Kentucky First Federal Bancorp
Form 10-Q
May 15, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

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.)

479 Main Street, Hazard, Kentucky 41702
(Address of principal executive offices)(Zip Code)

(606) 436-3860
(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 such shorter period that the issuer was required to file such reports and (2) has been subject to such filing requirements for the past ninety days: Yes x 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 x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company," in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes ¨ No x

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At May 10, 2012, the latest practicable date, the Corporation had 7,735,703 shares of $.01 par value common stock outstanding.

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PART I

ITEM 1: Financial Information

Kentucky First Federal Bancorp

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share data)

	March 31, 2012	June 30, 2011
ASSETS		
Cash and due from financial institutions	$ 1,743	$ 1,002
Interest-bearing demand deposits	2,563	4,047
Cash and cash equivalents	4,306	5,049
Interest-bearing deposits in other financial institutions	100	100
Securities available for sale	192	203
Securities held-to-maturity, at amortized cost- approximate fair value of $6,173 and $7,257 at March 31, 2012 and June 30, 2011, respectively	5,207	6,810
Loans, net of allowance of $818 and $764 at March 31, 2012 and June 30, 2011, respectively	182,495	182,796
Real estate owned, net	2,630	4,304
Premises and equipment, net	2,658	2,667
Federal Home Loan Bank stock, at cost	5,641	5,641
Accrued interest receivable	481	538
Bank-owned life insurance	2,674	2,607
Goodwill	14,507	14,507
Other intangible assets	—	87
Prepaid FDIC assessments	274	361
Prepaid federal income taxes	—	22
Prepaid expenses and other assets	613	443
Total assets	$ 221,778	$ 226,135
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$ 135,434	$ 139,940
Federal Home Loan Bank advances	24,662	25,261
Advances by borrowers for taxes and insurance	340	471
Accrued interest payable	74	91
Accrued federal income taxes	159	—

Deferred federal income taxes	620	1,021
Deferred revenue	650	—
Other liabilities	564	654
Total liabilities	162,503	167,438
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	36,877	36,907
Retained earnings	32,350	31,860
Unearned employee stock ownership plan (ESOP)	(1,826)	(1,989)
Treasury shares at cost, 816,375 and 811,375 common shares at March 31, 2012 and June 30, 2011, respectively	(8,215)	(8,170)
Accumulated other comprehensive income	3	3
Total shareholders’ equity	59,275	58,697
Total liabilities and shareholders’ equity	$ 221,778	$ 226,135

See accompanying notes.

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Kentucky First Federal Bancorp

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Nine months ended March 31,		Three months ended March 31,	
	2012	2011	2012	2011
Interest income				
Loans	$ 7,369	$ 7,644	$ 2,433	$ 2,485
Mortgage-backed securities	200	277	61	84
Other securities	1	2	—	1
Interest-bearing deposits and other	176	184	64	65
Total interest income	7,746	8,107	2,558	2,635
Interest expense				
Deposits	1,247	2,004	360	584
Borrowings	459	545	148	141
Total interest expense	1,706	2,549	508	725
Net interest income	6,040	5,558	2,050	1,910
Provision for losses on loans	82	669	—	601
Net interest income after provision for losses on loans	5,958	4,889	2,050	1,309
Non-interest income				
Gain on sale of loans	23	107	—	15
Earnings on bank-owned life insurance	67	68	23	23
Gain (loss) on sale of real estate acquired through foreclosure	1	(36)	14	—
Unrealized loss-other real estate	(48)	—	—	—
Other	76	80	25	27
Total non-interest income	119	219	62	65
Non-interest expense				
Employee compensation and benefits	2,375	2,257	855	736
Occupancy and equipment	255	258	87	92
Legal fees	274	—	82	—
Outside service fees	210	—	21	—
Data processing	176	189	65	63
Auditing and accounting	96	146	18	59
Federal deposit insurance	113	149	37	46
Franchise and other taxes	138	144	45	46
Amortization of intangible assets	87	98	22	33
Foreclosure and real estate owned expense, net	1	—	(31)	—
Other operating	359	672	123	230

Total non-interest expense	4,084	3,913	1,324	1,305
Income before income taxes	1,993	1,195	788	69
Federal income taxes				
Current	1,056	(185)	205	(519)
Deferred	(400)	179	55	144
Total federal income tax expense (benefit)	656	(6)	260	(375)
NET INCOME	$ 1,337	$ 1,201	$ 528	$ 444
EARNINGS PER SHARE				
Basic and diluted	$ 0.18	$ 0.16	$ 0.07	$ 0.06
DIVIDENDS PER SHARE	$ 0.30	$ 0.30	$ 0.10	$ 0.10

See accompanying notes.

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Kentucky First Federal Bancorp

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Nine months ended		Three months ended	
	March 31,		March 31,	
	2012	2011	2012	2011
Net income	$ 1,337	$ 1,201	$ 528	$ 444
Other comprehensive income, net of taxes (benefits):				
Unrealized holding gains (losses) on securities designated as available for sale, net of taxes (benefits) of $—, $—, $— and $— during the respective periods	—	—	—	1
Comprehensive income	$ 1,337	$ 1,201	$ 528	$ 445

See accompanying notes.

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Kentucky First Federal Bancorp

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine months ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	$1,337	$1,201
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	146	138
Amortization of deferred loan origination (fees) costs	5	(5)
Amortization of premiums on FHLB advances	(12)	(103)
Amortization of core deposit intangibles	87	98
Net gain on sale of loans	(23)	(107)
Write down of real estate owned	48	36
Deferred gain on sale of real estate owned	(15)	—
ESOP compensation expense	133	91
Amortization of stock benefit plans and stock options expense	—	270
Earnings on bank-owned life insurance	(67)	(68)
Provision for loan losses	82	669
Origination of loans held for sale	(394)	(2,850)
Proceeds from loans held for sale	417	3,002
Increase (decrease) in cash, due to changes in:		
Accrued interest receivable	57	15
Prepaid expenses and other assets	(83)	38
Accrued interest payable	(17)	(32)
Accounts payable and other liabilities	(90)	(599)
Federal income taxes		
Current	181	—
Deferred	(401)	—
Net cash provided by operating activities	1,391	1,794
Cash flows from investing activities:		
Purchase of available-for-sale securities	(12,500)	(11,000)
Securities maturities, prepayments and calls:		
Held to maturity	1,603	13,050
Available for sale	12,511	37
Loans originated for investment, net of principal collected	3,159	2,897
Proceeds from sale of real estate owned	(654)	891
Additions to premises and equipment, net	(137)	(91)
Net cash used in investing activities	3,982	5,784

Cash flows from financing activities:		
Net change in deposits	(4,506)	(2,558)
Payments by borrowers for taxes and insurance, net	(131)	(14)
Proceeds from Federal Home Loan Bank advances	17,000	16,000
Repayments on Federal Home Loan Bank advances	(17,587)	(21,980)
Dividends paid on common stock	(847)	(856)
Treasury stock repurchases	(45)	(218)
Net cash provided by financing activities	(6,116)	(9,626)
Net decrease in cash and cash equivalents	(743)	(2,048)
Beginning cash and cash equivalents	5,049	8,362
Ending cash and cash equivalents	$4,306	$6,314

See accompanying notes.

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Kentucky First Federal Bancorp

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Unaudited)

(In thousands)

	Nine months ended March 31,	
	2012	2011
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Federal income taxes	$ 790	$ 500
Interest on deposits and borrowings	$ 1,735	$ 2,684
Transfers from loans to real estate acquired through foreclosure, net	$ 95	$ 3,845
Loans made on sale of real estate acquired through foreclosure	$ 2,375	$ 593
Deferred gain on sale of real estate acquired through foreclosure	$ 665	$ —
Capitalization of mortgage servicing rights	$ 3	$ 24

See accompanying notes.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

(unaudited)

On March 2, 2005, First Federal Savings and Loan Association of Hazard (“First Federal of Hazard” or the “Association”) completed a Plan of Reorganization (the “Plan” or the “Reorganization”) pursuant to which the Association reorganized into the mutual holding company form of ownership with the incorporation of a stock holding company, Kentucky First Federal Bancorp (the “Company”) as parent of the Association. Coincident with the Reorganization, the Association converted to the stock form of ownership, followed by the issuance of all the Association’s outstanding stock to Kentucky First Federal Bancorp. Completion of the Plan of Reorganization culminated with Kentucky First Federal Bancorp issuing 4,727,938 common shares, or 55% of its common shares, to First Federal Mutual Holding Company (“First Federal MHC”), a federally chartered mutual holding company, with 2,127,572 common shares, or 24.8% of its shares offered for sale at $10.00 per share to the public and a newly formed Employee Stock Ownership Plan (“ESOP”). The Company received net cash proceeds of $16.1 million from the public sale of its common shares. The Company’s remaining 1,740,554 common shares were issued as part of the $31.4 million cash and stock consideration paid for 100% of the common shares of Frankfort First Bancorp (“Frankfort First”) and its wholly-owned subsidiary, First Federal Savings Bank of Frankfort (“First Federal of Frankfort”). The acquisition was accounted for using the purchase method of accounting and resulted in the recordation of goodwill and other intangible assets totaling $15.4 million.

1. Basis of Presentation

The accompanying unaudited 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 nine- and three-month periods ended March 31, 2012, are not necessarily indicative of the results which may be expected for an entire fiscal year. The consolidated balance sheet as of June 30, 2011 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 2011 filed with the Securities and Exchange Commission.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Unsecured consumer loans are typically charged off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to nonaccrual status in accordance with the Company's policy, typically after 90 days of non-payment.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

(unaudited)

1. Basis of presentation (continued)

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are generally returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management’s judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired.

A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures. Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the loss history experience of the Company over the most recent two years and a rolling average of the current year's loss history. Prior to this quarter the Company used the loss history experience over the prior year. An expansion of the look-back period results in historical loan losses rolling off less quickly than with a shorter look-back period. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

(unaudited)

1. Basis of presentation (continued)

The following portfolio segments have been identified: residential real estate, nonresidential real estate, loans on deposits and consumer and other loans. The residential real estate segment is our primary lending activity and it enables a borrower to purchase or refinance homes in the Banks' respective market areas. We further classify our residential real estate loans as one- to four-family, multi-family or construction. We originate loans to individuals to finance the construction of residential dwellings for personal use or for use as rental property. We do not generally lend to builders for construction of speculative or custom residential properties for resale. We also offer loans secured by nonresidential real estate, primarily commercial office buildings, churches and properties used for other purposes. Generally, these loans are originated for 25 years or less and do not exceed 75% of the appraised value. Our consumer loans include home equity lines of credit and loans secured by savings deposits.

2. Principles of Consolidation

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 Frankfort (collectively hereinafter "the Banks"). All intercompany transactions and balances have been eliminated in consolidation.

3. 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:

	Nine months ended March 31,	
	2012	2011

Net income	$ 1,337	$ 1,201
Less earnings allocated to unvested shares	—	(7)
Net income allocated to common shareholders, basic and diluted	$ 1,337	$ 1,194

	Three months ended March 31,	
	2012	2011
Net income	$ 528	$ 444
Less earnings allocated to unvested shares	—	—
Net income allocated to common shareholders, basic and diluted	$ 528	$ 444

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Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2012

(unaudited)

3. Earnings Per Share (continued)

	Nine months ended March 31,	
	2012	2012
Basic		
Weighted-average common shares including unvested		
Common shares outstanding	7,545,639	7,487,610
Less: Weighted-average unvested common shares	—	14,994
Weighted-average common shares outstanding	7,545,639	7,502,604
Diluted		
Add: Dilutive effect of assumed exercise of stock options	-	-
Weighted-average common shares outstanding (diluted)	7,545,639	7,502,604

	Three months ended March 31,	
	2012	2011
Basic		
Weighted-average common shares including unvested		
Common shares outstanding	7,548,077	7,513,815
Less: Weighted-average unvested common shares	—	—
Weighted-average common shares outstanding	7,548,077	7,513,815
Diluted		
Add: Dilutive effect of assumed exercise of stock options	-	-
Weighted-average common shares outstanding (diluted)	7,548,077	7,513,815

There were 325,800 and 309,800 stock option shares outstanding for the nine- and three-month periods ended March 31, 2012, respectively, which were antidilutive for the respective periods. There were 325,800 stock option shares outstanding for each of the nine- and three-month periods ended March 31, 2011, which were antidilutive for the respective periods.

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Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2012

(unaudited)

4. Investment Securities

The following table summarizes the amortized cost and fair value of securities available-for-sale and securities held-to-maturity at March 31, 2012 and June 30, 2011, the corresponding amounts of gross unrealized gains recognized in accumulated other comprehensive income and gross unrecognized gains:

	March 31, 2012			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
		(In thousands)		
Available-for-sale Securities				
Agency mortgage-backed: residential	$188	$ 4	$ -	$ 192

	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Estimated fair value
Held-to-maturity Securities				
Agency mortgage-backed: residential	$ 5,207	$ 966	$ -	$ 6,173

	June 30, 2011			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale Securities				
Agency mortgage-backed: residential	$199	$ 4	$ -	$ 203

	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Estimated fair value

Held-to-maturity Securities				
Agency mortgage-backed: residential	$ 6,810	$ 447	$ -	$ 7,257

Our securities holdings consist of agency mortgage-backed securities, which do not have a single maturity date. None of our securities were pledged at March 31, 2012 or June 30, 2011.

There were no sales of investment securities during the fiscal year ended June 30, 2011 or the nine-month period ended March 31, 2012.

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. Management does not believe other-than-temporary impairment is evident.

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Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2012

(unaudited)

5. Loans receivable

The composition of the loan portfolio was as follows:

(in thousands)	March 31, 2012	June 30, 2011
Residential real estate		
One- to four-family	$ 155,828	$ 158,821
Multi-family	8,489	4,504
Construction	284	1,062
Nonresidential real estate and land	11,474	12,211
Loans on deposits	2,292	2,405
Consumer and other	5,062	4,824
	183,429	183,827
Less:		
Undisbursed portion of loans in process	222	353
Deferred loan origination fees (cost)	(106)	(86)
Allowance for loan losses	818	764
	$ 182,495	$ 182,796

The following table presents the activity in the allowance for loan losses by portfolio segment for the nine months ended March 31, 2012:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 490	$ 51	$ 4	$ —	$ 537

Multi-family	11	14	—	—	25
Construction	5	(4)	—	—	1
Nonresidential real estate and land	36	(3)	—	—	33
Loans on deposits	8	(1)	—	—	7
Consumer and other	14	25	24	—	15
Unallocated	200	—	—	—	200
Totals	$ 764	$ 82	$ 28	$ —	$ 818

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Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2012

(unaudited)

5. Loans receivable (continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2012:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 555	$ (18)	$ —	$ —	$ 537
Multi-family	29	(4)	—	—	25
Construction	1	—	—	—	1
Nonresidential real estate and land	35	(2)	—	—	33
Loans on deposits	7	—	—	—	7
Consumer and other	15	24	24	—	15
Unallocated	200	—	—	—	200
Totals	$ 842	$ —	$ 24	$ —	$ 818

The following table presents the activity in the allowance for loan losses by portfolio segment for the nine months ended March 31, 2011:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 1,261	$ 669	$ 1,322	$ —	$ 608
Multi-family	11	—	—	—	11

Construction	5	—	—	—	5
Nonresidential real estate and land	36	—	—	—	36
Loans on deposits	8	—	—	—	8
Consumer and other	14	—	—	—	14
Unallocated	200	—	—	—	200
Totals	$ 1,535	$ 669	$ 1,322	$ —	$ 882

KENTUCKY FIRST FEDERAL BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

(unaudited)

5. Loans receivable (continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2011:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 1,329	$ 601	$ 1,322	$ —	$ 608
Multi-family	11	—	—	—	11
Construction	5	—	—	—	5
Nonresidential real estate and land	36	—	—	—	36
Loans on deposits	8	—	—	—	8
Consumer and other	14	—	—	—	14
Unallocated	200	—	—	—	200
Totals	$ 1,603	$ 601	$ 1,322	$ —	$ 882

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 March 31, 2012. There were no loans acquired with deteriorated credit quality at March 31, 2012.

(in thousands)	Recorded investment in loans	Ending allowance attributed to loans	Unallocated allowance	Total allowance
Loans individually evaluated for impairment:				
Residential real estate:				
One- to four-family	$ 2,960	$ 90	$ —	$ 90

Multi-family	—	—	—	—
Construction	—	—	—	—
Nonresidential real estate and land	—	—	—	—
Loans on deposits	—	—	—	—
Consumer and other	—	—	—	—
	$ 2,960	$ 90	$ —	$ 90
Loans collectively evaluated for impairment:				
Residential real estate:				
One- to four-family	$ 152,868	$ 447	$ —	$ 447
Multi-family	8,489	25	—	25
Construction	284	1	—	1
Nonresidential real estate and land	11,474	33	—	33
Loans on deposits	2,292	7	—	7
Consumer and other	5,062	15	—	15
Unallocated	—	—	200	200
	$ 180,469	$ 528	$ 200	$ 728

KENTUCKY FIRST FEDERAL BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

(unaudited)

5. Loans receivable (continued)

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 June 30, 2011. There were no loans acquired with deteriorated credit quality at June 30, 2011.

(in thousands)	Recorded investment in loans	Ending allowance attributed to loans	Unallocated allowance	Total allowance
Loans individually evaluated for impairment:				
Residential real estate:				
One- to four-family	$ 2,224	$ 55	$ —	$ 55
Multi-family	—	—	—	—
Construction	—	—	—	—
Nonresidential real estate and land	—	—	—	—
Loans on deposits	—	—	—	—
Consumer and other	—	—	—	—
	$ 2,224	$ 55	$ —	$ 55
Loans collectively evaluated for impairment:				
Residential real estate:				
One- to four-family	$ 156,597	$ 439	$ —	$ 439
Multi-family	4,504	13	—	13
Construction	1,062	3	—	3
Nonresidential real estate and land	12,211	34	—	34
Loans on deposits	2,405	7	—	7
Consumer and other	4,824	13	—	13
Unallocated	—	—	200	200
	$ 181,603	$ 509	$ 200	$ 709

The following table presents loans individually evaluated for impairment by class of loans as of and for the nine months ended March 31, 2012:

(in thousands)	Outstanding Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Received
With no related allowance recorded:					
One- to four-family	$ 1,685	$ —	$ 1,005	$ 48	$ 48
With an allowance recorded:					
One- to four-family	$ 1,276	$ 90	$ 1,281	$ 10	$ 10

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KENTUCKY FIRST FEDERAL BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

(unaudited)

5. Loans receivable (continued)

The following table presents loans individually evaluated for impairment by class of loans as of and for the twelve months ended June 30, 2011:

(in thousands)	Outstanding Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Received
With no related allowance recorded:					
One- to four-family	$ 1,136	$ —	$ 1,296	$ 44	$ 44
With an allowance recorded:					
One- to four-family	$ 1,088	$ 55	$ 1,213	$ 33	$ 33

Troubled Debt Restructurings:

A Troubled Debt Restructuring (“TDR”) is the situation where the Bank grants a concession to the borrower that the Bank would not otherwise have considered due to the borrower’s financial difficulties. All TDRs are considered “impaired.” The substantial majority of the Banks’ residential real estate TDRs involve conceding to refinance a loan to then-current market interest rates despite poor credit history or a high loan-to-value ratio.

During the period ended March 31, 2012, the terms of a certain loan was modified to accept a payment for interest, taxes and insurance for a period of time, while three loans were modified to extend the term of repayment and one loan was considered a TDR simply because the borrower extended the balance of the loan to its maximum amount and was experiencing financial difficulty.

The following table presents the recorded investment in nonaccrual loans, loans past due over 90 days still on accrual and TDRs by class of loans as of March 31, 2012:

(in thousands)	Nonaccrual	Loans Past Due Over 90 Days Still Accruing	TDRs on Accrual Status
One- to four-family residential real estate	$ 1,460	$ 21	$ 1,101

The following table presents the recorded investment in nonaccrual loans, loans past due over 90 days still on accrual and TDRs by class of loans as of June 30, 2011:

(in thousands)	Nonaccrual	Loans Past Due Over 90 Days Still Accruing	TDRs on Accrual Status
One- to four-family residential real estate	$ 876	$ -	$ 729

KENTUCKY FIRST FEDERAL BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

(unaudited)

5. Loans receivable (continued)

The TDRs described above did not increase the allowance for loan losses and did not result in charge offs during the nine months ended March 31, 2012. There were no TDRs that defaulted during the nine-month period ended March 31, 2012 or over the previous twelve months. There are no outstanding commitments to lend on loans classified as TDRs. A summary of the types of TDR loan modifications that occurred during the first nine months of fiscal 2012 were as follows:

(in thousands)	Number of Loans	TDRs Performing to Modified Terms	TDRs Not Performing to Modified Terms	Total TDRs
Residential real estate:				
One- to four-family	5	$ 379	$ —	$ 379

The following table presents the aging of the principal balance outstanding in past due loans as of March 31, 2012, by class of loans:

(in thousands)	30-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Residential real estate:					
One-to four-family	$ 3,545	$ 1,481	$ 5,026	$ 150,802	$ 155,828
Multi-family	—	—	—	8,489	8,489
Construction	—	—	—	284	284
Nonresidential real estate and land	—	—	—	11,474	11,474
Loans on deposits	—	—	—	2,292	2,292
Consumer and other	—	—	—	5,062	5,062

Total	$ 3,545	$ 1,481	$ 5,026	$ 178,403	$ 183,429

The following table presents the aging of the principal balance outstanding in past due loans as of June 30, 2011, by class of loans:

(in thousands)	30-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Residential real estate:					
One-to four-family	$ 3,181	$ 876	$ 4,057	$ 154,764	$ 158,821
Multi-family	—	—	—	4,504	4,504
Construction	—	—	—	1,062	1,062
Nonresidential real estate and land	—	—	—	12,211	12,211
Loans on deposits	—	—	—	2,405	2,405
Consumer and other	—	—	—	4,824	4,824
Total	$ 3,181	$ 876	$ 4,057	$ 179,770	$ 183,827

KENTUCKY FIRST FEDERAL BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

(unaudited)

5. 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 March 31, 2012, 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	$—	$ 66	$ 3,000	$ —	$152,762
Multi-family	5,676	—	2,813	—	—
Construction	284	—	—	—	—
Nonresidential real estate and land	11,202	272	—	—	—
Loans on deposits	—	—	—	—	2,292
Consumer and other	—	—	—	—	5,062

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Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2012

(unaudited)

5. Loans receivable (continued)

At June 30, 2011, 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	$—	$ 67	$ 2,180	$ —	$156,574
Multi-family	4,504	—	—	—	—
Construction	1,062	—	—	—	—
Nonresidential real estate and land	11,943	268	—	—	—
Loans on deposits	—	—	—	—	2,405
Consumer and other	—	—	—	—	4,824

6. Commitments

As of March 31, 2012, loan commitments and unused lines of credit totaled $13.9 million, which included $222,000 in undisbursed construction loans, $1.1 million in one- to four-family mortgage loans, $4.0 million in multi-family loans and $8.6 million in lines of credit secured by equity in real property.

7. 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.

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 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

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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2012

(unaudited)

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

Impaired Loans

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 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. it is valued at the lower of cost or 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

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 at March 31, 2012 (in thousands)		
Description	Total	Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Agency mortgage-backed: residential	$192	$—	$ 192	$ —

		Fair Value Measurements at June 30, 2011 (in thousands)		
Description	Total	Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Agency mortgage-backed: residential	$203	$—	$ 203	$ —

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2012

(unaudited)

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

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

		Fair Value Measurements at March 31, 2012 (in thousands)		
Description	Total	Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired Loans: One- to four-family	$1,186	$-	$ -	$ 1,186
Other real estate owned, net One- to four-family	475	-	-	475

Impaired loans with allocated allowance for loan losses had a carrying amount of $1.276 million and a specific valuation allowance of $90,000 at March 31, 2012. No specific allowance provision was made for the three month period ended March 31, 2012 while a provision of $35,000 was made for the nine-month period then ended. Other real estate owned measured at fair value less costs to sell, had a carrying amount of $475,000, after a write-down of $48,000 for the nine months ended March 31, 2012.

Fair Value Measurements at June 30, 2011 (in thousands)		
Quotes Prices in Active Markets for Identical	Significant Other Observable	Significant Unobservable

	Total	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
Impaired Loans: One- to four-family	$1,033	$ —	$ -	$ 1,033
Other real estate owned, net One- to four-family	126	—	-	126
Multi-family	186	—	-	186

Impaired loans with allocated allowance for loan losses had a carrying amount of $1.1 million, with a valuation allowance of $55,000 at June 30, 2011. A specific provision for loan losses of $187,000 was included for the year ended June 30, 2011. Other real estate owned measured at fair value less costs to sell, had a carrying amount of $312,000, after a write-down of $71,000 for the year ended June 30, 2011.

The following table is a disclosure of the fair value of financial instruments, both assets and liabilities, whether or not recognized in the consolidated statement of financial condition, 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.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2012

(unaudited)

7. 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 March 31, 2012 and June 30, 2011:

Cash and cash equivalents and interest-bearing deposits: 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 held for sale: Loans originated and intended for sale in the secondary market are determined by FHLB pricing schedules.

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.

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 March 31, 2012 and June 30, 2011, was not material.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2012

(unaudited)

7. 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 March 31, 2012 and June 30, 2011 are as follows:

		Fair Value Measurements at March 31, 2012 Using			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$4,306	$4,306			$4,306
Interest-earning deposits	100	100			100
Available-for-sale securities	192		$192		192
Held-to-maturity securities	5,207		6,173		6,173
Loans receivable - net	182,495			$186,769	186,769
Federal Home Loan Bank stock	5,641				n/a
Accrued interest receivable	481			481	481
Financial liabilities					
Deposits	$135,434	$49,863	$85,610		$135,473
Federal Home Loan Bank advances	24,662		27,133		27,133
Advances by borrowers for taxes and insurance	340			$340	340
Accrued interest payable	74	1	73		74

The carrying amounts and estimated fair values of financial instruments at June 30, 2011, are as follows:

	June 30, 2011	
	Carrying	Fair
(in thousands)	value	value

Financial assets		
Cash and cash equivalents	$5,049	$5,049
Interest-earning deposits	100	100
Available-for-sale securities	203	203
Held-to-maturity securities	6,810	7,257
Loans held for sale	—	—
Loans receivable - net	182,796	190,183
Federal Home Loan Bank stock	5,641	n/a
Accrued interest receivable	538	538
Financial liabilities		
Deposits	$139,940	$141,408
Federal Home Loan Bank advances	25,261	23,797
Advances by borrowers for taxes and insurance	471	471
Accrued interest payable	91	91

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, 2011.

Pending Merger

On November 3, 2011, the Company announced that it had signed a definitive merger agreement with CKF Bancorp, Inc. At March 31, 2012, CKF Bancorp reported assets of $126.0 million, including loans of $104.7 million (net of $1.9 million in allowance for loan losses) and deposits of $102.5 million. The consideration to be given includes both cash and the Company's common stock. The completion of the merger is subject to approval of the shareholders of CKF Bancorp and receipt of regulatory approvals. The transaction is expected to be closed in the third quarter of 2012.

Kentucky First Federal Bancorp

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

AND RESULTS OF OPERATIONS (continued)

Average Balance Sheets

The following table represents the average balance sheets for the nine month periods ended March 31, 2012 and 2011, along with the related calculations of tax-equivalent net interest income, net interest margin and net interest spread for the related periods.

	Nine Months Ended March 31,							
	2012				2011			
	Average Balance	Interest And Dividends	Yield/ Cost		Average Balance	Interest And Dividends	Yield/ Cost	
	(Dollars in thousands)							
Interest-earning assets:								
Loans	$184,523	$ 7,369	5.32	%	$190,950	$ 7,644	5.34	%
Mortgage-backed securities	6,312	200	4.22		8,689	277	4.25	
Other securities	2,691	1	0.50		1,264	2	0.21	
Other interest-earning assets	10,554	176	2.22		12,826	184	1.91	
Total interest-earning assets	204,080	7,746	5.06		213,729	8,107	5.06	
Less: Allowance for loan losses	(788)				(1,532)			
Non-interest-earning assets	24,812				23,228			
Total assets	$228,104				$235,425			
Interest-bearing liabilities:								
Demand deposits	$12,485	$ 23	0.25	%	$13,727	$ 65	0.63	%
Savings	35,926	220	0.82		30,690	227	0.99	
Certificates of deposit	89,410	1,004	1.50		99,994	1,712	2.28	
Total deposits	137,821	1,247	1.21		144,411	2,004	1.85	
Borrowings	28,064	459	2.18		30,817	545	2.36	
Total interest-bearing liabilities	165,885	1,706	1.37		175,228	2,549	1.94	
Noninterest-Bearing demand deposits	1,161				942			
Noninterest-bearing liabilities	2,252				1,826			
Total liabilities	169,298				177,996			

Shareholders’ equity	58,806			57,429		
Total liabilities and shareholders’ equity	$228,104			$235,425		
Net interest income/average yield		$ 6,040	3.69 %		$ 5,558	3.12 %
Net interest margin			3.94 %			3.47 %
Average interest-earning assets to average interest-bearing liabilities			123.03 %			121.97 %

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 March 31, 2012 and 2011, 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 March 31,					
	2012			2011		
	Average Balance	Interest And Dividends	Yield/ Cost	Average Balance	Interest And Dividends	Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans	$184,082	$ 2,433	5.28 %	$188,757	$ 2,485	5.27 %
Mortgage-backed securities	5,763	61	4.23	7,845	84	4.28
Other securities	7,380	—	—	711	1	0.56
Other interest-earning assets	9,538	64	2.68	12,127	65	2.14
Total interest-earning assets	206,763	2,558	4.94	209,440	2,635	5.03
Less: Allowance for loan losses	(834)			(1,545)		
Non-interest-earning assets	24,818			23,064		
Total assets	$230,747			$230,959		
Interest-bearing liabilities:						
Demand deposits	$12,021	$ 7	0.23 %	$13,880	$ 16	0.46 %
Savings	36,477	70	0.77	31,020	77	0.99
Certificates of deposit	86,211	283	1.31	97,994	491	2.00
Total deposits	134,709	360	1.07	142,894	584	1.64
Borrowings	33,832	148	1.75	27,363	141	2.06
Total interest-bearing liabilities	168,541	508	1.21	170,257	725	1.70
Noninterest-Bearing demand deposits	1,138			757		
Noninterest-bearing liabilities	2,022			1,488		
Total liabilities	171,701			172,502		

Shareholders’ equity	59,046			58,457		
Total liabilities and shareholders’ equity	$230,747			$230,959		
Net interest income/average yield		$ 2,050	3.73 %		$ 1,910	3.33 %
Net interest margin			3.96 %			3.65 %
Average interest-earning assets to average interest-bearing liabilities			122.68 %			123.01 %

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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, 2011 to March 31, 2012

Assets: At March 31, 2012, the Company's assets totaled $221.8 million, a decrease of $4.4 million, or 1.9%, from total assets at June 30, 2011. This decrease was attributed primarily to a decrease in real estate acquired through foreclosure as well as decrease in securities.

Cash and cash equivalents: Cash and cash equivalents decreased by $743,000 to $4.3 million at March 31, 2012. It is management's preference to deploy excess liquidity into mortgage loans and investment securities to the extent possible, while maintaining adequate liquidity at all times.

Loans*:* Loans receivable, net, decreased by $301,000 to $182.5 million at March 31, 2012. Included in loans was a $2.2 million loan made on property formerly held in other real estate, which had $650,000 in deferred revenue at March 31, 2012. Also included in loans at March 31, 2012, was approximately $2.9 million in loans made on 98 residential rental units during the fiscal year. These transactions are primarily responsible for the increase in the multi-family loan segment of our loan portfolio. 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 and prudent. However, loan demand has weakened as a result of the downturn in the economy and we expect to see a continued decrease in demand for home loans until the housing market regains a stronger footing.

Non-Performing Loans: At March 31, 2012, the Company had non-performing loans (loans 90 or more days past due or on nonaccrual status) of approximately $1.5 million, or 0.8% of total loans, compared to $876,000 or 0.5%, of total loans at June 30, 2011. The Company's allowance for loan losses totaled $818,000 and $764,000 at March 31, 2012, and June 30, 2011, respectively. The allowance for loan losses at March 31, 2012, represented 55.2% of nonperforming loans and 0.45% of total loans, while at June 30, 2011, the allowance represented 87.2% of nonperforming loans and 0.4% of total loans. What appears to be a deterioration in nonperforming loans from the June 2011 level was actually a lower-than-normal level of nonperforming loans at June 30, 2011. Nonperforming loans at June 30, 2011, declined as some borrowers caught up on loans that generally perform at close to the 90 day delinquent mark. After June 30, 2011, many of these loans returned to nonperforming status. Nonperforming loans at March 31, 2012, were comparable to the nonperforming loans at September 30, 2011 and December 31, 2011, which were $1.7 million and $1.8 million, respectively.

The Company had $8.4 million in assets classified as substandard for regulatory purposes at March 31, 2012, including loans ($5.8 million) and real estate owned ("REO") ($2.6 million). Classified loans as a percentage of total loans was 3.2% and 1.2% at March 31, 2012 and June 30, 2011, respectively. All substandard loans were secured by residential property on which the Banks have priority lien position. The table below summarizes substandard loans at March 31, 2012, and June 30, 2011:

	March 31, 2012		June 30, 2011	
	Number of Loans	Carrying Value	Number of Loans	Carrying Value
One- to four-family	50	$ 3,000	27	$ 2,180
Multi-family	2	2,813	—	—
Total substandard loans	52	$ 5,813	27	$ 2,180

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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, 2011 to March 31, 2012 (continued)

At March 31 2012, and June 30, 2011, the Company had $338,000 and $335,000 of loans classified as special mention, respectively. 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. At March 31, 2012, no loans were classified as doubtful or loss for regulatory purposes. For further information on non-performing loans see "Note 6. Loans Receivable" of the Notes to Consolidated Financial Statements set forth in Item 1, above.

The following table presents the aggregate carrying value of REO at March 31, 2012, and June 30, 2011:

	March 31, 2012		June 30, 2011	
	Number of Properties	Aggregate Carrying Value	Number of Properties	Aggregate Carrying Value
Single-family homes	8	$ 774	43	$ 2,448
2-4 family properties	13	1,607	13	1,607
Multi-family	1	234	1	234
Building lot	1	15	1	15
Total other real estate owned	23	$ 2,630	58	$ 4,304

Securities*:* At March 31, 2012, the Company's investment securities had decreased $1.6 million or 23.0% to $5.4 million, due scheduled and unscheduled principal repayments. The proceeds were utilized to partially offset a decrease in deposits.

Liabilities: At March 31, 2012, the Company's liabilities totaled $162.5 million, a decrease of $4.9 million, or 2.9%, from total liabilities at June 30, 2011. The decrease in liabilities was attributed primarily to a $4.5 million, or 3.2%, decrease in deposits, which decreased to $135.4 million at March 31, 2012.

Shareholders' Equity: At March 31, 2012, the Company's shareholders' equity totaled $59.3 million, an increase of $578,000 or 1.0% from the June 30, 2011 total.

The Company paid dividends of $847,000 or 63.4% of net income for the nine-month period just ended. First Federal MHC has waived its right to dividends on its common shares of the Company. The Company believes that a strong dividend is appropriate in light of the high level of capital that both banks now have. At March 31, 2012, capital on a consolidated basis and at each of the banks exceeded the level necessary to be considered "well capitalized" and was sufficient, in management's opinion, to support foreseeable growth. Management cannot speculate on future dividend levels. 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, herein for additional discussion regarding dividends.

Kentucky First Federal Bancorp

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (continued)

Comparison of Operating Results for the Nine-Month Periods Ended March 31, 2012 and 2011

General

Net income totaled $1.3 million for the nine months ended March 31, 2012, an increase of $136,000 from net income of $1.2 million for the same period in 2011. The increase in net earnings for the period was primarily attributable to a decrease of $587,000 in provision for losses on loans and am increase in net interest income of $482,000, which were partially offset by a decrease in tax benefit of $662,000.

Net Interest Income

Net interest income after provision for loan losses increased $1.1 million or 21.9% to $6.0 million for the nine-month period ended March 31, 2012, from $4.9 million for the 2011 period, due to lower provision for losses on loans and interest expense decreasing at a faster pace than interest income. Interest income decreased by $361,000, or 4.5%, to $7.7 million, while interest expense decreased $843,000 or 33.1% to $1.7 million for the nine months ended March 31, 2012. Net interest margin increased from 3.47% for the nine months ended March 31, 2011 to 3.94% for the recently ended period.

Interest income on loans decreased $275,000 or 3.6% to $7.4 million, due primarily to a decrease in the average outstanding balance of the loan portfolio. The average balance of loans outstanding for the nine-month period ended March 31, 2012, decreased $6.4 million or 3.4% to an average of $184.5 million for the nine months just ended, while the average rate earned decreased 2 basis points to 5.32% for the period just ended. Interest income on mortgage-backed residential securities decreased $77,000 or 28.0% to $200,000 for the nine months ended March 31, 2012. The decrease in the income from securities was related to reduced volume, as securities matured and principal from mortgage-backed securities flowed back to the Company. There were no sales of investments during the nine-month period just ended.

Interest expense on deposits and borrowings both declined period to period. Interest expense on deposits decreased $757,000 or 37.8% to $1.2 million for the nine-month period ended March 31, 2012, while interest expense on borrowings declined $86,000 or 15.8% to $459,000 for the same period. The decline in interest expense on deposits was attributed primarily to a reduction in the average rate paid on the deposits. The average rate paid on deposits decreased 64 basis points to 1.21% for the most recent period, while the average balance of deposits decreased $6.6 million or 4.6% to $137.8 million. The decline in interest expense on borrowings was attributed primarily to a lower rate paid on borrowings outstanding, which declined 18 basis points to 2.18% for the most recent period, while the average balance of borrowings outstanding decreased $2.8 million to $28.1 million for the recently ended nine-month period. If the general level of interest rates remains steady, we expect to see our time deposits continue to reprice to lower levels, although the rate of repricing will decline over time. Our adjustable rate loans have rate floors, which are set at 50 basis points lower than the origination interest rate. At March 31, 2012, adjustable rate loans made up approximately 68% of our real estate loan portfolio. The decline in deposit repricing will likely cause the increase in our net interest margin to plateau.

Kentucky First Federal Bancorp

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS (continued)

Comparison of Operating Results for the Nine-Month Periods Ended March 31, 2012 and 2011 (continued)

Provision for Losses on Loans

The Company charges a provision for losses on loans to earnings to bring the total allowance for loan losses to a level considered appropriate by management based on historical experience, the volume and type of lending conducted by the Banks, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to the Banks' market areas and other factors related to the collectibility of the Banks' loan portfolio. The Company recorded a provision of $82,000 for losses on loans during the nine months ended March 31, 2012, compared to a provision of $669,000 for the nine months ended March 31, 2011. In the three-month period ended March 31, 2011, the Company recorded a provision for losses on loans of $601,000 to restore its loan loss reserves to an appropriate level after it was substantially depleted when charges were recorded upon the foreclosure of a single credit. There can be no assurance that the loan loss allowance will be adequate to absorb unidentified losses on loans in the portfolio, which could adversely affect the Company's results of operations.

Non-interest Income

Non-interest income totaled $119,000 for the nine months ended March 31, 2012, a decrease of $100,000 from the same period in 2011, primarily as a result of a decrease of $84,000 in net gains on sales of loans. Also contributing to the decline in non-interest income were losses recognized on the sale of OREO and a charge on the decline in value of OREO property held at March 31, 2012. A net gain of $1,000 was recognized on the sale of OREO during the current period, while impairment charges totaled $48,000 for OREO.

Non-interest Expense

Non-interest expense totaled $4.1 million for the nine months ended March 31, 2012, an increase of $171,000, or 4.4%, compared to the same period in 2011. The increase was due primarily to an increase in legal and other outside service expense, which increased chiefly because of the Company's agreement of merger with CKF Bancorp, Inc., which was announced on November 3, 2011. Outside service fees totaled $210,000 for the recently-ended period compared to $83,000 for the prior year period, a $127,000 or 153.0% increase. Legal fees totaled $274,000 for the nine months ended March 31, 2012, an increase of $169,000 or 161.0% over the prior year.

Federal Income Tax Expense (Benefit)

Federal income taxes expense totaled $656,000 for the nine months ended March 31, 2012, an increase of $662,000, compared to federal income tax benefit recognized in the prior year period. In the quarter ended March 31, 2011, the Company recognized a $403,000 tax refund it was due, which gave rise to the tax benefit in the prior year period. The effective tax rates were 32.9% and (0.5)% for the nine-month periods ended March 31, 2012 and 2011, respectively.

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 March 31, 2012 and 2011

General

Net income totaled $528,000 for the three months ended March 31, 2012, an increase of $84,000 from net income of $444,000 for the same period in 2011. The increase was primarily attributable to lower provision for loan losses.

Net Interest Income

Net interest income after provision for loan losses increased $741,000 or 56.6% to $2.1 million for the three-month period ended March 31, 2012, due to interest expense decreasing at a faster pace than interest income. Interest income decreased by $77,000, or 2.9%, to $2.6 million, while interest expense decreased $217,000 or 29.9% to $508,000 for the three months ended March 31, 2012

Interest income on loans decreased $52,000 or 2.1% to $2.4 million, due primarily to a decrease in the average outstanding balance of the loan portfolio. The average balance of loans outstanding for the three-month period ended March 31, 2012, decreased $4.7 million or 2.5% to an average of $184.1 million for the three months just ended, due primarily to loan payoffs due to refinancing, while the average rate earned increased 1 basis point to 5.28% for the period just ended. Interest income on mortgage-backed residential securities decreased $23,000 or 27.4% to $61,000 for the three months ended March 31, 2012. The decrease in the income from securities was related to reduced volume, as securities matured and principal from mortgage-backed securities flowed back to the Company. There were no sales of investments during the three-month period just ended.

Interest expense on deposits declined period to period while the interest expense on borrowings increased only slightly. Interest expense on deposits decreased $224,000 or 38.4% to $360,000 for the three-month period ended March 31, 2012, while interest expense on borrowings increased $7,000 or 5.0% to $148,000 for the same period. The decline in interest expense on deposits was attributed primarily to a reduction in the average rate paid on the deposits. The average rate paid on deposits decreased 57 basis points to 1.07% for the most recent period, while the average balance of deposits decreased $8.2 million or 5.7% to $134.7 million. The increase in interest expense on borrowings was attributed primarily to a higher amount of borrowings outstanding, which increased $6.5 million to $33.8 million for the most recent period, while the average rate paid on borrowings decreased 31 basis points to 1.75% for the recently ended three-month period.

Net interest margin increased from 3.65% for the prior year quarterly period to 3.96% for the quarter ended March 31, 2012.

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 March 31, 2012 and 2011 (continued)

Provision for Losses on Loans

The Company recorded no provision for losses on loans during the three months ended March 31, 2012, compared to a provision of $601,000 for the three months ended March 31, 2011. There can be no assurance that the loan loss allowance will be adequate to absorb unidentified losses on loans in the portfolio, which could adversely affect the Company's results of operations. The Company recorded a provision for losses on loans of $601,000 during the three months ended March 31, 2011, to restore the Company's loan loss reserves to a level that management determined appropriate. The Company's loan loss reserves had been substantially depleted when charges were recorded against it upon the foreclosure of a single credit comprised of 34 rental modular homes. The Company recorded the collateral as REO using an updated, lower appraisal value on the project.

Non-interest Income

Non-interest income totaled $62,000 for the three months ended March 31, 2012, a decrease of $3,000 from the same period in 2011.

Non-interest Expense

Non-interest expense totaled $1.3 million for the three months ended March 31, 2012, an increase of $19,000, or 1.5%, compared to the same period in 2011. The increase was due primarily to an increase in employee compensation and benefits and legal expense, but was offset to a large extent by net profit recognized on foreclosure and OREO property and lower expenses associated with auditing and accounting. Employee compensation and benefits totaled $855,000 for the recently-ended quarter compared to $736,000 for the prior year period, a $119,000 or 16.2% increase, and was attributed primarily to higher retirement expense. Higher retirement contributions were necessary for the period to fund the defined benefit plans operated by both Banks. Legal fees totaled $82,000 for the three months ended March 31, 2012, an increase of $46,000 or 127.8% over the prior year, and were related chiefly to merger costs. Foreclosure and OREO expenses (net) were actually net gains of $31,000 for the recently ended quarter compared to net expense of $46,000 for the prior year period. In addition to an excess of rental income over rental expenses for the properties in other real estate owned during the period, a refund of $16,000 was received for hazard insurance. The Company had paid premiums in advance for property that was sold earlier in the fiscal year.

Federal Income Tax Expense (Benefit)

Federal income taxes expense totaled $260,000 for the three months ended March 31, 2012, compared to federal income tax benefit of $375,000 recognized in the prior year period. In the quarter ended March 31, 2011, the Company recognized a $403,000 tax refund it was due, which gave rise to the tax benefit in the prior year period. The effective tax rates were 33.3% and (543.5)% for the three-month periods ended March 31, 2012 and 2011, respectively.

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 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. Based upon that evaluation and a material weakness identified as of June 30, 2011 (see Item 9A of the Company's Form 10-K for the year ended June 30, 2011 filed September 28, 2011), the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were ineffective. In response to the material weakness the Company is working to revise its procedures. Notwithstanding the evaluation and initiation of these remediation actions, the material weakness in our internal controls over financial reporting will not be considered remediated until the new controls are fully implemented, in operation for a sufficient period of time, tested, and concluded by management to be operating effectively.

Kentucky First Federal Bancorp

PART II

ITEM 1. Legal Proceedings

Not applicable.

ITEM 1A. Risk Factors

The risk factor set forth below supplements the risks and uncertainties to which our financial condition and operations are subject, which risk factors are discussed in detail in Item 1A of Part I of the Annual Report on Form 10-K of Kentucky First Federal Bancorp for the year ended June 30, 2011.

The amount of dividends we pay on our common stock, if any, may be limited by the ability of First Federal, MHC to waive receipt of dividends.

First Federal, MHC (the "MHC") owns approximately 61.1% of the Company's outstanding stock. As a result, when and if the Company pays dividends to its shareholders, it also is required to pay dividends to the MHC unless the MHC is permitted by its federal regulator to waive the receipt of dividends. Historically, the MHC's federal regulator has permitted the MHC to waive its right to dividends declared by the Company on the shares that it owns. The MHC has received the approval of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") to waive dividends paid by the Company for the quarters ended September 30, 2011, and March 31, 2012. It is expected that the MHC will continue to waive future dividends, except to the extent dividends are needed to fund the MHC's continuing operations, and subject to the ability of the MHC to obtain regulatory approval in the future of its requests to waive dividends.

In August 2011, the Federal Reserve Board has adopted an interim final rule which requires the MHC to notify the Federal Reserve Board if it proposes to waive receipt of dividends from the Company. The interim final rule also requires that the MHC obtain the approval of a majority of the eligible votes of members of the MHC (generally First Federal of Hazard depositors) before it can waive dividends. For a grandfathered company such as the MHC that waived dividends prior to December 1, 2009, the Federal Reserve Board may not object to a dividend waiver request if the board of directors of the mutual holding company expressly determines that a waiver of the dividend is consistent with its fiduciary duties to members and the waiver would not be detrimental to the safe and sound operation of the savings association subsidiaries of the holding company. The Federal Reserve Board's interim final rule regarding dividend waiver requests is subject to comment and there can be no assurances as to the form of the final dividend waiver regulations or the effect of such regulations on the MHC's ability to waive dividends.

While the MHC is grandfathered for purposes of the Federal Reserve Board dividend waiver regulations, we cannot predict whether the Federal Reserve Board will grant dividend waiver requests in the future and, if it were to grant such waiver requests, we cannot predict the nature of conditions, if any, the Federal Reserve Board may place on future dividend waiver requests. The denial of a dividend waiver request or the imposition of burdensome conditions on an approval of a waiver request may significantly limit the amount of dividends the Company pays in the future, if any. Moreover, the Federal Reserve Board has indicated that its current position is that the dividend waiver would not be granted for ensuing quarters unless certain requirements are met which include solicitation of a positive vote among the members of First Federal MHC, a group primarily comprised of the depositors of First Federal of Hazard. While it will remain First Federal MHC's strong preference to continue to waive future dividends, except to the extent dividends are needed to fund First Federal MHC's continuing operations, it may become necessary to pay dividends to First Federal MHC until such time as the shareholder vote and other requirements can be met or until there is a regulatory change. In the long term, the inability to waive dividends to First Federal MHC will likely result in a reduction in dividends paid to Kentucky First Federal Bancorp shareholders.

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 March 31, 2012.

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
January 1-31, 2012	—	$ —	—	87,500
February 1-29, 2012	—	$ —	—	87,500
March 1-31, 2012	—	$ —	—	87,500

(1) On May 14, 2010, the Company announced the completion of the stock repurchase program begun on October 17, 2008 and initiated another program for the 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[1] 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

(1) Incorporated herein by reference to the Company's Registration Statement on Form S-1 (File No. 333-119041).

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:	May 15, 2012	By:	/s/Tony D. Whitaker Tony D. Whitaker Chairman of the Board and Chief Executive Officer
Date:	May 15, 2012	By:	/s/R. Clay Hulette R. Clay Hulette Vice President and Chief Financial Officer