Kentucky First Federal Bancorp
Form 10-Q
November 14, 2011

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 September 30, 2011
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 (State or other jurisdiction of incorporation or organization)	61-1484858 (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 ¨ Smaller Reporting Company x
(Do not check if a smaller reporting company)

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 November 10, 2011, the latest practicable date, the Corporation had 7,740,703 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)

	September 30, 2011	June30, 2011
ASSETS		
Cash and due from financial institutions	$ 857	$1,002
Interest-bearing demand deposits	7,677	4,047
Cash and cash equivalents	8,534	5,049
Interest-bearing deposits in other financial institutions	100	100
Securities available for sale	199	203
Securities held-to-maturity, at amortized cost- approximate fair value of $6,830 and $7,257 at September 30, 2011 and June 30, 2011, respectively	6,363	6,810
Loans held for sale	188	—
Loans, net of allowance of $764 at September 30, 2011 and June 30, 2011	182,723	182,796
Real estate owned, net	2,681	4,304
Premises and equipment, net	2,696	2,667
Federal Home Loan Bank stock, at cost	5,641	5,641
Accrued interest receivable	490	538
Bank-owned life insurance	2,629	2,607
Goodwill	14,507	14,507
Other intangible assets	55	87
Prepaid FDIC assessments	324	361
Prepaid federal income taxes	—	22
Prepaid expenses and other assets	415	443
Total assets	$ 227,545	$226,135
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$ 140,759	$139,940
Federal Home Loan Bank advances	24,634	25,261
Advances by borrowers for taxes and insurance	645	471
Accrued interest payable	94	91
Accrued federal income taxes	550	—
Deferred federal income taxes	570	1,021
Deferred revenue	667	—
Other liabilities	762	654
Total liabilities	168,681	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	36,880	36,907
Retained earnings	31,999	31,860
Unearned employee stock ownership plan (ESOP)	(1,934)	(1,989)
Treasury shares at cost, 811,375 common shares at September 30, 2011 and June 30, 2011	(8,170)	(8,170)
Accumulated other comprehensive income	3	3
Total shareholders' equity	58,864	58,697
Total liabilities and shareholders' equity	$ 227,545	$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)

	Three months ended September 30, 2011	2010
Interest income		
Loans	$2,466	$2,582
Mortgage-backed securities	72	101
Interest-bearing deposits and other	56	63
Total interest income	2,594	2,746
Interest expense		
Deposits	484	739
Borrowings	160	243
Total interest expense	644	_982
Net interest income	1,950	1,764
Provision for loan losses	—	25
Net interest income after provision for loan losses	1,950	1,739
Non-interest income		
Gains on sales of loans	—	28
Earnings on bank-owned life insurance	22	23
Net gains (losses) on sale of real estate owned	(17)	2
Unrealized loss-other real estate	(10)	—
Other	31	27
Total non-interest income	26	80
Non-interest expense		
Salaries and employee benefits	747	798
Occupancy and equipment	87	84
Legal fees	61	32
Outside service fee	76	33
Data processing	54	63
Audit and accounting	59	38
Federal deposit insurance	40	54
Franchise and other taxes	46	49
Amortization of intangible assets	33	33
Foreclosure and real estate owned expense, net	17	21
Other operating	129	121
Total non-interest expense	1,349	1,326
Income before income taxes	627	493
Federal income taxes		
Current	657	275
Deferred	(451)	(115)
Total federal income taxes	206	160

NET INCOME	$421	$333
EARNINGS PER SHARE		
Basic and diluted	$0.06	$0.04
DIVIDENDS DECLARED PER SHARE	$0.10	$0.10

See accompanying notes.

Kentucky First Federal Bancorp
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three months ended September 30,	
	2011	2010
Net income	$421	$333
Other comprehensive income (loss), net of tax-related effects:		
Unrealized holding gains (losses) on securities available for sale	—	—
Comprehensive income	$421	$333

See accompanying notes.

Kentucky First Federal Bancorp
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three months ended September 30, 2011	2010
Cash flows from operating activities:		
Net income	$421	$333
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	48	44
Amortization of deferred loan origination (fees) costs	—	(10)
Amortization of premiums on FHLB advances	(5)	(38)
Amortization of core deposit intangibles	32	33
Net gain on sale of loans	—	(28)
Net loss (gain) on sale of real estate owned	9	(2)
Deferred gain on sale of real estate acquired through foreclosure	667	—
ESOP compensation expense	55	49
Amortization of stock benefit plans and stock options expense	(27)	26
Earnings on bank-owned life insurance	(22)	(23)
Provision for loan losses	—	25
Origination of loans held for sale	(188)	(980)
Proceeds from loans held for sale	—	789
Increase (decrease) in cash, due to changes in:		
Accrued interest receivable	48	7
Prepaid expenses and other assets	65	46
Accrued interest payable	3	(1)
Accounts payable and other liabilities	108	171
Federal income taxes		
Current	572	—
Deferred	(451)	—
Net cash provided by operating activities	1,335	441
Cash flows from investing activities:		
Purchase of available-for-sale securities	—	—
Securities maturities, prepayments and calls:		
Held to maturity	447	614
Available for sale	4	2
Loans originated for investment, net of principal collected	2,273	(470)
Proceeds from sale of real estate owned	(586)	342
Additions to premises and equipment, net	(77)	(14)
Net cash provided by investing activities	2,061	474
Cash flows from financing activities:		
Net change in deposits	819	(321)
Payments by borrowers for taxes and insurance, net	174	260
Proceeds from Federal Home Loan Bank advances	—	5,000
Repayments on Federal Home Loan Bank advances	(622)	(5,678)
Dividends paid on common stock	(282)	(278)

Treasury stock repurchases	—	(171)
Net cash provided by (used in) financing activities	89	(1,188)
Net increase (decrease) in cash and cash equivalents	3,485	(273)
Beginning cash and cash equivalents	5,049	8,362
Ending cash and cash equivalents	$8,534	$8,089

See accompanying notes.

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Kentucky First Federal Bancorp
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Unaudited)
(In thousands)

	Three months ended September 30, 2011	2010
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Federal income taxes	$—	$100
Interest on deposits and borrowings	$646	$1,021
Transfers from loans to real estate acquired through foreclosure, net	$—	$412
Loans made on sale of real estate acquired through foreclosure	$2,260	$61
Capitalization of mortgage servicing rights	$—	$6

See accompanying notes.

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(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 three-month period ended September 30, 2011, 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.

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.

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(unaudited)

1. Basis of presentation (continued)

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 three years and a rolling average of the current year's loss history. 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. The following portfolio segments have been identified: residential real estate, nonresidential real estate, loans on deposits and consumer and other loans.

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.

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(unaudited)

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:

	Three months ended September 30, 2011	2010
Net income	$ 421	$ 333
Less earnings allocated to unvested shares	—	4
Net income allocated to common shareholders, basic and diluted	$ 421	$ 329

	Three months ended September 30, 2011	2010
Basic		
Weighted-average common shares including unvested		
Common shares outstanding	7,541,876	7,500,847
Less: Weighted-average unvested common shares	—	24,900
Weighted-average common shares outstanding	7,541,876	7,475,947
Diluted		
Add: Dilutive effect of assumed exercise of stock options	-	-
Weighted-average common shares outstanding (diluted)	7,541,876	7,475,947

There were 325,800 and 334,644 stock option shares outstanding for the three-month periods ended September 30, 2011 and 2010, respectively, which were antidilutive for the respective periods.

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2011
(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 September 30, 2011 and June 30, 2011, the corresponding amounts of gross unrealized gains recognized in accumulated other comprehensive income and gross and gross unrecognized gains:

	September 30, 2011			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In thousands)			
Available-for-sale Securities				
Agency mortgage-backed: residential	$ 195	$ 4	$ -	$ 199
	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Estimated fair value
Held-to-maturity Securities				
Agency mortgage-backed: residential	$ 6,363	$ 467	$ -	$ 6,830

	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 September 30, 2011 or June 30, 2011.

There were no sales of investment securities during the fiscal year ended June 30, 2011 or the three-month period ended September 30, 2011.

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.

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2011
(unaudited)

5.Loans receivable

The composition of the loan portfolio was as follows:

(in thousands)	September 30, 2011	June 30, 2011
Residential real estate		
One- to four-family	$ 156,985	$158,821
Multi-family	6,777	4,504
Construction	358	1,062
Nonresidential real estate and land	11,981	12,211
Loans on deposits	2,444	2,405
Consumer and other	4,921	4,824
	183,466	183,827
Less:		
Undisbursed portion of loans in process	68	353
Deferred loan origination fees (cost)	(89)	(86)
Allowance for loan losses	764	764
	$ 182,723	$182,796

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended September 30, 2011:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$490	$—	$—	$—	$490
Multi-family	11	8	—	—	19
Construction	5	(4)	—	—	1
Nonresidential real estate and land	36	(3)	—	—	33
Loans on deposits	8	(1)	—	—	7
Consumer and other	14	—	—	—	14
Unallocated	200	—	—	—	200
Totals	$764	$—	$—	$—	$764

The activity in the allowance for loan losses for the three months ended September 30, 2010 is summarized as follows:

(in thousands)	
Balance at July 1, 2010	$ 1,535
Provision for losses on loans	25

Charge-offs		(41)
Balance at September 30, 2010	$	1,519

KENTUCKY FIRST FEDERAL BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2011
(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 September 30, 2011. There were no loans acquired with deteriorated credit quality at September 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	$ 2,729	$60	$—	$60
Multi-family	—	—	—	—
Construction	—	—	—	—
Nonresidential real estate and land	—	—	—	—
Loans on deposits	—	—	—	—
Consumer and other	—	—	—	—
	$ 2,729	$60	$—	$60
Loans collectively evaluated for impairment:				
Residential real estate:				
One- to four-family	$ 154,256	$430	$—	$430
Multi-family	6,777	19	—	19
Construction	358	1	—	1
Nonresidential real estate and land	11,981	33	—	33
Loans on deposits	2,444	7	—	7
Consumer and other	4,921	14	—	14
Unallocated	—	—	200	200
	$ 180,737	$504	$200	$704

KENTUCKY FIRST FEDERAL BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2011
(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 three months ended September 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	$ 1,439	$ —	$ 1,123	$ 10	$ 10
With an allowance recorded:					
One- to four-family	$ 1,290	$ 60	$ 1,266	$ 2	$ 2

KENTUCKY FIRST FEDERAL BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2011
(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	$ 47
				-	
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 Bank's 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 September 30, 2011, the terms of a certain loan was modified to accept a payment for interest, taxes and insurance for a period of time.

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 September 30, 2011:

(in thousands)	Nonaccrual	Loans Past Due Over 90 Days Still Accruing	TDRs on Accrual Status
Consumer and other	$ —	$ -	$ -
One- to four-family residential real estate	1,710	-	921
Total	$ 1,710	$ -	$ 921

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
Consumer and other	$ —	$ -	$ -
One- to four-family residential real estate	876	-	729
Total	$ 876	$ -	$ 729

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KENTUCKY FIRST FEDERAL BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2011
(unaudited)

5. Loans receivable (continued)

The Company granted one TDR loan modification totaling $192,000 during the quarter ended September 30, 2011. The pre-modification outstanding recorded investment equaled the post-modification outstanding recorded investment. The TDRs described above did not increase the allowance for loan losses and did not result in charge offs during the three months ended September 30, 2011. There were no TDRs that defaulted during the quarter ended September 30, 2011 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 three 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	1	$ 192	$ —	$ 192
Multi-family		—	—	—
Construction		—	—	—
Total residential TDRs	1	192	—	192
Nonresidential real estate and land		—	—	—
Loans on deposits		—	—	—
Consumer and other		—	—	—
	1	$ 192	$ —	$ 192

The following table presents the aging of the principal balance outstanding in past due loans as of September 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	$ 2,499	$ 1,729	$ 4,228	$ 152,757	$ 156,985
Multi-family	—	—	—	6,777	6,777
Construction	—	—	—	358	358
Nonresidential real estate and land	—	—	—	11,981	11,981
Loans on deposits	—	—	—	2,444	2,444
Consumer and other	—	—	—	4,921	4,921
Total	$ 2,499	$ 1,729	$ 4,228	$ 179,238	$ 183,466

KENTUCKY FIRST FEDERAL BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2011
(unaudited)

5. Loans receivable (continued)

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

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.

KENTUCKY FIRST FEDERAL BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2011
(unaudited)

5. Loans receivable (continued)

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 September 30, 2011, 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	$—	$67	$2,296	$—	$154,622
Multi-family	4,592	—	2,185	—	—
Construction	358	—	—	—	—
Nonresidential real estate and land	11,713	268	—	—	—
Loans on deposits	—	—	—	—	2,444
Consumer and other	—	—	—	—	4,921

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 September 30, 2011, loan commitments and unused lines of credit totaled $10.0 million, which included $39,000 in undisbursed construction loans, $1.1 million in one- to four-family mortgage loans, a $65,000 commitment on other real estate and $8.7 million in lines of credit secured by equity in real property.

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2011
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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.

Impaired Loans

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent independent 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 appraisers to adjust for difference 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. Independent appraisals for collateral-dependendent loans are updated periodically (usually every 9-12 months).

Other Real Estate

Nonrecurring adjustments to real estate properties classified as other real estate owned ("OREO") are measured at fair value, less costs to sell. Fair values are based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and 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 September 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	$199	$ -	$ 199	$ -

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Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2011
(unaudited)

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

		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	$ -

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

		Fair Value Measurements at September 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)
Impaired Loans: One- to four-family	$ 1,230	$ -	$ -	$ 1,230
Other real estate owned, net One- to four-family	9	-	-	9

Impaired loans with allocated allowance for loan losses had a carrying amount of $1.290 million and a specific valuation allowance of $60,000 at September 30, 2011. A specific allowance provision of $5,000 was made for the three month period ended September 30, 2011. Other real estate owned measured at fair value less costs to sell, had a carrying amount of $9,000, after a write-down of $9,000 for the three months ended September 30, 2011.

		Fair Value Measurements at June 30, 2011 (in thousands)		
	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	$ 1,033	$ -	$ -	$ 1,033
	126	-	-	126

Other real estate owned, net One- to four-family				
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. 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.

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2011
(unaudited)

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

Impaired loans, which are measured for impairment using the fair value of this collateral for collateral-dependent 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.

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.

The following methods were used to estimate the fair value of all other financial instruments at September 30, 2011 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.

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2011
(unaudited)

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

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 September 30, 2011 and June 30, 2011, was not material.

Based on the foregoing methods and assumptions, the carrying value and fair value of the Company's financial instruments at September 30, 2011 and June 30, 2011 are as follows:

	September 30, 2011		June 30, 2011	
	Carrying value	Fair value	Carrying value	Fair value
	(In Thousands)			
Financial assets				
Cash and cash equivalents	$ 8,534	$ 8,534	$ 5,049	$ 5,049
Interest-earning deposits	100	100	100	100
Available-for-sale securities	199	199	203	203
Held-to-maturity securities	6,363	6,830	6,810	7,257
Loans held for sale	188	195	—	—
Loans receivable - net	182,723	190,513	182,796	190,183
Federal Home Loan Bank stock	5,641	n/a	5,641	n/a
Accrued interest receivable	490	490	538	538
Financial liabilities				
Deposits	$ 140,759	$ 142,408	$ 139,940	$ 141,408
Federal Home Loan Bank advances	24,634	24,772	25,261	23,797
Advances by borrowers for taxes and insurance	645	645	471	471
Accrued interest payable	94	94	91	91

8. Subsequent events

On November 3, 2011, the Company announced that it had signed a definitive merger agreement with CKF Bancorp, Inc., ("CKF Bancorp") the holding company for Central Kentucky Federal Savings Bank. At September 30, 2011, CKF Bancorp had assets of $131.1 milllion, including loans of $109.0 million (net of $1.7 million in allowance for loan losses) and deposits of $103.5 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 second or third quarter of 2012.

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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 simila 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.

Average Balance Sheets

The following table represents the average balance sheets for the three month periods ended September 30, 2011 and 2010, 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 September 30,					
	2011			2010		
	Average Balance	Interest And Dividends	Yield/ Cost	Average Balance	Interest And Dividends	Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans	$ 184,454	$ 2,466	5.35 %	$ 192,549	$ 2,582	5.36 %
Mortgage-backed securities	6,816	72	4.23	9,463	101	4.27
Other securities	100	—	—	—	—	—
Other interest-earning assets	11,853	56	1.89	14,060	63	1.79
Total interest-earning assets	203,223	2,594	5.11	216,072	2,746	5.08
Less: Allowance for loan losses	(764)			(1,532)		
Non-interest-earning assets	24,919			22,836		
Total assets	$ 227,378			$ 237,376		
Interest-bearing liabilities:						
Demand deposits	$ 12,485	$ 10	0.32 %	$ 13,091	$ 26	0.79 %
Savings	35,225	89	1.01	29,563	74	1.00
Certificates of deposit	92,352	385	1.67	101,277	639	2.52
Total deposits	140,062	484	1.38	143,931	739	2.05
Borrowings	25,096	160	2.55	32,537	243	2.99
Total interest-bearing liabilities	165,158	644	1.56	176,468	982	2.23
	1,138			1,088		

Noninterest-Bearing demand deposits							
Noninterest-bearing liabilities	2,494			2,328			
Total liabilities	168,790			179,884			
Shareholders' equity	58,588			57,492			
Total liabilities and shareholders' equity	$ 227,378			$ 237,376			
Net interest income/average yield		$ 1,950	3.55 %		$ 1,764	2.85 %	
Net interest margin			3.84 %			3.27 %	
Average interest-earning assets to average interest-bearing liabilities			123.05 %			122.44 %	

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 September 30, 2011

Assets: At September 30, 2011, the Company's assets totaled $227.5 million, an increase of $1.4 million, or 0.6%, from total assets at June 30, 2011. This increase was attributed primarily to an increase in cash and cash equivalents, offset by a decline in real estate owned.

Cash and cash equivalents: Cash and cash equivalents increased by $3.5 million to $8.5 million at September 30, 2011, largely as a result of loan repayments. 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 $73,000 to $182.7 million at September 30, 2011. 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 strong footing.

Non-Performing Loans: At September 30, 2011, the Company had non-performing loans of approximately $1.7 million, or 0.9% 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 $764,000 at both September 30, and June 30, 2011. The allowance for loan losses at September 30, 2011, represented 44.2% of nonperforming loans and 0.4% 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 on a linked-quarter basis was actually a return to the nonperforming loan level the Company experienced at March 31, 2011. At March 31, 2011 the allowance represented 12.2% of nonperforming loans and 0.4% of total loans. Many of the single family, owner-occupied borrowers who had non-performing loans at March 31, 2011, improved performance in the quarter ended June 30, 2011, but returned to poorly performing in the recently ended quarter.

The Company had $7.2 million in assets classified as substandard for regulatory purposes at September 30, 2011, including loans ($4.481 million) and OREO ($2.681 million). Classified loans as a percentage of net loans was 3.8% and 3.7% at September 30, 2011 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 and negative escrows on those loans at September 30, 2011:

	Number of Loans	Carrying Value
One- to four-family	40	$ 2,296
Multi-family	3	2,185
Total substandard loans	43	$ 4,481

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 September 30, 2011 (continued)

At September 30 2011, and June 30, 2011, the Company had $335,000 of loans classified as special mention. 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 September 30, 2011, 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 September 30, 2011:

	Number of Properties	Aggregate Carrying Value
Single-family homes	8	$ 823
2-4 family properties	13	1,607
Multi-family	1	236
Building lot	1	15
Total other real estate owned	23	$ 2,681

Mortgage-Backed and other Securities: At September 30, 2011, the Company's mortgage-backed securities had decreased $451,000 or 6.4% to $6.6 million.

Liabilities: At September 30, 2011, the Company's liabilities totaled $168.7 million, an increase of $1.2 million, or 0.7%, from total liabilities at June 30, 2011. The increase in liabilities was attributed primarily to an $819,000, or 0.6%, increase in deposits and a $667,000 increase in deferred revenue. Deposits increased to $140.8 million at September 30, 2011, while the sale of OREO is responsible for the deferred revenue, because the Company made loans to facilitate the sales. The deferred revenue is expected to be recognized as income in future periods.

Shareholders' Equity: At September 30, 2011, the Company's shareholders' equity totaled $58.9 million, an increase of $167,000 or 0.3% from the June 30, 2011 total.

The Company paid dividends of $282,000 or 67.0% of net income for the three-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 September 30, 2011, 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.

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 September 30, 2011 and 2010

General

Net income totaled $421,000 for the three months ended September 30, 2011, an increase of $88,000 from net income of $333,000 for the same period in 2010. The increase was primarily attributable to higher net interest income and lower provision for loan losses.

Net Interest Income

Net interest income after provision for loan losses increased $211,000 or 12.1% to $2.0 million for the three-month period ended September 30, 2011, from $1.7 million for the 2010 period, due to interest expense decreasing at a faster pace than interest income. Interest income decreased by $152,000, or 5.5%, to $2.6 million, while interest expense decreased $338,000 or 34.4% to $644,000 for the three months ended September 30, 2011. Net interest spread increased from 2.85% for the three months ended September 30, 2010 to 3.55% for the recently ended quarterly period. Net interest margin also increased from 3.27% for the prior year quarterly period to 3.84% for the quarter ended September 30, 2011.

Interest income on loans decreased $116,000 or 4.5% to $2.5 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 September 30, 2011, decreased $8.1 million or 4.2% to an average of $184.5 million for the three months just ended, while the average rate earned decreased 1 basis point to 5.35% for the period just ended. Interest income on mortgage-backed residential securities decreased $29,000 or 28.7% to $72,000 for the three months ended September 30, 2011. 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 and borrowings both declined period to period. Interest expense on deposits decreased $255,000 or 34.5% to $484,000 for the three-month period ended September 30, 2011, while interest expense on borrowings declined $83,000 or 34.2% to $160,000 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 67 basis points to 1.38% for the most recent period, while the average balance of deposits decreased $3.9 million or 2.7% to $140.0 million. The decline in interest expense on borrowings was attributed primarily to a lower amount of borrowings outstanding, which declined $7.4 million to $25.1 million for the most recent period, while the average rate paid on borrowings decreased 44 basis points to 2.55% for the recently ended three-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 as 50 basis points lower than the origination interet rate. At June 30, 2011, adjustable rate loans made up approximately 71% of our real estate loan portfolio. The decline in deposit repricing will likely cause the increase in our net interest margin to plateau.

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 did not record a provision for losses on loans during the three months ended September 30, 2011, compared to a provision of $25,000 for the three months ended September 30, 2010. 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.

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 September 30, 2011 and 2010 (continued)

Non-interest Income

Non-interest income totaled $26,000 for the three months ended September 30, 2011, a decrease of $54,000 from the same period in 2010, primarily as a result of a decrease of $28,000 in net gains on sales of loans. While the Company continues to sell long-term, fixed rate mortgages to the Federal Home Loan Bank of Cincinnati under the relationship that has been used for a number of years, no loans were sold during the recently ended period. 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 September 30, 2011. A loss of $17,000 was recognized on the sale of OREO during the recent quarter end, while an impairment charge of $10,000 was recorded one one piece of OREO property the sale of which was not completed before September 30, 2011. The sale occurred subsequent to September 30, 2011.

Non-interest Expense

Non-interest expense totaled $1.3 million for the three months ended September 30, 2011, an increase of $23,000, or 1.7%, compared to the same period in 2010. The increase was due primarily to an increase in legal, accounting and other outside service expense, which increased chiefly because of the Company's recently announced agreement for merger, set forth in Note 8 of Notes to Consolidated Financial Statements. Outside service fees totaled $76,000 for the recently-ended quarter compared to $33,000 for the prior year period, a $43,000 or 130.3% increase. Legal fees totaled $61,000 for the three months ended September 30, 2011, an increase of $29,000 or 90.6% over the prior year, while auditing and accounting fees increased $21,000 or 55.3% to $59,000 for the quarter ended September 30, 2011.

Federal Income Tax Expense (Benefit)

Federal income taxes expense totaled $206,000 for the three months ended September 30, 2011, an increase of $46,000, compared to federal income tax expense recognized in the prior year period. The effective tax rates were 32.9% and 32.5% for the three-month periods ended September 30, 2011 and 2010, 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 Registrant's risk factors have not changed from those set forth in the Annual Report on Form 10-K.

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 September 30, 2011.

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
July 1-31, 2011	—	$ —	—	92,500
August 1-31, 2011	—	$ —	—	92,500
September 1-30, 2011	—	$ —	—	92,500

(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. Removed and Reserved.

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

3.11	Charter of Kentucky First Federal Bancorp
3.2	Bylaws of Kentucky First Federal Bancorp, as amended and restated
4.11	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

32.1CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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(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:	November 14, 2011	By:	/s/Tony D. Whitaker Tony D. Whitaker Chairman of the Board and Chief Executive Officer
Date:	November 14, 2011	By:	/s/R. Clay Hulette R. Clay Hulette Vice President and Chief Financial Officer