Kentucky First Federal Bancorp
Form 10-Q
May 15, 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 March 31, 2018

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 May 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)

	March 31, 2018	June 30, 2017
ASSETS		
Cash and due from financial institutions	$3,718	$4,035
Interest-bearing demand deposits	5,908	8,769
Cash and cash equivalents	9,626	12,804
Time deposits in other financial institutions	6,681	4,201
Securities available-for-sale	52	71
Securities held-to-maturity, at amortized cost- approximate fair value of $1,086 and $1,523 at March 31, 2018 and June 30, 2017, respectively	1,081	1,487
Loans, net of allowance of $1,549 and $1,533 at March 31, 2018 and June 30, 2017, respectively	264,320	258,244
Real estate owned, net	788	358
Premises and equipment, net	5,723	5,810
Federal Home Loan Bank stock, at cost	6,482	6,482
Accrued interest receivable	708	679
Bank-owned life insurance	2,426	3,158
Goodwill	14,507	14,507
Prepaid federal income taxes	90	74
Prepaid expenses and other assets	462	610
Total assets	$312,946	$308,485
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$193,736	$182,845
Federal Home Loan Bank advances	49,498	55,780

Advances by borrowers for taxes and insurance	518	818
Accrued interest payable	24	21
Deferred federal income taxes	429	719
Deferred revenue	562	578
Other liabilities	669	578
Total liabilities	245,436	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	35,085	35,084
Retained earnings	34,403	34,180
Unearned employee stock ownership plan (ESOP), 70,952 shares and 84,959 shares at December 31, and June 30, 2017, respectively	(710)	(850)
Treasury shares at cost, 151,549 and 151,549 common shares at March 31, 2018 and June 30, 2017, respectively	(1,355)	(1,355)
Accumulated other comprehensive income	1	1
Total shareholders' equity	67,510	67,146
Total liabilities and shareholders' equity	$312,946	$308,485

See accompanying notes to condensed consolidated financial statements.

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Kentucky First Federal Bancorp

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Nine months ended March 31,		Three months ended March 31,	
	2018	2017	2018	2017
Interest income				
Loans, including fees	$8,430	$8,151	$2,822	$2,746
Mortgage-backed securities	37	45	14	14
Other securities	--	10	--	4
Interest-bearing deposits and other	386	257	132	99
Total interest income	8,853	8,463	2,968	2,863
Interest expense				
Interest-bearing demand deposits	16	16	5	5
Savings	169	191	55	64
Certificates of Deposit	815	550	305	189
Deposits	1,000	757	365	258
Borrowings	531	289	196	119
Total interest expense	1,531	1,046	561	377
Net interest income	7,322	7,417	2,407	2,486
Provision for loan losses	107	222	104	166
Net interest income after provision for loan losses	7,215	7,195	2,303	2,320
Non-interest income				
Earnings on bank-owned life insurance	430	71	18	24
Net gain on sales of loans	24	10	13	1
Net gain (loss) on sales of real estate owned	47	65	(4)	(9)
Valuation adjustments of real estate owned	(18)	(83)	(18)	(58)
Net gain on sales of investments	--	64	--	64
Other	150	207	48	68
Total non-interest income	633	334	57	90
Non-interest expense				
Employee compensation and benefits	4,092	4,005	1,359	1,350
Occupancy and equipment	505	521	180	168
Outside service fees	126	129	40	34
Legal fees	20	26	4	6
Data processing	325	294	110	101
Auditing and accounting	205	243	68	85
FDIC insurance premiums	67	70	23	22
Franchise and other taxes	182	180	63	59

Foreclosure and real estate owned expenses (net)	93	95	32	27
Other	926	854	298	296
Total non-interest expense	6,541	6,417	2,177	2,148
Income before income taxes	1,307	1,112	183	262
Federal income tax expense (benefit)	(4)	393	21	94
NET INCOME	$1,311	$719	$162	$168
EARNINGS PER SHARE				
Basic and diluted	$0.16	$0.09	$0.02	$0.02
DIVIDENDS PER SHARE	$0.30	$0.30	$0.10	$0.10

See accompanying notes to condensed consolidated financial statements.

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Kentucky First Federal Bancorp

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Nine months ended March 31,		Three months ended March 31,	
	2018	2017	2018	2017
Net income	$1,311	$719	$162	$168
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	--	12	--	(24)
Less: Reclassification adjustment for gains included in net income, net of tax benefits of $0, $22, $0 and $22 during the respective periods	--	42	--	42
Total other comprehensive loss	--	(30)	--	(66)
Comprehensive income	$1,311	$689	$162	$102

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)

	Nine months ended March 31, 2018	2017
Cash flows from operating activities:		
Net income	$1,311	$719
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	235	256
Accretion of purchased loan credit discount	(65)	(137)
Amortization of purchased loan premium	11	11
Amortization (accretion) of deferred loan origination costs (fees)	58	47
Amortization of premiums on investment securities	9	43
Amortization of premiums on deposits	--	(35)
Net gain on sale of loans	(24)	(10)
Net gain on sale of FHLMC stock	--	(64)
Net gain on sale of real estate owned	(47)	(65)
Valuation adjustments of real estate owned	18	83
Accretion of deferred gain on sale of real estate owned	(16)	(13)
ESOP compensation expense	141	158
Earnings on bank-owned life insurance	(436)	(71)
Provision for loan losses	107	222
Origination of loans held for sale	(797)	(653)
Proceeds from loans held for sale	821	468
Increase (decrease) in cash, due to changes in:		
Accrued interest receivable	(29)	33
Prepaid expenses and other assets	148	476
Accrued interest payable	3	8
Other liabilities	91	86
Federal income taxes	(306)	(8)
Net cash provided by operating activities	1,233	1,554
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)	(1,488)
Maturities of term deposits in other financial institutions	247	--
Securities maturities, prepayments and calls:		
Held to maturity	397	8,404
Available for sale	19	4
Proceeds from sale of FHLMC stock	--	72

Proceeds from bank-owned life insurance	1,168	--
Loans originated for investment, net of principal collected	(6,848)	(15,533)
Proceeds from sale of real estate owned	265	710
Additions to real estate owned	(5)	(30)
Additions to premises and equipment, net	(148)	(55)
Net cash used in investing activities	(7,632)	(14,415)
Cash flows from financing activities:		
Net increase (decrease) in deposits	10,891	(6,918)
Payments by borrowers for taxes and insurance, net	(300)	(189)
Proceeds from Federal Home Loan Bank advances	13,500	35,600
Repayments on Federal Home Loan Bank advances	(19,782)	(14,972)
Dividends paid on common stock	(1,088)	(1,115)
Net cash provided by financing activities	3,221	12,406
Net decrease in cash and cash equivalents	(3,178)	(455)
Beginning cash and cash equivalents	12,804	13,108
Ending cash and cash equivalents	$9,626	$12,653

See accompanying notes to condensed consolidated financial statements.

Kentucky First Federal Bancorp

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Unaudited)

(In thousands)

	Nine months ended March 31,	
	2018	2017
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Federal income taxes	$300	$400
Interest on deposits and borrowings	$1,528	$1,073
Transfers of loans to real estate owned, net	$830	$688
Loans made on sale of real estate owned	$169	$214

See accompanying notes to condensed consolidated financial statements.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(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 nine- and three-month periods ended March 31, 2018, 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.

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(unaudited)

1. Basis of Presentation (continued)

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.

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(unaudited)

1. Basis of Presentation (continued)

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 (continued)

March 31, 2018

(unaudited)

1. Basis of Presentation (continued)

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 March 31, 2018 and there was not a material impact on the Company’s financial statements.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(unaudited)

1. Basis of Presentation (continued)

New Accounting Standards (continued)

FASB ASC 740 -In March 2018, the FASB issued ASU No. 2018-05, *Income Taxes: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118.* The Tax Cuts and Jobs Act (the “Act”) changes existing United States tax law and includes numerous provisions that will affect businesses. The Act introduces changes that impact U.S. corporate tax rates, business-related exclusions and deductions and credits. As such, the Act has widespread applicability to the Company. The update codifies SEC staff guidance which addresses the accounting for income taxes upon a change in tax laws or tax rates and related disclosures. The update is effective upon inclusion in the FASB codification. Management has substantially completed its accounting for the tax effects of enactment of the Tax Act. For deferred tax assets and liabilities, amounts were remeasured at December 31, 2017, based on the rates expected to reverse in the future, which is now 21%. The Company continues to analyze certain aspects of the Tax Act and further refinements are possible, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts; however, management does not expect any changes to be material.

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:

	Nine months ended	Three months

(in thousands)	March 31, 2018	2017	ended March 31, 2018	2017
Net income allocated to common shareholders, basic and diluted	$1,311	$719	$162	$168

	Nine months ended March 31, 2018	2017	Three months ended March 31, 2018	2017
Weighted average common shares outstanding, basic and diluted	8,364,208	8,342,203	8,368,946	8,350,270

There were no stock option shares outstanding for the nine- or three-month periods ended March 31, 2018 and 2017.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(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 March 31, 2018 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)	March 31, 2018 Amortized cost	Gross unrealized/ unrecognized gains	Gross unrealized/ unrecognized losses	Estimated fair value
Available-for-sale Securities				
Agency mortgage-backed: residential	$51	$ 1	$ --	$ 52
Held-to-maturity Securities				
Agency mortgage-backed: residential	$1,081	$ 25	$ 20	$ 1,086

(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 March 31, 2018 and June 30, 2017, the Company’s debt securities consist of mortgage-backed securities, which do not have a single maturity date.

Our pledged securities totaled $601,000 and $722,000 at March 31, 2018 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)

March 31, 2018

(unaudited)

4. Loans receivable

The composition of the loan portfolio was as follows:

(in thousands)	March 31, 2018	June 30, 2017
Residential real estate		
One- to four-family	$200,649	$197,936
Multi-family	15,084	15,678
Construction	5,725	2,398
Land	809	1,304
Farm	2,392	2,062
Nonresidential real estate	32,813	29,211
Commercial nonmortgage	2,151	2,540
Consumer and other:		
Loans on deposits	1,588	1,607
Home equity	7,177	6,853
Automobile	25	42
Unsecured	442	400
	268,855	260,031
Undisbursed portion of loans in process	(2,828)	(296)
Deferred loan origination (fees) costs	(158)	42
Allowance for loan losses	(1,549)	(1,533)
	$264,320	$258,244

The following table presents the activity in the allowance for loan losses by portfolio segment for the nine months ended March 31, 2018:

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

		losses	off		
Residential real estate:					
One- to four-family	$ 773	$ 75	$ (139)	$ 48	$ 757
Multi-family	243	(15)	--	--	228
Construction	6	3	--	--	9
Land	4	(3)	--	--	1
Farm	9	(1)	--	--	8
Nonresidential real estate	270	56	--	--	326
Commercial nonmortgage	6	(2)	--	--	4
Consumer and other:					
Loans on deposits	4	(1)	--	--	3
Home equity	17	(5)	--	--	12
Automobile	--	--	--	--	--
Unsecured	1	--	--	--	1
Unallocated	200	--	--	--	200
Totals	$ 1,533	$ 107	$ (139)	$ 48	$ 1,549

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(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 March 31, 2018:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 739	$ 104	$ (90)	$ 4	$ 757
Multi-family	244	(16)	--	--	228
Construction	14	(5)	--	--	9
Land	2	(1)	--	--	1
Farm	10	(2)	--	--	8
Nonresidential real estate	293	33	--	--	326
Commercial nonmortgage	6	(2)	--	--	4
Consumer and other:					
Loans on deposits	4	(1)	--	--	3
Home equity	18	(6)	--	--	12
Automobile	--	--	--	--	--
Unsecured	1		--	--	1
Unallocated	200	--	--	--	200
Totals	$ 1,531	$ 104	$ (90)	$ 4	$ 1,549

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

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

Residential real estate:					
One- to four-family	$ 862	$ 182	$ (221)	$ 2	$ 825
Multi-family	192	25	--	--	217
Construction	5	--	--	--	5
Land	2	--	--	--	2
Farm	3	1	--	--	4
Nonresidential real estate	217	26	--	--	243
Commercial nonmortgage	18	(14)	--	--	4
Consumer and other:					
Loans on deposits	4	(1)	--	--	3
Home equity	11	1	--	--	12
Automobile	--	--	--	--	--
Unsecured	1	2	(5)	2	--
Unallocated	200	--	--	--	200
Totals	$ 1,515	$ 222	$ (226)	$ 4	$ 1,515

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(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 March 31, 2017:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 801	$ 148	$ (126)	$ 2	$ 825
Multi-family	211	6	--	--	217
Construction	4	1	--	--	5
Land	3	(1)	--	--	2
Farm	4	--	--	--	4
Nonresidential real estate	230	13	--	--	243
Commercial nonmortgage	4	--	--	--	4
Consumer and other:					
Loans on deposits	3	--	--	--	3
Home equity	12	--	--	--	12
Automobile	--	--	--	--	--
Unsecured	1	(1)	--	--	--
Unallocated	200	--	--	--	200
Totals	$ 1,473	$ 166	$ (126)	$ 2	$ 1,515

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, 2018. The recorded investment in loans excludes accrued interest receivable and deferred loan costs, net due to immateriality. There were no impaired loans at March 31, 2018, that had a related specific allowance.

March 31, 2018:

(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	$2,973	$ 1,303	$4,276	$ --	$ --	$ --
Farm	538	--	538			
Nonresidential real estate	123	--	123	--	--	--
	3,634	1,303	4,937	--	--	--
Loans collectively evaluated for impairment:						
Residential real estate:						
One- to four-family			$196,373	$ 757	$ --	$ 757
Multi-family			15,084	228	--	228
Construction			5,725	9	--	9
Land			809	1	--	1
Farm			1,854	8	--	8
Nonresidential real estate			32,690	326	--	326
Commercial nonmortgage			2,151	4	--	4
Consumer:						
Loans on deposits			1,588	3	--	3
Home equity			7,177	12	--	12
Automobile			25	--	--	--
Unsecured			442	1	--	1
Unallocated			--	--	200	200
			263,918	1,349	200	1,549
			$268,855	$ 1,349	$ 200	$ 1,549

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(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)

March 31, 2018

(unaudited)

4. Loans receivable (continued)

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

(in thousands)	Average Recorded Investment	Interest Income Recognized	Cash Basis Income Recognized	Average Recorded Investment	Interest Income Recognized	Cash Basis Income Recognized
	2018			**2017**		
With no related allowance recorded:						
One- to four-family	$3,340	$ 3	$ 3	$3,871	$ 7	$ 7
Farm	269	--	--	--	--	--
Nonresidential real estate	127	--	--	--	--	--
Purchased credit-impaired loans	1,490	42	42	1,981	57	57
	5,226	45	45	5,852	64	64
With an allowance recorded:						
One- to four-family	--	--	--	--	--	--
	$5,226	$ 45	$ 45	$5,852	$ 64	$ 64

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

(in thousands)	Average Recorded Investment	Interest Income Recognized	Cash Basis Income Recognized	Average Recorded Investment	Interest Income Recognized	Cash Basis Income Recognized
	2018			**2017**		
With no related allowance recorded:						
One- to four-family	$2,919	$ --	$ --	$4,050	$ 4	$ 4
Farm	538	--	--	--	--	--
Nonresidential real estate	124	--	--	--	--	--
Purchased credit-impaired loans	1,311	3	3	1,762	17	17
	4,891	3	3	5,812	21	21

With an allowance recorded:						
One- to four-family	--	--	--	--	--	--
	$4,891	$ 3	$ 3	$5,812	$ 21	$ 21

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 March 31, 2018 and June 30, 2017:

	March 31, 2018		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	$3,993	$ 1,781	$4,870	$ 1,770
Farm	538	--	--	--
Nonresidential real estate and land	142	271	151	--
Home equity	4	--	--	--
Consumer	2	--	8	11
	$4,679	$ 2,052	$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 March 31, 2018 and June 30, 2017, the Company had $1.8 million loans classified as TDRs. Of the TDRs at March 31, 2018, approximately 33.2% were related to the borrower's completion of Chapter 7 bankruptcy proceedings with no reaffirmation of the debt to the Banks.

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(unaudited)

4. Loans receivable (continued)

The following table summarizes TDR loan modifications that occurred during the nine months ended March 31, 2018 and 2017, 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
Nine months ended March 31, 2018			
Residential real estate:			
Terms extended and additional funds advanced	$ 325	$ --	$ 325
Chapter 7 bankruptcy without reaffirmation	32	--	32
Nine months ended March 31, 2017			
Residential real estate:			
Terms extended	$ 97	$ --	$ 97

The following table summarizes TDR loan modifications that occurred during the three months ended March 31, 2018 and 2017, 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 March 31, 2018			

Residential real estate:			
Chapter 7 bankruptcy without reaffirmation	$ 32	$ --	$ 32
Three months ended March 31, 2017			
Residential real estate:			
Terms extended	$ --	$ --	$ --

The Company had three TDRs during the nine months ended March 31, 2018, while there was one TDR during the nine months ended March 31, 2017. The Company had no allocated specific reserves to customers whose loan terms had been modified in troubled debt restructurings as of March 31, 2018 or at June 30, 2017. The Company had no commitments to lend on loans classified as TDRs at March 31, 2018 or June 30, 2017.

Four TDRs with a carrying value of $136,000 defaulted during the nine-month period ended March 31, 2018. The properties were taken into REO and sold. There was one TDR with a carrying value of $3,000 that defaulted during the nine- and three-month periods ended March 31, 2017.

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(unaudited)

4. Loans receivable (continued)

The following table presents the aging of the principal balance outstanding in past due loans as of March 31, 2018, 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	$5,594	$3,117	$8,711	$191,938	$200,649
Multi-family	345	--	345	14,739	15,084
Construction	--	--	--	5,725	5,725
Land	--	--	--	809	809
Farm	--	538	538	1,854	2,392
Nonresidential real estate	301	271	572	32,241	32,813
Commercial non-mortgage	--	--	--	2,151	2,151
Consumer and other:					
Loans on deposits	--	--	--	1,588	1,588
Home equity	--	--	--	7,177	7,177
Automobile	--	--	--	25	25
Unsecured	--	--	--	442	442
Total	$6,240	$3,926	$10,166	$258,689	$268,855

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)	30-89 Days Past	90 Days or Greater	Total Past Due	Loans Not Past Due	Total

	Due	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)

March 31, 2018

(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, based on 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 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, 2018, 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	$--	$ 1,258	$ 9,933	$ --	$189,458
Multi-family	14,434	--	650	--	--
Construction	5,725	--	--	--	--
Land	809	--	--	--	--
Farm	1,854	--	538	--	--
Nonresidential real estate	32,099	--	714	--	--
Commercial nonmortgage	2,143	--	8	--	--
Consumer:					
Loans on deposits	1,588	--	--	--	--
Home equity	7,177	--	--	--	--
Automobile	25	--	--	--	--
Unsecured	440	--	2	--	--
	$66,294	$ 1,258	$ 11,845	$ --	$189,458

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(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 March 31, 2018 and June 30, 2017, respectively, was $1.3 million at March 31, 2018 and $1.7 million at June 30, 2017.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(unaudited)

4. Loans receivable (continued)

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

	Nine months ended March 31,		Three months ended March 31,	
	2018	2017	2018	2017
Balance at beginning of period	$720	$981	$678	$900
Accretion of income	(65)	(137)	(22)	(45)
Reclassifications from nonaccretable difference	--	60	--	--
Disposals, net of recoveries	2	(163)	1	(114)
Balance at end of period	$657	$741	$657	$741

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 nine-month period ended March 31, 2018. 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)

March 31, 2018

(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:

(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)
March 31, 2018				
Agency mortgage-backed: residential	$52	$ --	$ 52	$ --
June 30, 2017				
Agency mortgage-backed: residential	$71	$ --	$ 71	$ --

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(unaudited)

5. 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 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)
March 31, 2018				
Residential Real Estate:				
1-4 Family	$181	--	--	$ 181
Other real estate owned, net				
One- to four-family	5	--	--	5
June 30, 2017				
Other real estate owned, net				
One- to four-family	$103	--	--	$ 103
Land	79	--	--	79

There were three impaired loans with carrying amounts of $181,000, which were remeasured using the fair value of the collateral for collateral-dependent loans, at March 31, 2018, and no such loans at June 30, 2017. There was $21,000 and $8,000 in specific provision made for the nine- or three-month periods ended March 31, 2018, while there was no specific provision for the nine- or three-month periods ended March 31, 2017.

Other real estate owned measured at fair value less costs to sell, had carrying amounts of $5,000 and $182,000 at March 31, 2018 and June 30, 2017, respectively. Other real estate owned was written down by $18,000 and $83,000 during the nine months ended March 31, 2018 and 2017, respectively.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(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 March 31, 2018 and June 30, 2017:

March 31, 2018	Fair Value (in thousands)	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Loans:				
One- to four-family	$ 181	Sales comparison approach	Adjustments for differences between comparable sales	-23.5% to 13.8% (-0.6%)
Foreclosed and repossessed assets:				
One- to four-family	$ 5	Sales comparison approach	Adjustments for differences between comparable sales	0.0% to 0.0% (0.0%)

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.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(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 March 31, 2018 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: Historical cost approximates 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, 2018 and June 30, 2017, was not material.

Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(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 March 31, 2018 and June 30, 2017 are as follows:

(in thousands)	Carrying Value	Fair Value Measurements at March 31, 2018 Using Level 1	Level 2	**Level 3**	Total
Financial assets					
Cash and cash equivalents	$9,626	$9,626			$9,626
Term deposits in other financial institutions	6,681	6,681			6,681
Available-for-sale securities	52		$52		52
Held-to-maturity securities	1,081		1,086		1,086
Loans receivable - net	264,320			$ 273,011	273,011
Federal Home Loan Bank stock	6,482				6,482
Accrued interest receivable	708		708		708
Financial liabilities					
Deposits	$193,736	$76,082	$117,356		193,438
Federal Home Loan Bank advances	49,498		49,571		49,571
Advances by borrowers for taxes and insurance	518	518			518
Accrued interest payable	24		24		24

(in thousands)	Carrying Value	Fair Value Measurements at June 30, 2017 Using **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				6,482
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

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Kentucky First Federal Bancorp

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2018

(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:

	Nine months ended March 31, 2018	
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)	Nine months ended March 31, 2018	2017
Unrealized holding gains (losses) on available-for-sale securities	$1	$(45)
Tax effect	--	(15)
Net-of-tax amount	$1	$(30)

Three months ended

(in thousands)	March 31, 2018	2017
Unrealized holding gains (losses) on available-for-sale securities	$1	$(100)
Tax effect	--	(34)
Net-of-tax amount	$1	$(66)

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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 nine-month periods ended March 31, 2018 and 2017, 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,					
	2018			2017		
	Average Balance	**Interest And Dividends**	**Yield/ Cost**	Average Balance	**Interest And Dividends**	**Yield/ Cost**
	(Dollars in thousands)					
Interest-earning assets:						
Loans [1]	$261,401	$ 8,430	4.30 %	$246,085	$ 8,151	4.42 %
Mortgage-backed securities	1,379	37	3.58	1,931	45	3.11
Other securities	--	--	--	2,147	10	0.62

Other interest-earning assets	18,910	386	2.72		19,544	257	1.75	
Total interest-earning assets	281,690	8,853	4.19		269,707	8,463	4.18	
Less: Allowance for loan losses	(1,535)				(1,484)			
Non-interest-earning assets	29,187				30,006			
Total assets	$309,342				$298,229			
Interest-bearing liabilities:								
Demand deposits	$15,228	$ 16	0.14	%	$15,734	$ 16	0.14	%
Savings	57,714	169	0.39		62,755	191	0.41	
Certificates of deposit	112,707	815	0.96		103,161	550	0.71	
Total deposits	185,649	1,000	0.72		181,650	757	0.56	
Borrowings	48,829	531	1.45		42,288	289	0.91	
Total interest-bearing liabilities	234,478	1,531	0.87		223,938	1,046	0.62	
Noninterest-bearing demand deposits	5,183				4,330			
Noninterest-bearing liabilities	2,310				2,513			
Total liabilities	241,971				230,781			
Shareholders’ equity	67,371				67,448			
Total liabilities and shareholders’ equity	$309,342				$298,229			
Net interest spread		$ 7,322	3.32	%		$ 7,417	3.56	%
Net interest margin			3.47	%			3.67	%
Average interest-earning assets to average interest-bearing liabilities			120.14	%			120.44	%

[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 March 31, 2018 and 2017, 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, 2018				2017			
	Average Balance	**Interest And Dividends**	**Yield/ Cost**		Average Balance	**Interest And Dividends**	**Yield/ Cost**	
	(Dollars in thousands)							
Interest-earning assets:								
Loans [1]	$265,644	$ 2,822	4.25	%	$251,355	$ 2,746	4.37	%
Mortgage-backed securities	1,247	14	4.49		1,788	14	3.13	
Other securities	--	--	--		2,281	4	0.70	
Other interest-earning assets	18,146	132	2.91		18,993	99	2.09	
Total interest-earning assets	285,037	2,968	4.17		274,417	2,863	4.17	
Less: Allowance for loan losses	(1,523)				(1,471)			
Non-interest-earning assets	28,953				30,375			
Total assets	$312,467				$303,321			
Interest-bearing liabilities:								
Demand deposits	$14,946	$ 5	0.13	%	$15,647	$ 5	0.13	%
Savings	56,946	55	0.39		62,282	64	0.41	
Certificates of deposit	116,859	305	1.04		101,356	189	0.75	
Total deposits	188,751	365	0.77		179,285	258	0.58	
Borrowings	49,118	196	1.60		49,873	119	0.95	
Total interest-bearing liabilities	237,869	561	0.94		229,158	377	0.66	
Noninterest-bearing demand deposits	5,038				2,257			
Noninterest-bearing liabilities	1,934				4,407			
Total liabilities	244,841				235,822			

Shareholders’ equity	67,626			67,499		
Total liabilities and shareholders’ equity	$312,467			$303,321		
Net interest spread		$ 2,407	3.22 %		$ 2,486	3.51 %
Net interest margin			3.38 %			3.62 %
Average interest-earning assets to average interest-bearing liabilities			119.83%			119.75%

[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 March 31, 2018

Assets: At March 31, 2018, the Company's assets totaled $313.0 million, an increase of $4.5 million, or 1.5%, 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 $3.2 million or 24.8% to $9.6 million at March 31, 2018, 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 March 31, 2018, as we seek to employ liquidity at the highest earning level possible.

Investment securities: At March 31, 2018 our securities portfolio consisted of mortgage-backed securities. Investment securities decreased $425,000 or 27.3% to $1.1 million at March 31, 2018, due to principal payments and prepayments.

Loans*:* Loans receivable, net, increased by $6.1 million or 2.4% to $264.3 million at March 31, 2018. 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 March 31, 2018, the Company had non-performing loans (loans 90 or more days past due or on nonaccrual status) of approximately $6.7 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 at both March 31, 2018 and June 30, 2017, respectively. The allowance for loan losses at March 31, 2018, represented 23.0% 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 $12.6 million in assets classified as substandard for regulatory purposes at March 31, 2018, including loans ($11.8 million) and real estate owned ("REO") ($788,000), including loans acquired in the CKF Bancorp transaction. Classified loans as a percentage of total loans (including loans acquired) was 4.8% and 4.5% at March 31, 2018 and June 30, 2017, respectively. Of substandard loans, 92.8% 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)	March 31, 2018	June 30, 2017
Substandard assets	$ 12,633	$ 12,087
Doubtful assets	--	--
Loss assets	--	--
Total classified assets	$ 12,633	$ 12,087

At March 31, 2018, the Company's real estate acquired through foreclosure represented 6.2% of substandard assets compared to 3.0% at June 30, 2017. During the nine months ended March 31, 2018, the Company sold property with a carrying value of $387,000 for $432,000, while during the year ended June 30, 2017, property with a carrying value of $780,000 was sold for $816,000. During the nine months ended March 31, 2018, 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 $243,000 and $346,000 at March 31, 2018 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 March 31, 2018 (continued)

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

	March 31, 2018		June 30, 2017	
	Number of Properties	Net Carrying Value	Number of Properties	Net Carrying Value
Single family, non-owner occupied	9	$ 788	6	$ 330
Building lot	1	--	2	28
Total REO	10	$ 788	8	$ 358

At March 31, 2018 and June 30, 2017, the Company had $1.3 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 $4.1 million, or 1.7% to $245.4 million at March 31, 2018, primarily due to an increase in deposits, which increased $10.9 million or 6.0% to $193.7 million at March 31, 2018. 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 $6.3 million or 11.3% and totaled $49.5 million at quarter end, as the Company utilized deposits rather than advances to fund loan growth.

Shareholders' Equity: At March 31, 2018, the Company's shareholders' equity totaled $67.5 million, an increase of $364,000 or 0.5% 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.

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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 March 31, 2018 (continued)

The Company paid dividends of $1.1 million or 83.0% of net income for the nine-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 Nine-Month Periods Ended March 31, 2018 and 2017

General

Net income totaled $1.3 million or $0.16 diluted earnings per share for the nine months ended March 31, 2018, an increase of $592,000 or 82.3% from net income of $719,000 for the same period in 2017.

Net Interest Income

Net interest income before provision for loan losses decreased $95,000 or 1.3% to $7.3 million for the nine-month period just ended. Interest income increased by $390,000, or 4.6%, to $8.9 million, while interest expense increased $485,000 or 46.4% to $1.5 million for the nine months ended March 31, 2018.

Interest income on loans increased $279,000 or 3.4% to $8.4 million, due primarily to an increase in the average volume of the loan portfolio. The average balance of the loan portfolio increased $15.3 million or 6.2% to $261.4 million for the nine-month period ended March 31, 2018, while the rate earned on the loan portfolio decreased 12 basis points to 4.30%. Interest income on mortgage-backed securities decreased $8,000 or 17.8% to $37,000 for the nine-month period just ended due to lower volume of securities, because of repayments and prepayments on the underlying mortgage loans. Interest income from interest-bearing deposits and other increased $129,000 or 50.2% to $386,000 for the nine-month just ended primarily due to an increase in the average rate earned on those assets, which increased 97 basis points to 2.7% for the current yearly period compared to the period a year ago.

Interest expense on deposits increased $243,000 or 32.1% to $1.0 million for the nine months ended March 31, 2018, while interest expense on borrowings increased $242,000 or 83.7% to $531,000 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 16 basis points to 72 basis points for the recently ended period. The average balance of deposits increased $4.0 million or 2.2% to $185.6 million for the most recent period. The increase in interest expense on borrowings was attributed primarily to higher interest rate levels, although the average balance also increased period to period. The average rate paid on borrowings increased 54 basis points to 145 basis points for the most recent period, while the average balance of borrowings outstanding increased $6.5 million or 15.5% to $48.8 million for the recently ended nine-month period.

Net interest spread decreased from 3.56% for the prior year nine-month period to 3.32% for the nine-month period ended March 31, 2018.

Provision for Losses on Loans

The Company recorded a $107,000 provision for losses on loans during the nine months ended March 31, 2018, compared to a provision of $222,000 for the nine months ended March 31, 2017.

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, 2018 and 2017 (continued)

Non-interest Income

Non-interest income increased $299,000 or 89.5% to $633,000 for the nine months ended March 31, 2018, compared to the prior year period, primarily because of an increase in earnings on bank-owned life insurance ("BOLI"), which increased $359,000 for the recently-ended nine-month period over the prior year amount and totaled $430,000 for the nine-month period ended March 31, 2018. 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. In addition to the increase in BOLI income, the Company had a decrease in the valuation adjustment for real estate owned ("REO,") which declined $65,000 or 78.3% and totaled $18,000 for the recent period compared to $83,000 in the prior year. Somewhat offsetting the increase in BOLI income and lower expense associated with REO valuation adjustments were decreases in net gains on sale of investments and other non-interest income. During the prior year the Company sold its investment in Federal Home Loan Mortgage Company ("Freddie Mac") stock and recognized a gain of $64,000. Other non-interest income decreased $57,000 or 27.5% and totaled $150,000 for the recently ended nine-month period compared to the prior year.

Non-interest Expense

Non-interest expense increased $124,000 or 1.9% and totaled $6.5 million for the nine months ended March 31, 2018, primarily due to an increase in employee compensation and benefits and other non-interest expense. Employee compensation and benefits for the nine months ended March 31, 2018 increased $87,000 or 2.2% to $4.1 million, due primarily to higher costs associated with the Company's defined benefit pension plan and higher employee compensation. Defined benefit pension plan costs increased $131,000 or 25.2% to $652,000 for the nine-month period just ended. Management expects its defined benefit pension costs to continue to increase as pension assets return lower net yields and as estimated future benefit costs continue to rise. Employee compensation increased $89,000 or 3.4% to $2.7 million for the recently-ended period, as the Company added two additional full-time equivalent employees compared to the prior year. Other non-interest expense increased $72,000 or 8.4% to $926,000 for the same time period primarily due to higher costs for data transmission and communication as well as higher advertising costs and employee training. Communications charges increased $30,000 or 18.3% to $194,000 for the nine months ended March 31, 2018, because of increased capacity and data speed connectivity among the bank locations. Advertising costs increased $15,000 or 8.9% to $187,000 for the current year period, as the Company seeks to solidify its brand with local customers and competes for local deposits. Somewhat offsetting the increases in various costs were decreases in auditing and accounting as well as occupancy and equipment. Auditing and accounting decreased $38,000 or 15.6% to $205,000 for the recently-ended period, while occupancy and equipment expense decreased $16,000 or 3.1% to $505,000 for the nine-month period.

Federal Income Tax Expense

The Company recorded a federal income tax benefit of $4,000 for the nine months ended March 31, 2018, compared to tax expense of $393,000 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 March 31, 2018 and 2017

General

Net income totaled $162,000 for the three months ended March 31, 2018, a decrease of $6,000 or 3.6% from net income of $168,000 for the same period in 2017.

Net Interest Income

Net interest income before provision for loan losses decreased $79,000 or 3.2% to $2.4 million for the three-month period just ended. Interest income increased by $105,000, or 3.7%, to $3.0 million, while interest expense increased $184,000 or 48.8% to $561,000 for the three months ended March 31, 2018.

Interest income on loans increased $76,000 or 2.8% 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 $14.3 million or 5.7% to $265.6 million for the three-month period ended March 31, 2018, while the rate earned on the loan portfolio decreased 12 basis points to 4.25%. Interest income on mortgage-backed securities remained unchanged at $14,000 for both quarterly periods ended March 31, 2018 and 2017. Interest income from interest-bearing deposits and other increased $33,000 or 33.3% to $132,000 for the quarter just ended primarily due to an increase in the average rate earned on those assets which increased 83 basis points to 2.91% compared to the period a year ago.

Interest expense on deposits increased $107,000 or 41.5% to $365,000 for the three months ended March 31, 2018, while interest expense on borrowings increased $77,000 or 64.7% to $196,000 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 $7.5 million or 4.2% to $186.7 million for the quarter just ended, while the average rate paid on deposits increased 15 basis points to 73 basis points for the recently ended quarter. The increase in interest expense on borrowings was attributed to higher interest rate levels. The average rate paid on borrowings increased 42 basis points to 137 basis points for the recently ended three-month period, while the average balance of borrowings outstanding decreased $2.9 million or 5.8% to $47.0 million for the most recent period.

Net interest spread decreased from 3.51% for the prior year quarterly period to 3.22% for the quarter ended March 31, 2018.

Provision for Losses on Loans

The Company recorded a $104,000 provision for losses on loans during the three months ended March 31, 2018, compared to a provision of $166,000 for the three months ended March 31, 2017.

Non-interest Income

Non-interest income decreased $33,000 to $57,000 for the three months ended March 31, 2018, compared to the prior year quarter, primarily due to decreases in net gains on sales of investments and other non-interest income. During the prior year quarter the Company sold its investment in Federal Home Loan Mortgage Company ("Freddie Mac") stock and recognized a gain of $64,000. Other non-interest income decreased $20,000 or 29.4% and totaled $48,000 for the recently ended three-month period compared to the prior year. Somewhat offsetting the decreases in net gains on sales of investments and other non-interest income was a decrease in the valuation adjustment for real estate owned ("REO,") which declined $40,000 or 69.0% and totaled $18,000 for the recently ended quarterly period compared to the prior year.

Non-interest Expense

Non-interest expense increased $29,000 or 1.4% to $2.2 million for the three months ended March 31, 2018, primarily due to increases in occupancy and equipment and employee compensation and benefits. Occupancy and equipment increased $12,000 or 7.1% to $180,000 for the recently ended quarter primarily due to maintenance and repair expenditures made to the Company's buildings. Employee compensation and benefits for the quarter ended March 31, 2018 increased $9,000 or 0.7% to $1.4 million, due to a higher number of full-time equivalent personnel quarter-to-quarter and higher fringe benefits expense. Somewhat offsetting the increases in occupancy and equipment costs and employee compensation and benefits was a decrease in auditing and accounting, which decreased $17,000 or 20.0% to $68,000 for the period just ended.

Federal Income Tax Expense

The Company recorded federal income tax expense of $21,000 for the three months ended March 31, 2018, compared to $94,000 in the prior year period.

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 March 31, 2018 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 March 31, 2018.

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, 2018	--	$ --	--	60,323
February 1-28, 2018	--	$ --	--	60,323
March 1-31, 2018	--	$ --	--	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 March 31, 2018 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: May 15, 2018 By: /s/ Don D. Jennings
Don D. Jennings
Chief Executive Officer

Date: May 15, 2018 By: /s/ R. Clay Hulette
R. Clay Hulette
Vice President and Chief Financial Officer