnitude of any such one-time adjustment or the overall impact of the new guidance on the consolidated financial statements. However, the Company does expect ASU 2016-13 to add complexity and costs to its current credit loss evaluation process.

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

(unaudited)

New Accounting Standards (continued)

FASB ASC 230 - In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* The amendments in ASU 2016-15 provide guidance on the following eight specific cash flow issues:

1. Debt Prepayment or Debt Extinguishment Costs;

2. Settlement of Zero-Coupon Debt Instruments or Other Debt Instruments with Coupon Interest Rates That Are Insignificant in Relation to the Effective Interest Rate of the Borrowing;

3. Contingent Consideration Payments Made after a Business Combination;

4. Proceeds from the Settlement of Insurance Claims;

5. Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned Life Insurance Policies;

6. Distributions Received from Equity Method Investees;

7. Beneficial Interests in Securitization Transactions; and

8. Separately Identifiable Cash Flows and Application of the Predominance Principle.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. Management is finalizing its assessment of impact of the effects of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

FASB ASC 310 – In March 2017, the FASB issued ASU No. 2017-08, *Receivables- Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities.* The amendments in this update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments requite the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments in this update more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities, which, in turn, are expected to more closely align interest income recorded on bonds held at a premium or a discount with the economics of the underlying instrument. For public business entities, the amendments in this update are effective for fiscal years, and the interim periods within those fiscal years, beginning after December 15, 2018. Changes resulting from the amendments in this update should be recognized on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principle. Management elected to adopt the guidance in the quarter ended December 31, 2017 and there was not a material impact on the Company’s financial statements.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

(unaudited)

Reclassifications - Certain amounts presented in prior periods have been reclassified to conform to the current period presentation. Such reclassifications had no impact on prior years' net income or shareholders' equity.

2. Earnings Per Share

Diluted earnings per share is computed taking into consideration common shares outstanding and dilutive potential common shares to be issued or released under the Company's share-based compensation plans. The factors used in the basic and diluted earnings per share computations follow:

	Six months ended December 31,		Three months ended December 31,	
(in thousands)	2017	2016	2017	2016
Net income allocated to common shareholders, basic and diluted	$1,149	$551	$869	$254

	Six months ended December 31,		**Three months ended December 31,**	
	2017	2016	2017	2016
Weighted average common shares outstanding, basic and diluted	8,361,941	8,382,239	8,364,276	8,384,586

There were no stock option shares outstanding for the six- or three-month periods ended December 31, 2017 and 2016.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

3. Investment Securities

The following table summarizes the amortized cost and fair value of securities available-for-sale and securities held-to-maturity at December 31, 2017 and June 30, 2017, the corresponding amounts of gross unrealized gains recognized in accumulated other comprehensive income and gross unrecognized gains and losses:

(in thousands)	December 31, 2017 Amortized cost	Gross unrealized/ unrecognized gains	Gross unrealized/ unrecognized losses	Estimated fair value
Available-for-sale Securities				
Agency mortgage-backed: residential	$65	$ 1	$ --	$ 66
Held-to-maturity Securities				
Agency mortgage-backed: residential	$1,249	$ 33	$ 11	$ 1,271

(in thousands)	June 30, 2017 Amortized cost	Gross unrealized/ unrecognized gains	Gross unrealized/ unrecognized losses	Estimated fair value
Available-for-sale Securities				
Agency mortgage-backed: residential	$70	$ 1	$ --	$ 71
Held-to-maturity Securities				
Agency mortgage-backed: residential	$1,487	$ 45	$ 9	$ 1,523

At December 31, 2017, the Company's debt securities consist of mortgage-backed securities, which do not have a single maturity date. The amortized cost and fair value of held-to-maturity debt securities are shown by contractual maturity. Securities not due at a single maturity date are shown separately.

Our pledged securities totaled $637,000 and $722,000 at December 31, 2017 and June 30, 2017, respectively.

We evaluated securities in unrealized loss positions for evidence of other-than-temporary impairment, considering duration, severity, financial condition of the issuer, our intention to sell or requirement to sell. Those securities were agency bonds, which carry a very limited amount of risk. Also, we have no intention to sell nor feel that we will be compelled to sell such securities before maturity. Based on our evaluation, no impairment has been recognized through earnings.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

4. Loans receivable

The composition of the loan portfolio was as follows:

(in thousands)	December 31, 2017	June 30, 2017
Residential real estate		
One- to four-family	$ 199,544	$ 197,936
Multi-family	15,247	15,678
Construction	5,683	2,398
Land	869	1,304
Farm	2,385	2,062
Nonresidential real estate	30,053	29,211
Commercial nonmortgage	2,466	2,540
Consumer and other:		
Loans on deposits	1,634	1,607
Home equity	7,110	6,853
Automobile	29	42
Unsecured	534	400
	265,554	260,031
Undisbursed portion of loans in process	(3,022)	(296)
Deferred loan origination fees (costs)	(195)	42
Allowance for loan losses	(1,531)	(1,533)
	$ 260,806	$ 258,244

The following table presents the activity in the allowance for loan losses by portfolio segment for the six months ended December 31, 2017:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 773	$ (29)	$ (49)	$ 44	$ 739
Multi-family	243	1	--	--	244
Construction	6	8	--	--	14
Land	4	(2)	--	--	2
Farm	9	1	--	--	10
Nonresidential real estate	270	23	--	--	293
Commercial nonmortgage	6	--	--	--	6
Consumer and other:					
Loans on deposits	4	--	--	--	4
Home equity	17	1	--	--	18
Automobile	--	--	--	--	--
Unsecured	1	--	--	--	1
Unallocated	200	--	--	--	200
Totals	$ 1,533	$ 3	$ (49)	$ 44	$ 1,531

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

4. Loans receivable (continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended December 31, 2017:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 774	$ (9)	$ (31)	$ 5	$ 739
Multi-family	243	1	--	--	244
Construction	7	7	--	--	14
Land	2	--	--	--	2
Farm	10	--	--	--	10
Nonresidential real estate	284	9	--	--	293
Commercial nonmortgage	7	(1)	--	--	6
Consumer and other:					
Loans on deposits	5	(1)	--	--	4
Home equity	20	(2)	--	--	18
Automobile	--	--	--	--	--
Unsecured	2	(1)	--	--	1
Unallocated	200	--	--	--	200
Totals	$ 1,554	$ 3	$ (31)	$ 5	$ 1,531

The following table presents the activity in the allowance for loan losses by portfolio segment for the six months ended December 31, 2016:

(in thousands)	Beginning balance	Provision for loan	Loans charged	Recoveries	Ending balance

		losses	off		
Residential real estate:					
One- to four-family	$ 862	$ 34	$ (95)	$ --	$ 801
Multi-family	192	19	--	--	211
Construction	5	(1)	--	--	4
Land	2	1	--	--	3
Farm	3	1	--	--	4
Nonresidential real estate	217	13	--	--	230
Commercial nonmortgage	18	(14)	--	--	4
Consumer and other:					
Loans on deposits	4	(1)	--	--	3
Home equity	11	1	--	--	12
Automobile	--	--	--	--	--
Unsecured	1	3	(5)	2	1
Unallocated	200	--	--	--	200
Totals	$ 1,515	$ 56	$ (100)	$ 2	$ 1,473

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

4. Loans receivable (continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended December 31, 2016:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 803	$ 50	$ (52)	$ --	$ 801
Multi-family	208	3	--	--	211
Construction	5	(1)	--	--	4
Land	2	1	--	--	3
Farm	4	--	--	--	4
Nonresidential real estate	222	8	--	--	230
Commercial nonmortgage	15	(11)	--	--	4
Consumer and other:					
Loans on deposits	4	(1)	--	--	3
Home equity	12	--	--	--	12
Automobile	--	--	--	--	--
Unsecured	1	3	(5)	2	1
Unallocated	200	--	--	--	200
Totals	$ 1,476	$ 52	$ (57)	$ 2	$ 1,473

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio class and based on impairment method as of December 31, 2017. The recorded investment in loans excludes accrued interest receivable and deferred loan costs, net due to immateriality. There were no impaired loans at December 31, 2017, that had a related specific allowance.

December 31, 2017:

(in thousands)	Unpaid Principal Balance and Recorded Investment: Loans individually evaluated	Loans acquired with deteriorated credit quality	Ending loans balance	Ending allowance attributed to loans	Unallocated allowance	Total allowance
Loans individually evaluated for impairment:						
Residential real estate:						
One- to four-family	$2,864	$ 1,318	$4,182	$ --	$ --	$ --
Farm	538	--	538			
Nonresidential real estate	125	--	125	--	--	--
	3,527	1,318	4,845	--	--	--
Loans collectively evaluated for impairment:						
Residential real estate:						
One- to four-family			$195,362	$ 739	$ --	$ 739
Multi-family			15,247	244	--	244
Construction			5,683	14	--	14
Land			869	2	--	2
Farm			1,847	10	--	10
Nonresidential real estate			29,928	293	--	293
Commercial nonmortgage			2,466	6	--	6
Consumer:						
Loans on deposits			1,634	4	--	4
Home equity			7,110	18	--	18
Automobile			29	--	--	--
Unsecured			534	1	--	1
Unallocated			--	--	200	200
			260,709	1,331	200	1,531
			$265,554	$ 1,331	$ 200	$ 1,531

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

4. Loans receivable (continued)

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio class and based on impairment method as of June 30, 2017. There were no impaired loans at June 30, 2017, that had a related specific allowance.

June 30, 2017:

(in thousands)	Unpaid Principal Balance and Recorded Investment: Loans individually evaluated	Loans acquired with deteriorated credit quality	Ending loans balance	Ending allowance attributed to loans	Unallocated allowance	Total allowance
Loans individually evaluated for impairment:						
Residential real estate:						
One- to four-family	$3,706	$ 1,676	$5,382	$ --	$ --	$ --
Nonresidential real estate	131	--	131	--	--	--
	3,837	1,676	5,513	--	--	--
Loans collectively evaluated for impairment:						
Residential real estate:						
One- to four-family			$192,554	$ 773	$ --	$ 773
Multi-family			15,678	243	--	243
Construction			2,398	6	--	6
Land			1,304	4	--	4
Farm			2,062	9	--	9
Nonresidential real estate			29,080	270	--	270

Commercial nonmortgage	2,540	6	--	6
Consumer:				
Loans on deposits	1,607	4	--	4
Home equity	6,853	17	--	17
Automobile	42	--	--	--
Unsecured	400	1	--	1
Unallocated	--	--	200	200
	254,518	1,333	200	1,533
	$260,031	$ 1,333	$ 200	$ 1,533

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

4. Loans receivable (continued)

The following table presents interest income on loans individually evaluated for impairment by class of loans for the six months ended December 31:

(in thousands)	Average Recorded Investment 2017	Interest Income Recognized	Cash Basis Income Recognized	Average Recorded Investment 2016	Interest Income Recognized	Cash Basis Income Recognized
With no related allowance recorded:						
One- to four-family	$3,285	$ 3	$ 3	$3,774	$ 3	$ 3
Farm	269	--	--	--	--	--
Nonresidential real estate	128	--	--	--	--	--
Purchased credit-impaired loans	1,497	39	39	2,073	40	40
	5,179	42	42	5,847	43	43
With an allowance recorded:						
One- to four-family	--	--	--	--	--	--
	$5,179	$ 42	$ 42	$5,847	$ 43	$ 43

The following table presents interest income on loans individually evaluated for impairment by class of loans for the three months ended December 31:

(in thousands)	Average Recorded Investment 2017	Interest Income Recognized	Cash Basis Income Recognized	Average Recorded Investment 2016	Interest Income Recognized	Cash Basis Income Recognized
With no related allowance recorded:						
One- to four-family	$3,030	$ 1	$ 1	$3,960	$ 1	$ 1
Farm	269	--	--	--	--	--
Nonresidential real estate	128	--	--	--	--	--

Purchased credit-impaired loans	1,410		9		9	1,955	26		26
	4,837		10		10	5,915	27		27
With an allowance recorded:									
One- to four-family	--		--		--	--	--		--
	$4,837	$	10	$	10	$5,915	$ 27	$	27

The following tables present the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of December 31, 2017 and June 30, 2017:

	December 31, 2017		June 30, 2017	
(in thousands)	Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Nonaccrual	Loans Past Due Over 90 Days Still Accruing
One- to four-family residential real estate	$3,845	$ 1,719	$4,870	$ 1,770
Farm	538	--	--	--
Nonresidential real estate and land	143	273	151	--
Home equity	4	--	--	--
Consumer	3	--	8	11
	$4,533	$ 1,992	$5,029	$ 1,781

Troubled Debt Restructurings:

A Troubled Debt Restructuring ("TDR") is the situation where the Bank grants a concession to the borrower that the Banks would not otherwise have considered due to the borrower's financial difficulties. All TDRs are considered "impaired." At December 31, 2017 and June 30, 2017, the Company had $1.5 million loans classified as TDRs. Of the TDRs at December 31, 2017, approximately 17.4% were related to the borrower's completion of Chapter 7 bankruptcy proceedings with no reaffirmation of the debt to the Banks.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

4. Loans receivable (continued)

The following table summarizes TDR loan modifications that occurred during the six months ended December 31, 2017 and 2016, and their performance, by modification type:

(in thousands)	Troubled Debt Restructurings Performing to Modified Terms	Troubled Debt Restructurings Not Performing to Modified Terms	Total Troubled Debt Restructurings
Six months ended December 31, 2017			
Residential real estate:			
Terms extended and additional funds advanced	$ 325	$ --	$ 325
Six months ended December 31, 2016			
Residential real estate:			
Terms extended	$ 98	$ --	$ 98

The following table summarizes TDR loan modifications that occurred during the three months ended December 31, 2017 and 2016, and their performance, by modification type:

(in thousands)	Troubled Debt Restructurings Performing to Modified Terms	Troubled Debt Restructurings Not Performing to Modified Terms	Total Troubled Debt Restructurings

Three months ended December 31, 2017			
Residential real estate:			
Terms extended and additional funds advanced	$ 11	$ --	$ 11
Three months ended December 31, 2016			
Residential real estate:			
Terms extended	$ 98	$ --	$ 98

The Company had two TDRs during the six months ended December 31, 2017, while there was one TDR during the six months ended December 31, 2016. The Company had no allocated specific reserves to customers whose loan terms had been modified in troubled debt restructurings as of December 31, 2017 or at June 30, 2017. The Company had no commitments to lend on loans classified as TDRs at December 31, 2017 or June 30, 2017.

Four TDRs with a carrying value of $136,000 defaulted during the six-month period ended December 31, 2017. The properties were taken into REO and sold. There were no TDRs that defaulted during the six-month period ended December 31, 2016.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

4. Loans receivable (continued)

The following table presents the aging of the principal balance outstanding in past due loans as of December 31, 2017, by class of loans:

(in thousands)	30-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total
Residential real estate:					
One-to four-family	$4,410	$3,274	$7,684	$191,860	$199,544
Multi-family	--	--	--	15,247	15,247
Construction	--	--	--	5,683	5,683
Land	--	--	--	869	869
Farm	--	538	538	1,847	2,385
Nonresidential real estate	304	273	577	29,476	30,053
Commercial non-mortgage	--	--	--	2,466	2,466
Consumer and other:					
Loans on deposits	--	--	--	1,634	1,634
Home equity	34	--	34	7,076	7,110
Automobile	--	--	--	29	29
Unsecured	6	--	6	528	534
Total	$4,754	$4,085	$8,839	$256,715	$265,554

The following tables present the aging of the principal balance outstanding in past due loans as of June 30, 2017, by class of loans:

(in thousands)	Total

	30-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	
Residential real estate:					
One-to four-family	$5,193	$4,496	$9,689	$188,247	$197,936
Multi-family	--	--	--	15,678	15,678
Construction	--	--	--	2,398	2,398
Land	--	--	--	1,304	1,304
Farm	539	--	539	1,523	2,062
Nonresidential real estate	635	133	768	28,443	29,211
Commercial nonmortgage	--	--	--	2,540	2,540
Consumer:					
Loans on deposits	--	--	--	1,607	1,607
Home equity	17	11	28	6,825	6,853
Automobile	--	--	--	42	42
Unsecured	13	--	13	387	400
Total	$6,397	$4,640	$11,037	$248,994	$260,031

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

4. Loans receivable (continued)

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on an annual basis. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass rated loans. Loans listed that are not rated are included in groups of homogeneous loans and are evaluated for credit quality based on performing status. See the aging of past due loan table above. As of December 31, 2017, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

(in thousands)	Pass	Special Mention	Substandard	Doubtful	Not rated
Residential real estate:					
One- to four-family	$--	$ 1,383	$ 9,463	$ --	$188,698
Multi-family	14,595	--	652	--	--
Construction	5,683	--	--	--	--
Land	869	--	--	--	--
Farm	1,847	--	538	--	--
Nonresidential real estate	29,333	--	720	--	--
Commercial nonmortgage	2,463	--	3	--	--
Consumer:					
Loans on deposits	1,634	--	--	--	--
Home equity	7,016	58	36	--	--
Automobile	29	--	--	--	--
Unsecured	526	--	8	--	--
	$63,995	$ 1,441	$ 11,420	$--	$188,698

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

4. Loans receivable (continued)

At June 30, 2017, the risk category of loans by class of loans was as follows:

(in thousands)	Pass	Special Mention	Substandard	Doubtful	Not rated
Residential real estate:					
One- to four-family	$--	$ 6,110	$ 9,883	$ --	$181,943
Multi-family	14,541	--	1,137	--	--
Construction	2,398	--	--	--	--
Land	1,304	--	--	--	--
Farm	1,523	--	539	--	--
Nonresidential real estate	29,061	--	150	--	--
Commercial nonmortgage	2,513	27	--	--	--
Consumer:					
Loans on deposits	1,607	--	--	--	--
Home equity	6,744	93	16	--	--
Automobile	42	--	--	--	--
Unsecured	396	--	4	--	--
	$60,129	$ 6,230	$ 11,729	$--	$181,943

Purchased Credit Impaired Loans:

The Company purchased loans during fiscal year 2013 for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. The carrying amount of those loans, net of a purchase credit discount of $388,000 at December 31, 2017 and June 30, 2017, respectively, is as follows:

(in thousands)	**December 31, 2017**	June 30, 2017
One- to four-family residential real estate	$ 1,318	$ 1,676
Nonresidential real estate	--	--
Outstanding balance	$ 1,318	$ 1,676

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

4. Loans receivable (continued)

Accretable yield, or income expected to be collected on loans purchased during fiscal year 2013, is as follows:

	Six months ended December 31,		Three months ended December 31,	
	2017	2016	2017	2016
Balance at beginning of period	$720	$981	$699	$935
Accretion of income	(43)	(92)	(21)	(46)
Reclassifications from nonaccretable difference	--	60	--	60
Disposals, net of recoveries	1	(49)	--	(49)
Balance at end of period	$678	$900	$678	$900

For those purchased loans disclosed above, the Company made no increase in allowance for loan losses for the year ended June 30, 2017, nor for the six-month period ended December 31, 2017. Neither were any allowance for loan losses reversed during those periods.

5. Disclosures About Fair Value of Assets and Liabilities

ASC topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that reflect a reporting entity's own assumptions and are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Securities – Recurring Measurement

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics. Level 2 securities include agency mortgage-backed securities.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

5. Disclosures About Fair Value of Assets and Liabilities (continued)

Impaired Loans – Nonrecurring Measurement

At the time a loan is considered impaired, it is evaluated for loss based on the fair value of collateral securing the loan if the loan is collateral dependent. If a loss is identified, a charge-off is taken or a specific allocation will be established as part of the allowance for loan losses such that the loan's net carrying value is at its estimated fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses. For collateral-dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Other Real Estate – Nonrecurring Measurement

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Financial assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements Using			
(in thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Agency mortgage-backed: residential	$ 66	$ --	$ 66	$ --
June 30, 2017				
Agency mortgage-backed: residential	$71	$--	$71	$ --

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

5. Disclosures About Fair Value of Assets and Liabilities (continued)

Assets measured at fair value on a non-recurring basis are summarized below:

(in thousands)	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017				
Other real estate owned, net				
One- to four-family	$103	--	--	$ 103
Land	79	--	--	79

There were no impaired loans, which were remeasured using the fair value of the collateral for collateral-dependent loans, at December 31, 2017, and June 30, 2017. There was no specific provision made for the six- or three-month periods ended December 31, 2017 or 2016.

Other real estate owned measured at fair value less costs to sell, had carrying amounts of $182,000 at June 30, 2017. Other real estate owned was written down by $0 and $25,000 during the six months ended December 31, 2017 and 2016, respectively.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

5. Disclosures About Fair Value of Assets and Liabilities (continued)

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2017 and June 30, 2017:

December 31, 2017	Fair Value (in thousands)	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Loans:				
One- to four-family	$ 70	Sales comparison approach	Adjustments for differences between comparable sales	-23.5% to 13.8% (-1.5%)

June 30, 2017	Fair Value (in thousands)	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Foreclosed and repossessed assets:				
One- to four-family	$ 103	Sales comparison approach	Adjustments for differences between comparable sales	-3.6% to 45.8% (9.5%)
Land	$ 79	Sales comparison approach	Adjustments for differences between comparable sales	3.5% to 6.6% (5.0%)

The following is a disclosure of the fair value of financial instruments, both assets and liabilities, whether or not recognized in the consolidated balance sheet, for which it is practicable to estimate that value. For financial instruments where quoted market prices are not available, fair values are based on estimates using present value and other valuation methods.

The methods used are greatly affected by the assumptions applied, including the discount rate and estimates of future cash flows. Therefore, the fair values presented may not represent amounts that could be realized in an exchange for certain financial instruments.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

5. Disclosures About Fair Value of Assets and Liabilities (continued)

The following methods were used to estimate the fair value of all other financial instruments at December 31, 2017 and June 30, 2017:

Cash and cash equivalents, interest-bearing deposits and time deposits in other financial institutions: The carrying amounts presented in the consolidated statements of financial condition for cash and cash equivalents are deemed to approximate fair value.

Held-to-maturity securities: For held-to-maturity securities, fair value is estimated by using pricing models, quoted price of securities with similar characteristics, which is level 2 pricing for the other securities.

Loans: The loan portfolio has been segregated into categories with similar characteristics, such as one- to four-family residential, multi-family residential and nonresidential real estate. These loan categories were further delineated into fixed-rate and adjustable-rate loans. The fair values for the resultant loan categories were computed via discounted cash flow analysis, using current interest rates offered for loans with similar terms to borrowers of similar credit quality. For loans on deposit accounts and consumer and other loans, fair values were deemed to equal the historic carrying values. The fair values of the loans does not necessarily represent an exit price.

Loans receivable represents the Company’s most significant financial asset, which is in Level 3 for fair value measurements. A third party provides financial modeling for the Company and results are based on assumptions and factors determined by management.

Federal Home Loan Bank stock: It is not practicable to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Accrued interest receivable: The carrying amount is the estimated fair value.

Deposits: The fair value of NOW accounts, passbook accounts, and money market deposits are deemed to approximate the amount payable on demand. Fair values for fixed-rate certificates of deposit have been estimated using a discounted cash flow calculation using the interest rates currently offered for deposits of similar remaining maturities.

Federal Home Loan Bank advances: The fair value of these advances is estimated using the rates currently offered for similar advances of similar remaining maturities or, when available, quoted market prices.

Advances by borrowers for taxes and insurance and accrued interest payable: The carrying amount presented in the consolidated statement of financial condition is deemed to approximate fair value.

Commitments to extend credit: For fixed-rate and adjustable-rate loan commitments, the fair value estimate considers the difference between current levels of interest rates and committed rates. The fair value of outstanding loan commitments at December 31, 2017 and June 30, 2017, was not material.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

5. Disclosures About Fair Value of Assets and Liabilities (continued)

Based on the foregoing methods and assumptions, the carrying value and fair value of the Company's financial instruments at December 31, 2017 and June 30, 2017 are as follows:

	Carrying	Fair Value Measurements at December 31, 2017 Using			
(in thousands)	Value	**Level 1**	Level 2	**Level 3**	Total
Financial assets					
Cash and cash equivalents	$9,360	$9,360			$9,360
Term deposits in other financial institutions	6,681	6,681			6,681
Available-for-sale securities	66		$66		66
Held-to-maturity securities	1,249		1,271		1,271
Loans receivable - net	260,806			269,381	269,381
Federal Home Loan Bank stock	6,482				n/a
Accrued interest receivable	720		720		720
Financial liabilities					
Deposits	$191,303	$76,092	$114,919		191,011
Federal Home Loan Bank advances	48,627		48,699		48,699
Advances by borrowers for taxes and insurance	236	236			236
Accrued interest payable	23		23		23

	Carrying	Fair Value Measurements at June 30, 2017 Using			
(in thousands)	Value	**Level 1**	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$12,804	$12,804			$12,804
Term deposits in other financial institutions	4,201	4,201			4,201

Available-for-sale securities	71		$71		71
Held-to-maturity securities	1,487		1,523		1,523
Loans receivable – net	258,244			$269,606	269,606
Federal Home Loan Bank stock	6,482				n/a
Accrued interest receivable	679		679		679
Financial liabilities					
Deposits	$182,845	$78,561	$103,786		$182,347
Federal Home Loan Bank advances	55,780		55,881		55,881
Advances by borrowers for taxes and insurance	818		818		818
Accrued interest payable	21		21		21

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2017

(unaudited)

6. Accumulated Other Comprehensive Income (Loss)

The Company’s accumulated other comprehensive income is comprised solely of unrealized gains and losses on available-for-sale securities. The following is a summary of the accumulated other comprehensive income balances, net of tax:

	Six months ended December 31, 2017
Beginning balance	$ 1
Current year change	--
Ending balance	$ 1

Accumulated other comprehensive income (loss) components and related tax effects for the periods indicated were as follows:

(in thousands)	Six months ended December 31, 2017	2016
Unrealized holding gains (losses) on available-for-sale securities	$ 1	$ 55
Tax effect	--	19
Net-of-tax amount	$ 1	$ 36

(in thousands)	Three months ended December 31, 2017	2016
Unrealized holding gains (losses) on available-for-sale securities	$ 1	$ 62
Tax effect	--	21
Net-of-tax amount	$ 1	$ 41

Kentucky First Federal Bancorp

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Certain statements contained in this report that are not historical facts are forward-looking statements that are subject to certain risks and uncertainties. When used herein, the terms "anticipates," "plans," "expects," "believes," and similar expressions as they relate to Kentucky First Federal Bancorp or its management are intended to identify such forward looking statements. Kentucky First Federal Bancorp's actual results, performance or achievements may materially differ from those expressed or implied in the forward-looking statements. Risks and uncertainties that could cause or contribute to such material differences include, but are not limited to, general economic conditions, prices for real estate in the Company's market areas, interest rate environment, competitive conditions in the financial services industry, changes in law, governmental policies and regulations, rapidly changing technology affecting financial services and the other matters mentioned in Item 1A of the Company's Annual Report on Form 10-K for the year ended June 30, 2017. Except as required by applicable law or regulation, the Company does not undertake the responsibility, and specifically disclaims any obligation, to release publicly the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of the statements or to reflect the occurrence of anticipated or unanticipated events.

Average Balance Sheets

The following table represents the average balance sheets for the six-month periods ended December 31, 2017 and 2016, along with the related calculations of tax-equivalent net interest income, net interest margin and net interest spread for the related periods.

	Six Months Ended December 31,							
	2017				2016			
	Average Balance	**Interest And Dividends**	**Yield/ Cost**		Average Balance	**Interest And Dividends**	**Yield/ Cost**	
	(Dollars in thousands)							
Interest-earning assets:								
Loans [1]	$259,326	$ 5,608	4.33	%	$243,508	$ 5,405	4.44	%

Mortgage-backed securities	1,443	23	3.19	2,001	31	3.10
Other securities	--	--	--	2,082	6	0.58
Other interest-earning assets	19,284	254	2.63	19,813	158	1.60
Total interest-earning assets	280,053	5,885	4.20	267,404	5,600	4.19
Less: Allowance for loan losses	(1,541)			(1,491)		
Non-interest-earning assets	29,301			29,826		
Total assets	$307,813			$295,739		
Interest-bearing liabilities:						
Demand deposits	$15,402	$ 11	0.14 %	$15,868	$ 11	0.14 %
Savings	58,090	114	0.39	62,987	127	0.40
Certificates of deposit	110,676	510	0.92	104,044	361	0.69
Total deposits	184,168	635	0.69	182,899	499	0.55
Borrowings	48,687	335	1.38	38,578	170	0.88
Total interest-bearing liabilities	232,855	970	0.83	221,477	669	0.60
Noninterest-bearing demand deposits	5,218			4,202		
Noninterest-bearing liabilities	2,496			2,631		
Total liabilities	240,569			228,310		
Shareholders' equity	67,244			67,429		
Total liabilities and shareholders' equity	$307,813			$295,739		
Net interest spread		$ 4,915	3.37 %		$ 4,931	3.59 %
Net interest margin			3.51 %			3.69 %
Average interest-earning assets to average interest-bearing liabilities			120.27%			120.74%

[1] Includes loan fees, immaterial in amount, in both interest income and the calculation of yield on loans. Also includes loans on nonaccrual status.

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Kentucky First Federal Bancorp

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (continued)

Average Balance Sheets (continued)

The following table represents the average balance sheets for the three-month periods ended December 31, 2017 and 2016, along with the related calculations of tax-equivalent net interest income, net interest margin and net interest spread for the related periods.

	Three Months Ended December 31,							
	2017				2016			
	Average Balance	**Interest And Dividends**	**Yield/ Cost**		Average Balance	**Interest And Dividends**	**Yield/ Cost**	
	(Dollars in thousands)							
Interest-earning assets:								
Loans [1]	$260,696	$ 2,838	4.35	%	$245,496	$ 2,712	4.42	%
Mortgage-backed securities	1,378	11	3.19		1,929	6	1.24	
Other securities	--	--	--		2,206	3	0.54	
Other interest-earning assets	18,447	135	2.93		19,855	90	1.81	
Total interest-earning assets	280,521	2,984	4.25		269,486	2,811	4.17	
Less: Allowance for loan losses	(1,548)				(1,472)			
Non-interest-earning assets	29,461				30,014			
Total assets	$308,434				$298,028			
Interest-bearing liabilities:								
Demand deposits	$15,651	$ 5	0.13	%	$15,879	$ 6	0.15	%
Savings	57,353	57	0.40		63,088	63	0.40	
Certificates of deposit	113,743	279	0.98		102,932	183	0.71	
Total deposits	186,747	341	0.73		181,899	252	0.55	
Borrowings	46,977	161	1.37		41,997	89	0.85	
Total interest-bearing liabilities	233,724	502	0.86		223,896	341	0.61	
Noninterest-bearing demand deposits	5,188				4,309			
Noninterest-bearing liabilities	2,280				2,341			

Total liabilities	241,192			230,546		
Shareholders’ equity	67,242			67,482		
Total liabilities and shareholders’ equity	$308,434			$298,028		
Net interest spread		$ 2,482	3.40 %		$ 2,470	3.56 %
Net interest margin			3.54 %			3.67 %
Average interest-earning assets to average interest-bearing liabilities			120.02%			120.36%

[1] Includes loan fees, immaterial in amount, in both interest income and the calculation of yield on loans. Also includes loans on nonaccrual status.

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Kentucky First Federal Bancorp

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (continued)

Discussion of Financial Condition Changes from June 30, 2017 to December 31, 2017

Assets: At December 31, 2017, the Company's assets totaled $309.4 million, an increase of $955,000, or 0.3%, from total assets at June 30, 2017. This increase was attributed primarily to an increase in loans and time deposits in other financial institutions and was partially offset by a decrease in cash and cash equivalents.

Cash and cash equivalents: Cash and cash equivalents decreased $3.4 million or 26.9% to $9.4 million at December 31, 2017, as the Company continued investing liquidity into higher earning liquid assets.

Time deposits in other financial institutions: Time deposits in other financial institutions increased by $2.5 million or 59.0% to $6.7 million at December 31, 2017, as we seek to employ liquidity at the highest earning level possible.

Investment securities: At December 31, 2017 our securities portfolio consisted of mortgage-backed securities. Investment securities decreased $243,000 or 15.6% to $1.3 million at December 31, 2017, due to principal payments and prepayments.

Loans*:* Loans receivable, net, increased by $2.6 million or 1.0% to $260.8 million at December 31, 2017. Management continues to look for high-quality loans to add to its portfolio and will continue to emphasize loan originations to the extent that it is profitable, prudent and consistent with our interest rate risk strategies.

Non-Performing and Classified Loans: At December 31, 2017, the Company had non-performing loans (loans 90 or more days past due or on nonaccrual status) of approximately $6.5 million, or 2.5% of total loans (including loans purchased in the acquisition), compared to $6.8 million or 2.6%, of total loans at June 30, 2017. The Company's allowance for loan losses totaled $1.5 million and $1.5 million at both December 31, 2017 and June 30, 2017, respectively. The allowance for loan losses at December 31, 2017, represented 23.5% of nonperforming loans and 0.6% of total loans (including loans purchased in the acquisition), while at June 30, 2017, the allowance represented 22.5% of nonperforming loans and 0.6% of total loans.

The Company had $12.2 million in assets classified as substandard for regulatory purposes at December 31, 2017, including loans ($11.4 million) and real estate owned ("REO") ($806,000), including loans acquired in the CKF Bancorp transaction. Classified loans as a percentage of total loans (including loans acquired) was 4.4% and 4.5% at December 31, 2017 and June 30, 2017, respectively. Of substandard loans, 94.9% were secured by real estate on which the Banks have priority lien position.

The table below shows the aggregate amounts of our assets classified for regulatory purposes at the dates indicated:

(dollars in thousands)	December 31, 2017	June 30, 2017
Substandard assets	$ 12,226	$12,087
Doubtful assets	--	--
Loss assets	--	--
Total classified assets	$ 12,226	$12,087

At December 31, 2017, the Company's real estate acquired through foreclosure represented 6.6% of substandard assets compared to 3.0% at June 30, 2017. During the six months ended December 31, 2017, the Company sold property with a carrying value of $339,000 for $391,000, while during the year ended June 30, 2017, property with a carrying value of $780,000 was sold for $816,000. During the six months ended December 31, 2017, the Company made $169,000 in loans to facilitate the purchase of its other real estate owned by qualified borrowers, while for the fiscal year ended June 30, 2017, $254,000 in loans to facilitate an exchange were made. The Company defers recognition of any gain on loans to facilitate an exchange until the proper time in the future according to ASC topic 360, Property, Plant and Equipment. Loans to facilitate the sale of other real estate owned, which were included in substandard loans, totaled $245,000 and $346,000 at December 31, 2017 and June 30, 2017, respectively.

Kentucky First Federal Bancorp

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (continued)

Discussion of Financial Condition Changes from June 30, 2017 to December 31, 2017 (continued)

The following table presents the aggregate carrying value of REO at the dates indicated:

	December 31, 2017		June 30, 2017	
	Number of Properties	Net Carrying Value	Number of Properties	Net Carrying Value
Single family, non-owner occupied	8	$ 806	6	$ 330
Building lot	1	--	2	28
Total REO	9	$ 806	8	$ 358

At December 31, 2017 and June 30, 2017, the Company had $1.4 million and $6.2 million of loans classified as special mention, respectively (including loans acquired in the CKF Bancorp transaction on December 31, 2012.) This category includes assets which do not currently expose us to a sufficient degree of risk to warrant classification, but do possess credit deficiencies or potential weaknesses deserving our close attention. The decrease in loans classified as special mention from June 30, 2017 to the recently-ended quarter was due to improved financial condition of borrowers previously included in the special mention category.

Liabilities: Total liabilities increased $436,000, or 0.2% to $241.8 million at December 31, 2017, primarily as a result of an increase in deposits, which increased $8.5 million or 4.6% to $191.3 million at December 31, 2017. The Company has been successful in competing for and attracting deposits in its local markets as short-term interest rates have risen. FHLB advances decreased $7.2 million or 12.8% and totaled $48.6 million at quarter end, as the Company utilized deposits rather than advances.

Shareholders' Equity: At December 31, 2017, the Company's shareholders' equity totaled $67.7 million, an increase of $519,000 or 0.8% from the June 30, 2017 total. The change in shareholders' equity was primarily associated with net profits for the period less dividends paid on common stock.

Kentucky First Federal Bancorp

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (continued)

Discussion of Financial Condition Changes from June 30, 2017 to December 31, 2017 (continued)

The Company paid dividends of $724,000 or 63.0% of net income for the six-month period just ended. On July 6, 2017, the members of First Federal MHC for the sixth time approved a dividend waiver on annual dividends of up to $0.40 per share of Kentucky First Federal Bancorp common stock. The Board of Directors of First Federal MHC applied for approval of another waiver. The Federal Reserve Bank of Cleveland has notified the Company that it did not object to the waiver of dividends paid by the Company to First Federal MHC, and, as a result, First Federal MHC will be permitted to waive the receipt of dividends for quarterly dividends up to $0.10 per common share through the third calendar quarter of 2018. Management believes that the Company has sufficient capital to continue the current dividend policy without affecting the well-capitalized status of either subsidiary bank. Management cannot speculate on future dividend levels, because various factors, including capital levels, income levels, liquidity levels, regulatory requirements and overall financial condition of the Company are considered before dividends are declared. However, management continues to believe that a strong dividend is consistent with the Company's long-term capital management strategy. See "Risk Factors" in Part II, Item 1A, of the Company's Annual Report on Form 10-K for the year ended June 30, 2017 for additional discussion regarding dividends.

Comparison of Operating Results for the Six-Month Periods Ended December 31, 2017 and 2016

General

Net income totaled $1.1 million or $0.14 diluted earnings per share for the six months ended December 31, 2017, an increase of $598,000 or 108.5% from net income of $551,000 for the same period in 2016.

Net Interest Income

Net interest income before provision for loan losses decreased $16,000 or 0.3% to $4.9 million for the six-month period just ended. Interest income increased by $285,000, or 5.1%, to $5.9 million, while interest expense increased

$301,000 or 45.0% to $970,000 for the six months ended December 31, 2017.

Interest income on loans increased $203,000 or 3.8% to $5.6 million, due primarily to an increase in the average volume of the loan portfolio. The average balance of the loan portfolio increased $15.8 million or 6.5% to $259.3 million for the six-month period ended December 31, 2017, while the rate earned on the loan portfolio decreased 11 basis points to 4.33%. Interest income on mortgage-backed securities decreased $8,000 or 25.8% to $23,000 for the six-month period just ended due to lower volume of asset level. Interest income from interest-bearing deposits and other increased $96,000 or 60.8% to $254,000 for the quarter just ended primarily due to an increase in the average rate earned on those assets, which increased 104 basis points to 2.6% for the recently-ended period compared to the period a year ago.

Interest expense on deposits increased $136,000 or 27.3% to $635,000 for the six months ended December 31, 2017, while interest expense on borrowings increased $165,000 or 97.1% to $335,000 for the same period. The increase in interest expense on deposits was attributed primarily to an increase in the average rate paid on deposits, which increased 14 basis points to 69 basis points for the recently ended period. The average balance of deposits increased $1.3 million or 0.7% to $184.2 million for the most recent period. The increase in interest expense on borrowings was attributed to both higher average outstanding balances quarter to quarter as well as higher interest rate levels. The average balance of borrowings outstanding increased $10.1 million or 26.2% to $48.7 million for the recently ended six-month period, while the average rate paid on borrowings increased 50 basis points to 138 basis points for the most recent period.

Net interest spread decreased from 3.59% for the prior year quarterly period to 3.37% for the six-month period ended December 31, 2017.

Provision for Losses on Loans

The Company recorded a $3,000 provision for losses on loans during the six months ended December 31, 2017, compared to a provision of $56,000 for the six months ended December 31, 2016.

Kentucky First Federal Bancorp

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (continued)

Comparison of Operating Results for the Six-Month Periods Ended December 31, 2017 and 2016 (continued)

Non-interest Income

Non-interest income increased $332,000 or 136.1% to $576,000 for the six months ended December 31, 2017, compared to the prior year period, primarily because of an increase in earnings on bank-owned life insurance ("BOLI"), which increased $365,000 for the recently-ended six-month period over the prior year amount and totaled $412,000 for the six-month period ended December 31, 2017. During the quarter ended December 31, 2017, First Federal of Kentucky received insurance death benefit proceeds on policies it acquired in April 2004 under the bank-owned life insurance program. The program initially covered four individuals and has been operated as part of the overall employee benefits program since its inception. Somewhat offsetting the increase in BOLI income was a decrease in other non-interest income of $37,000 or 26.6% and totaled $102,000 for the recently ended six-month period compared to the prior year.

Non-interest Expense

Non-interest expense increased $95,000 or 2.2% and totaled $4.4 million for the six months ended December 31, 2017, primarily due to an increase in employee compensation and benefits and other non-interest expense. Employee compensation and benefits for the six months ended December 31, 2017 increased $78,000 or 2.9% to $2.7 million, while other non-interest expense increased $70,000 or 12.5% to $628,000 for the same time period. Employee compensation and benefits increased primarily because of a higher number of full-time equivalent personnel period-to-period, higher fringe benefits expense, and higher ESOP compensation, which was due to higher average trading price of our Company's stock. Other non-interest expense increased primarily because of higher costs for data transmission and communication as well as higher advertising costs. Somewhat offsetting the increases in employee compensation and benefits and other non-interest expenses were decreases in occupancy and equipment and auditing and accounting. Occupancy and equipment expense decreased $28,000 or 7.9% to $325,000 for the six-month period, while auditing and accounting decreased $21,000 or 13.3% to $137,000 for the period.

Federal Income Tax Expense

The Company recorded a federal income tax benefit of $25,000 for the six months ended December 31, 2017, compared to $299,000 in the prior year period. The decrease in income tax expense was primarily related to the recently-enacted Tax Cuts and Jobs Act, which has reduced the top income tax rate for corporations beginning January 1, 2018. Under U.S. Generally Accepted Accounting Principles ("GAAP"), the effect of changes in tax laws or rates is recognized in income tax expense in the period in which legislation is enacted. The Company recognized an income tax benefit of approximately $268,000 related to lower tax rates expected to be applied to its net deferred tax liabilities in the future.

Kentucky First Federal Bancorp

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (continued)

Comparison of Operating Results for the Three-Month Periods Ended December 31, 2017 and 2016

General

Net income totaled $869,000 for the three months ended December 31, 2017, an increase of $615,000 or 242.1% from net income of $254,000 for the same period in 2016.

Net Interest Income

Net interest income before provision for loan losses increased $12,000 or 0.5% to $2.5 million for the three-month period just ended. Interest income increased by $173,000, or 6.2%, to $3.0 million, while interest expense increased $161,000 or 47.2% to $502,000 for the three months ended December 31, 2017.

Interest income on loans increased $126,000 or 4.6% to $2.8 million, due primarily to an increase in the average volume of the loan portfolio. The average balance of the loan portfolio increased $15.2 million or 6.2% to $260.7 million for the three-month period ended December 31, 2017, while the rate earned on the loan portfolio decreased six basis points to 4.35%. Interest income on mortgage-backed securities increased $5,000 to $11,000 for the quarterly period just ended due to higher interest rate earned on the assets. Interest income from interest-bearing deposits and other increased $45,000 or 50.0% to $135,000 for the quarter just ended primarily due to an increase in the average rate earned on those assets which increased 111 basis points to 2.93% compared to the period a year ago.

Interest expense on deposits increased $89,000 or 35.3% to $341,000 for the three months ended December 31, 2017, while interest expense on borrowings increased $72,000 or 80.9% to $161,000 for the same period. The increase in interest expense on deposits was attributed to both an increase in the average balance of deposits and an increase in the average rate paid on deposits. The average balance of deposits increased $4.8 million or 2.7% to $186.7 million for the quarter just ended, while the average rate paid on deposits increased 18 basis points to 73 basis points for the recently ended quarter. The increase in interest expense on borrowings was attributed to both higher average outstanding balances quarter to quarter as well as higher interest rate levels. The average balance of borrowings outstanding increased $5.0 million or 11.9% to $47.0 million for the recently ended three-month period, while the average rate paid on borrowings increased 52 basis points to 137 basis points for the most recent period.

Net interest spread decreased from 3.56% for the prior year quarterly period to 3.40% for the quarter ended December 31, 2017.

Provision for Losses on Loans

The Company recorded a $3,000 provision for losses on loans during the three months ended December 31, 2017, compared to a provision of $52,000 for the three months ended December 31, 2016.

Non-interest Income

Non-interest income increased $360,000 to $436,000 for the three months ended December 31, 2017, compared to the prior year quarter, primarily because of an increase in earnings on bank-owned life insurance ("BOLI"), which increased $365,000 for the recently-ended quarter over the prior year amount and totaled $388,000 for the three-month period ended December 31, 2017. The Bank received BOLI insurance proceeds on policies maintained under its long-standing overall employee benefits program. Somewhat offsetting the increase in BOLI income was a decrease in other non-interest income of $39,000 or 57.4% and totaled $29,000 for the recently ended quarterly period compared to the prior year.

Non-interest Expense

Non-interest expense increased $105,000 or 5.0% and totaled $2.2 million for the three months ended December 31, 2017, primarily due to an increase in employee compensation and benefits, other non-interest expense, FDIC insurance premiums and data processing expense. Employee compensation and benefits for the quarter ended December 31, 2017 increased $53,000 or 4.0% to $1.4 million, due to a higher number of full-time equivalent personnel quarter-to-quarter, higher fringe benefits expense, and higher ESOP compensation, which was due to higher average trading price of our Company's stock. Other non-interest expense increased $41,000 or 14.3% to $328,000 for the quarter just ended, primarily due to higher costs associated with data communications and advertising. We believe that the Company's advertising costs are somewhat responsible for the increase in deposit funds, which are being used to fund loan growth and reduce FHLB advances. FDIC insurance premiums increased by $33,000 to $21,000 for the three months ended December 31, 2017, because in the prior year quarter the Company recognized a benefit of $12,000 due to revised FDIC assessment methodology. Data processing expense increased $17,000 or 17.7% to $113,000 for the quarter ended December 31, 2017, due to increases associated with core bank processing and ATM operational upgrades. Somewhat offsetting the increases in non-interest expenses were decreases in foreclosure and OREO expenses, net, auditing and accounting, and outside service fees. Foreclosure and OREO expense, net, decreased $20,000 or 42.6% to $27,000 for the three-month period just ended, while auditing and accounting decreased $8,000 or 10.1% to $71,000 for the period. Outside service fees decreased $7,000 or 13.0% to $47,000 for the recently ended quarter compared to the prior year period.

Federal Income Tax Expense

The Company recorded a federal income tax benefit of $160,000 for the three months ended December 31, 2017, compared to federal income tax expense of $139,000 in the prior year period due primarily to recently-enacted Tax Cuts and Jobs Act, which has reduced the top income tax rate for corporations beginning January 1, 2018. Under U.S. GAAP the effect of changes in tax laws or rates is recognized in income tax expense in the period in which the legislation is enacted. The Company recognized an income tax benefit of approximately $268,000 related to lower tax rates expected to be applied to its net deferred tax liabilities in the future.

Kentucky First Federal Bancorp

ITEM 3: Quantitative and Qualitative Disclosures About Market Risk

This item is not applicable as the Company is a smaller reporting company.

ITEM 4: Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report, and have concluded that the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based upon their evaluation, the Company's Chief Executive Officer and Chief Financial Officer have also concluded that there were no significant changes during the quarter ended December 31, 2017 in the Company's internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Kentucky First Federal Bancorp

PART II

OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk Factors

There have been no material changes in the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table sets forth information regarding Company's repurchases of its common stock during the quarter ended December 31, 2017.

Period	Total # of shares purchased	Average price paid per share (incl commissions)	Total # of shares purchased as part of publicly announced plans or programs	Maximum # of shares that may yet be purchased under the plans or programs
October 1-31, 2017	--	$ --	--	60,323
November 1-30, 2017	--	$ --	--	60,323
December 1-31, 2017	--	$ --	--	60,323

(1) On January 16, 2014, the Company announced a program (its seventh) to repurchase of up to 150,000 shares of its common stock.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

3.1[1]	Charter of Kentucky First Federal Bancorp
3.2[2]	Bylaws of Kentucky First Federal Bancorp, as amended and restated
4.1[1]	Specimen Stock Certificate of Kentucky First Federal Bancorp
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.0	The following materials from Kentucky First Federal Bancorp's Quarterly Report On Form 10-Q for the quarter ended December 31, 2017 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows: and (v) the related Notes.

(1) Incorporated herein by reference to the Company's Registration Statement on Form S-1 (File No. 333-119041).
(2) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the Year Ended June 30, 2012 (File No. 0-51176).

Kentucky First Federal Bancorp

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.

	KENTUCKY FIRST FEDERAL BANCORP	
Date: February 14, 2018	By:	/s/ Don D. Jennings
		Don D. Jennings
		Chief Executive Officer
Date: February 14, 2018	By:	/s/ R. Clay Hulette
		R. Clay Hulette
		Vice President and Chief Financial Officer