Kentucky First Federal Bancorp
Form 10-Q
February 14, 2017

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 December 31, 2016

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 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 February 9, 2017, the latest practicable date, the Corporation had 8,483,501 shares of $.01 par value common stock outstanding.

INDEX

PART I

ITEM 1: Financial Information

Kentucky First Federal Bancorp

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)

	December 31, 2016	June 30, 2016
ASSETS		
Cash and due from financial institutions	$ 5,048	$4,297
Interest-bearing demand deposits	7,472	8,811
Cash and cash equivalents	12,520	13,108
Time deposits in other financial institutions	4,699	3,711
Securities available for sale	186	134
Securities held-to-maturity, at amortized cost- approximate fair value of $9,320 and $4,151 at December 31, 2016 and June 30, 2016, respectively	9,275	4,079
Loans held for sale	255	—
Loans, net of allowance of $1,473 and $1,515 at December 31, 2016 and June 30, 2016, respectively	247,257	238,468
Real estate owned, net	414	527
Premises and equipment, net	5,899	6,022
Federal Home Loan Bank stock, at cost	6,482	6,482
Accrued interest receivable	676	710
Bank-owned life insurance	3,111	3,064
Goodwill	14,507	14,507
Prepaid federal income taxes	130	93
Prepaid expenses and other assets	435	966
Total assets	$ 305,846	$291,871
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$ 183,097	$188,572
Federal Home Loan Bank advances	53,110	33,211
Advances by borrowers for taxes and insurance	242	741
Accrued interest payable	29	22
Deferred federal income taxes	795	642

Deferred revenue	586	595
Other liabilities	526	573
Total liabilities	238,385	224,356
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	34,649	34,639
Retained earnings	34,539	34,732
Unearned employee stock ownership plan (ESOP), 94,297 shares and 103,636 shares at December 31, 2016 and June 30, 2016, respectively	(943)	(1,036)
Treasury shares at cost, 112,563 common shares at December 31, 2016 and June 30, 2016	(937)	(937)
Accumulated other comprehensive income	67	31
Total shareholders' equity	67,461	67,515
Total liabilities and shareholders' equity	$ 305,846	$291,871

See accompanying notes.

3

Kentucky First Federal Bancorp

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Six months ended December 31,		Three months ended December 31,	
	2016	2015	2016	2015
Interest income				
Loans, including fees	$ 5,405	$ 5,786	$ 2,712	$ 2,894
Mortgage-backed securities	31	44	6	21
Other securities	6	10	3	5
Interest-bearing deposits and other	158	129	90	65
Total interest income	5,600	5,969	2,811	2,985
Interest expense				
Interest-bearing demand deposits	11	14	6	7
Savings	127	130	63	65
Certificates of Deposit	361	404	183	196
Deposits	499	548	252	268
Borrowings	170	144	89	74
Total interest expense	669	692	341	342
Net interest income	4,931	5,277	2,470	2,643
Provision for loan losses	56	11	52	—
Net interest income after provision for loan losses	4,875	5,266	2,418	2,643
Non-interest income				
Earnings on bank-owned life insurance	47	47	23	24
Net gain on sales of loans	9	41	9	22
Net gain on sales of real estate owned	74	53	1	37
Valuation adjustments of real estate owned	(25)	(39)	(25)	(21)
Other	139	138	68	64
Total non-interest income	244	240	76	126
Non-interest expense				
Employee compensation and benefits	2,655	2,639	1,311	1,360
Occupancy and equipment	353	316	171	168
Outside service fees	95	91	54	43
Legal fees	20	40	7	11
Data processing	193	191	96	94
Auditing and accounting	158	130	79	63
FDIC insurance premiums	48	110	(12)	56

Franchise and other taxes	121	127	61	64
Foreclosure and real estate owned expenses (net)	68	53	47	25
Other	558	537	287	285
Total non-interest expense	4,269	4,234	2,101	2,169
Income before income taxes	850	1,272	393	600
Federal income tax expense	299	330	139	196
NET INCOME	$ 551	$ 942	$ 254	$ 404
EARNINGS PER SHARE				
Basic and diluted	$ 0.07	$ 0.11	$ 0.03	$ 0.05
DIVIDENDS PER SHARE	$ 0.20	$ 0.20	$ 0.10	$ 0.10

See accompanying notes.

Kentucky First Federal Bancorp

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Six months ended December 31,		Three months ended December 31,	
	2016	2015	2016	2015
Net income	$ 551	$ 942	$ 254	$ 404
Other comprehensive gains (losses), net of tax benefits:				
Unrealized holding gains (losses) on securities designated as available for sale, net of taxes (benefits) of $19, $(6), $21 and $(6) during the respective periods	36	(11)	41	(11)
Comprehensive income	$ 587	$ 931	$ 295	$ 393

See accompanying notes.

Kentucky First Federal Bancorp

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Six months ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net income	$551	$942
Adjustments to reconcile net income to net cash provided by operating Activities		
Depreciation	172	148
Accretion of purchased loan credit discount	(92)	(78)
Amortization of purchased loan premium	7	9
Amortization (accretion) of deferred loan origination costs (fees)	30	15
Amortization of premiums on investment securities	33	47
Amortization of premiums on deposits	(35)	(42)
Net gain on sale of loans	(9)	(41)
Net loss (gain) on sale of real estate owned	(74)	(53)
Valuation adjustments of real estate owned	25	39
Deferred gain on sale of real estate owned	(9)	(7)
ESOP compensation expense	103	83
Earnings on bank-owned life insurance	(47)	(47)
Provision for loan losses	56	11
Origination of loans held for sale	(458)	(1,019)
Proceeds from loans held for sale	212	1,160
Increase (decrease) in cash, due to changes in:		
Accrued interest receivable	34	40
Prepaid expenses and other assets	531	152
Accrued interest payable	7	—
Other liabilities	(47)	(7)
Federal income taxes	97	39
Net cash provided by operating activities	1,087	1,391
Cash flows from investing activities:		
Purchase of held-to-maturity U.S. Treasury notes	(6,499)	(11,000)
Purchase of term deposits in other financial institutions	(988)	—
Securities maturities, prepayments and calls:		
Held to maturity	1,270	1,460
Available for sale	3	5
Loans originated for investment, net of principal collected	(9,297)	(304)

Proceeds from sale of real estate owned	697	777
Additions to real estate owned	(28)	(114)
Additions to premises and equipment, net	(49)	(893)
Net cash used in investing activities	(14,891)	(10,069)
Cash flows from financing activities:		
Net decrease in deposits	(5,440)	(7,174)
Payments by borrowers for taxes and insurance, net	(499)	(464)
Proceeds from Federal Home Loan Bank advances	29,100	24,700
Repayments on Federal Home Loan Bank advances	(9,201)	(6,803)
Dividends paid on common stock	(744)	(736)
Net cash provided by financing activities	13,216	9,523
Net increase (decrease) in cash and cash equivalents	(588)	845
Beginning cash and cash equivalents	13,108	13,635
Ending cash and cash equivalents	$12,520	$14,480

See accompanying notes.

Kentucky First Federal Bancorp

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Unaudited)

(In thousands)

	Six months ended December 31, 2016	2015
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Federal income taxes	$ 200	$ 310
Interest on deposits and borrowings	$ 697	$ 734
Transfers of loans to real estate owned, net	$ 507	$ 307
Loans made on sale of real estate owned	$ 110	$ 510

See accompanying notes.

7

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

(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. 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 six- and three-month periods ended December 31, 2016, are not necessarily indicative of the results which may be expected for an entire fiscal year. The consolidated balance sheet as of June 30, 2016 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 2016 filed with the Securities and Exchange Commission.

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

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.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

2. Earnings Per Share

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

	Six months ended December 31,		Three months ended December 31,	
(in thousands)	2016	2015	2016	2015
Net income allocated to common shareholders, basic and diluted	$ 551	$ 942	$ 254	$ 404

	Six months ended December 31,		Three months ended December 31,	
	2016	2015	2016	2015
Weighted average common shares outstanding, basic and diluted	8,382,239	8,319,589	8,384,586	8,321,924

There were no stock option shares outstanding for the six- and three-month periods ended December 31, 2016. There were 309,800 stock option shares outstanding for the six- and three-month periods ended December 31, 2015. The stock option shares outstanding were antidilutive for the prior year periods.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

3. Investment Securities

The following table summarizes the amortized cost and fair value of securities available-for-sale and securities held-to-maturity at December 31, 2016 and June 30, 2016, the corresponding amounts of gross unrealized gains recognized in accumulated other comprehensive income and gross unrecognized gains and losses:

	December 31, 2016			
(in thousands)	Amortized cost	Gross unrealized/ unrecognized gains	Gross unrealized/ unrecognized losses	Estimated fair value
Available-for-sale Securities				
Agency mortgage-backed: residential	$ 78	$ 1	$ —	$ 79
FHLMC stock	8	99	—	107
	$ 86	$ 100	$ —	$ 186
Held-to-maturity Securities				
Agency mortgage-backed: residential	$ 1,768	$ 54	$ 9	$ 1,813
U.S. Treasury notes	6,500	—	—	6,500
Agency bonds	1,007	—	—	1,007
	$ 9,275	$ 54	$ 9	$ 9,320

	June 30, 2016			
(in thousands)	Amortized cost	Gross unrealized/ unrecognized gains	Gross unrealized/ unrecognized losses	Estimated fair value
Available-for-sale Securities				
Agency mortgage-backed: residential	$ 79	$ 2	$ —	$ 81
FHLMC stock	8	45	—	53

	$ 87	$ 47	$ —	$ 134
Held-to-maturity Securities				
Agency mortgage-backed: residential	$ 2,048	$ 70	$ 2	$ 2,118
Agency bonds	2,031	2	1	2,033
	$ 4,079	$ 72	$ 3	$ 4,151

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

3. Investment Securities (continued)

At December 31, 2016, the Company's equity securities consist of Federal Home Loan Mortgage Company (FHLMC or Freddie Mac) stock, while our debt securities consist of agency bonds, U.S. Treasury Notes and mortgage-backed securities. Mortgage-backed securities do not have a single maturity date. The amortized cost and fair value of held-to-maturity debt securities are shown by contractual maturity. Securities not due at a single maturity date are shown separately.

	December 31, 2016	
(in thousands)	Amortized Cost	Fair Value
Held-to-maturity Securities		
Within one year	$ 7,000	$ 7,000
One to five years	507	507
Mortgage-backed	1,768	1,813
	$ 9,275	$ 9,320

Our pledged securities totaled $652,000 and $1.7 million at December 31, 2016, and June 30, 2016, respectively.

There were no sales of investment securities during the six month periods ended December 31, 2016 and 2015.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

4. Loans receivable

The composition of the loan portfolio was as follows:

(in thousands)	December 31, **2016**	June 30, **2016**
Residential real estate		
One- to four-family	$ 191,665	$ 186,125
Multi-family	16,033	15,559
Construction	2,378	2,809
Land	1,327	1,186
Farm	1,955	1,735
Nonresidential real estate	25,282	27,138
Commercial nonmortgage	2,308	1,847
Consumer and other:		
Loans on deposits	1,741	1,813
Home equity	6,442	6,155
Automobile	46	69
Unsecured	372	552
	249,549	244,988
Undisbursed portion of loans in process	(844)	(5,118)
Deferred loan origination costs	25	113
Allowance for loan losses	(1,473)	(1,515)
	$ 247,257	$ 238,468

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

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

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

(unaudited)

4. Loans receivable (continued)

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

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

The following table presents the activity in the allowance for loan losses by portfolio segment for the six months ended December 31, 2015:

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

		loan losses			
Residential real estate:					
One- to four-family	$ 1,059	$ (3)	$ (13)	$ 2	$ 1,045
Multi-family	94	2	—	—	96
Construction	21	(7)	—	—	14
Land	7	1			8
Farm	9	—	—	—	9
Nonresidential real estate	121	22	—	—	143
Commercial nonmortgage	10	—	—	—	10
Consumer and other:					
Loans on deposits	13	(2)	—	—	11
Home equity	31	(1)	—	—	30
Automobile	—	—	—	—	—
Unsecured	3	(1)	—	—	2
Unallocated	200	—	—	—	200
Totals	$ 1,568	$ 11	$ (13)	$ 2	$ 1,568

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

(unaudited)

4. Loans receivable (continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended December 31, 2015:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 1,060	$ (15)	$ (2)	$ 2	$ 1,045
Multi-family	97	(1)	—	—	96
Construction	16	(2)	—	—	14
Land	8	—	—	—	8
Farm	9	—	—	—	9
Nonresidential real estate	122	21	—	—	143
Commercial nonmortgage	10	—	—	—	10
Consumer and other:					
Loans on deposits	13	(2)	—	—	11
Home equity	31	(1)	—	—	30
Automobile	—	—	—	—	—
Unsecured	2	—	—	—	2
Unallocated	200	—	—	—	200
Totals	$ 1,568	$ —	$ (2)	$ 2	$ 1.568

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

(unaudited)

4. 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 December 31, 2016. The recorded investment in loans excludes accrued interest receivable and deferred loan costs, net due to immateriality.

December 31, 2016:

(in thousands)	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	$ 3,941	$ 1,818	$5,759	$ —	$ —	$ —
Loans collectively evaluated for impairment:						
Residential real estate:						
One- to four-family			$185,906	$ 801	$ —	$ 801
Multi-family			16,033	211	—	211
Construction			2,378	4	—	4
Land			1,327	3	—	3
Farm			1,955	4	—	4
Nonresidential real estate			25,282	230	—	230
Commercial nonmortgage			2,308	4	—	4
Consumer:						
Loans on deposits			1,741	3	—	3

Home equity	6,442	12	—	12
Automobile	46	—	—	—
Unsecured	372	1	—	1
Unallocated	—	—	200	200
	243,790	1,273	200	1,473
	$249,549	$ 1,273	$ 200	$ 1,473

15

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

(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, 2016.

June 30, 2016:

(in thousands)	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	$ 3,400	$ 2,146	$ 5,546	$ —	$ —	$ —
Nonresidential real estate	—	164	164	—	—	—
	3,400	2,310	5,710	—	—	—
Loans collectively evaluated for impairment:						
Residential real estate:						
One- to four-family			$ 180,579	$ 862	$ —	$ 862
Multi-family			15,559	192	—	192
Construction			2,809	5	—	5
Land			1,186	2	—	2
Farm			1,735	3	—	3
Nonresidential real estate			26,974	217	—	217
Commercial nonmortgage			1,847	18	—	18
Consumer:						

Loans on deposits	1,813	4	—	4
Home equity	6,155	11	—	11
Automobile	69	—	—	—
Unsecured	552	1	—	1
Unallocated	—	—	200	200
	239,278	1,315	200	1,515
	$244,988	$ 1,315	$ 200	$ 1,515

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

(unaudited)

4. Loans receivable (continued)

The following table presents loans individually evaluated for impairment by class of loans as of and for the six months ended December 31, 2016 and 2015:

December 31, 2016:

(in thousands)	Unpaid Principal Balance and Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Income Recognized
With no related allowance recorded:					
One- to four-family	$ 3,941	$ —	$ 3,774	$ 3	$ 3
Purchased credit-impaired loans	1,818	—	2,073	40	40
	5,759	—	5,847	43	43
With an allowance recorded:					
One- to four-family	—	—	—	—	—
	$ 5,759	$ —	$ 5,847	$ 43	$ 43

December 31, 2015:

(in thousands)	Unpaid Principal Balance and Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Income Recognized

With no related allowance recorded:					
One- to four-family	$ 2,993	$ —	$ 3,022	$ 5	$ 5
Purchased credit-impaired loans	2,488	—	2,980	34	34
	5,481	—	6,002	39	39
With an allowance recorded:					
One- to four-family	—	—	—	—	—
	$ 5,481	$ —	$ 6,002	$ 39	$ 39

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

(unaudited)

4. Loans receivable (continued)

The following table presents loans individually evaluated for impairment by class of loans as of and for the three months ended December 31, 2016 and 2015:

December 31, 2016:

(in thousands)	Unpaid Principal Balance and Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Income Recognized
With no related allowance recorded:					
One- to four-family	$ 3,941	$ —	$ 3,960	$ 1	$ 1
Purchased credit-impaired loans	1,818	—	1,955	26	26
	5,759	—	5,915	27	27
With an allowance recorded:					
One- to four-family	—	—	—	—	—
	$ 5,759	$ —	$ 5,915	$ 27	$ 27

December 31, 2015:

(in thousands)	Unpaid Principal Balance and Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Income Recognized

With no related allowance recorded:					
One- to four-family	$ 2,993	$ —	$ 3,280	$ 2	$ 2
Purchased credit-impaired loans	2,488	—	2,734	11	11
	5,481	—	6,014	13	13
With an allowance recorded:					
One- to four-family	—	—	—	—	—
	$ 5,481	$ —	$ 6,014	$ 13	$ 13

18

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

(unaudited)

4. Loans receivable (continued)

The following tables present the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of December 31, 2016 and June 30, 2016:

	December 31, 2016		June 30, 2016	
(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	$ 5,294	$ 2,244	$4,785	$ 2,166
Nonresidential real estate and land	149	—	173	—
Consumer	5	—	11	—
	$ 5,448	$ 2,244	$4,969	$ 2,166

Troubled Debt Restructurings:

A Troubled Debt Restructuring ("TDR") is the situation where the Bank grants a concession to the borrower that the Banks would not otherwise have considered due to the borrower's financial difficulties. All TDRs are considered "impaired." At December 31, 2016 and June 30, 2016, the Company had $1.9 million and $1.8 million of loans classified as TDRs, respectively. Of the TDRs at December 31, 2016, approximately 25.0% were related to the borrower's completion of Chapter 7 bankruptcy proceedings with no reaffirmation of the debt to the Banks.

The following table presents TDR's by loan type at December 31, 2016 and June 30, 2016, and their performance, by modification type:

(dollars in thousands)	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	TDRs Performing to Modified Terms	TDRs Not Performing to Modified Terms
December 31, 2016					
Residential Real Estate:					
1-4 Family	35	$ 2,221	$ 1,892	$ 1,051	$ 841
June 30, 2016					
Residential Real Estate:					
1-4 Family	35	$ 2,136	$ 1,835	$ 1,318	$ 517

19

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

(unaudited)

4. Loans receivable (continued)

One troubled loan was modified during the three months ended December 31, 2016. The loan term was extended, which provided the borrower some relief with regard to the monthly payment. There were no TDR modifications for the three months ended December 31, 2015.

The following table summarizes TDR loan modifications that occurred during the six months ended December 31, 2016 and 2015, and their performance, by modification type:

(in thousands)	Troubled Debt Restructurings Performing to Modified Terms	Troubled Debt Restructurings Not Performing to Modified Terms	Total Troubled Debt Restructurings
Six months ended December 31, 2016			
Residential real estate:			
Terms extended	$ 98	$ —	$ 98
Six months ended December 31, 2015			
Residential real estate:			
Rate reduction	$ 3	$ —	$ 3

The Company had no allocated specific reserves to customers whose loan terms had been modified in troubled debt restructurings as of December 31, 2016 or at June 30, 2016. The Company had no commitments to lend on loans classified as TDRs at December 31, 2016 or June 30, 2016.

There were no TDRs that defaulted during the six- or three- month periods ended December 31, 2016 or December 31, 2015.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

(unaudited)

4. Loans receivable (continued)

The following table presents the aging of the principal balance outstanding in past due loans as of December 31, 2016, 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	$ 3,959	$ 5,477	$9,436	$ 182,229	$ 191,665
Multi-family	—	—	—	16,033	16,033
Construction	—	—	—	2,378	2,378
Land	—	—	—	1,327	1,327
Farm	548	—	548	1,407	1,955
Nonresidential real estate	—	129	129	25,153	25,282
Commercial non-mortgage	—	—	—	2,308	2,308
Consumer and other:					
Loans on deposits	—	—	—	1,741	1,741
Home equity	17	—	17	6,425	6,442
Automobile	—	—	—	46	46
Unsecured	5	—	5	367	372
Total	$ 4,529	$ 5,606	$ 10,135	$ 239,414	$ 249,549

The following tables present the aging of the principal balance outstanding in past due loans as of June 30, 2016, 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	$ 5,712	$ 4,377	$ 10,089	$ 176,036	$ 186,125
Multi-family	—	—	—	15,559	15,559
Construction	548	—	548	2,261	2,809
Land	—	—	—	1,186	1,186
Farm	—	—	—	1,735	1,735
Nonresidential real estate	—	153	153	26,985	27,138
Commercial nonmortgage	—	—	—	1,847	1,847
Consumer:					
Loans on deposits	—	—	—	1,813	1,813
Home equity	37	—	37	6,118	6,155
Automobile	—	—	—	69	69
Unsecured	9	—	9	543	552
Total	$ 6,306	$ 4,530	$ 10,836	$ 234,152	$ 244,988

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

(unaudited)

4. Loans receivable (continued)

Credit Quality Indicators:

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

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

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

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

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass rated loans. Loans listed that are not rated are included in groups of homogeneous loans and are evaluated for credit quality based on performing status. See the aging of past due loan table above. As of December 31, 2016, 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	$—	$ 6,031	$ 11,475	$ —	$174,159
Multi-family	15,702	—	331	—	—
Construction	2,378	—	—	—	—
Land	1,327	—	—	—	—
Farm	1,418	—	537	—	—
Nonresidential real estate	24,263	870	149	—	—
Commercial nonmortgage	2,308	—	—	—	—
Consumer:					
Loans on deposits	1,741	—	—	—	—
Home equity	6,442	—	—	—	—
Automobile	46	—	—	—	—
Unsecured	338	29	5	—	—
	$55,963	$ 6,930	$ 12,497	$ —	$174,159

22

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

4. Loans receivable (continued)

At June 30, 2016, 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	$—	$ 6,387	$ 11,970	$ —	$167,768
Multi-family	15,220	—	339	—	—
Construction	2,809	—	—	—	—
Land	1,186	—	—	—	—
Farm	1,735	—	—	—	—
Nonresidential real estate	26,061	904	173	—	—
Commercial nonmortgage	1,817	30	—	—	—
Consumer:					
Loans on deposits	1,813	—	—	—	—
Home equity	6,149	—	6	—	—
Automobile	69	—	—	—	—
Unsecured	552	—	—	—	—
	$57,411	$ 7,321	$ 12,488	$ —	$167,768

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 and $464,000 at December 31, 2016 and June 30, 2016, respectively, is as follows:

(in thousands)	December 31, 2016	June 30, 2016
One- to four-family residential real estate	$ 1,992	$ 2,146
Nonresidential real estate	—	164
Outstanding balance	$ 1,992	$ 2,310

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

4. Loans receivable (continued)

Accretable yield, or income expected to be collected, is as follows

(in thousands)	Three months ended December 31, 2016	Six months ended December 31, 2016	Twelve months ended June 30, 2016
Balance at beginning of period	$ 935	$ 981	$ 1,021
Accretion of income	(46)	(92)	(164)
Reclassifications from nonaccretable difference	60	60	124
Disposals, net of recoveries	(49)	(49)	—
Balance at end of period	$ 900	$ 900	$ 981

For those purchased loans disclosed above, the Company made no increase in allowance for loan losses for the year ended June 30, 2016, nor for the six- or three-month periods ended December 31, 2016. 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.

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 and FHLMC stock.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

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

Impaired Loans

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

Other Real Estate

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

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

(in thousands)	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Agency mortgage-backed: residential	$ 79	$ —	$ 79	$ —
FHLMC stock	107	—	107	—
	$ 186	$ —	$ 186	$ —
June 30, 2016				
Agency mortgage-backed: residential	$ 81	$ —	$ 81	$ —
FHLMC stock	53	—	53	—
	$ 134	$ —	$ 134	$ —

25

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(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)
December 31, 2016				
Other real estate owned, net				
One- to four-family	$ 23	—	—	$ 23
Land	79	—	—	79
June 30, 2016				
Other real estate owned, net				
One- to four-family	$ 274	—	—	$ 274
Land	79	—	—	79

There were no impaired loans, which were measured using the fair value of the collateral for collateral-dependent loans, at December 31, 2016, and June 30, 2016. There was no specific provision made for the six month periods ended December 31, 2016 or 2015.

Other real estate owned measured at fair value less costs to sell, had carrying amounts of $102,000 and $353,000 at December 31, 2016 and June 30, 2016, respectively. Other real estate owned was written down $25,000 and $39,000 during the six months ended December 31, 2016 and 2015, respectively.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

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

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2016 and June 30, 2016:

December 31, 2016	Fair Value (in thousands)	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Foreclosed and repossessed assets:				
1-4 family	$ 23	Sales comparison approach	Adjustments for differences between comparable sales	-14.4% to 21.0% (6.9%)
Land	$ 79	Sales comparison approach	Adjustments for differences between comparable sales	3.5% to 6.6% (5.4%)

June 30, 2016	Fair Value (in thousands)	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Foreclosed and repossessed assets:				
1-4 family	$ 274	Sales comparison approach	Adjustments for differences between comparable sales	-24.0% to 15.2% (-5.1%)
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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

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

The following methods were used to estimate the fair value of all other financial instruments at December 31, 2016 and June 30, 2016:

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. The fair values of the loans does not necessarily represent an exit price.

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

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

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

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

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

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

Commitments to extend credit: For fixed-rate and adjustable-rate loan commitments, the fair value estimate considers the difference between current levels of interest rates and committed rates. The fair value of outstanding loan commitments at December 31, 2016 and June 30, 2016, was not material.

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

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

Based on the foregoing methods and assumptions, the carrying value and fair value of the Company's financial instruments at December 31, 2016 and June 30, 2016 are as follows:

(in thousands)	**Carrying** Value	Fair Value Measurements at December 31, 2016 Using Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$12,520	$12,520			$12,520
Term deposits in other financial institutions	4,699	4,699			4,699
Available-for-sale securities	186		$186		186
Held-to-maturity securities	9,275		9,320		9,320
Loans held for sale	255		255		255
Loans receivable - net	247,257			250,777	250,777
Federal Home Loan Bank stock	6,482				n/a
Accrued interest receivable	676		13	663	676
Financial liabilities					
Deposits	$183,097	$80,908	$102,237		183,145
Federal Home Loan Bank advances	53,110		53,464		53,464
Advances by borrowers for taxes and insurance	242	242			242
Accrued interest payable	29		29		29

(in thousands)	Carrying Value	Fair Value Measurements at June 30, 2016 Using Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$13,108	$13,108			$13,108
Term deposits in other financial institutions	3,711	3,711			3,711
Available-for-sale securities	134		$134		134

Held-to-maturity securities	4,079		4,151		4,151
Loans receivable – net	238,468			$242,456	242,456
Federal Home Loan Bank stock	6,482				n/a
Accrued interest receivable	710		21	689	710
Financial liabilities					
Deposits	$188,572	$81,814	$106,820		$188,634
Federal Home Loan Bank advances	33,211		33,517		33,517
Advances by borrowers for taxes and insurance	741	741			741
Accrued interest payable	22		22		22

Kentucky First Federal Bancorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2016

(unaudited)

6. Other Comprehensive Income (Loss)

The following is a summary of the accumulated other comprehensive income balances, net of tax:

	Balance at June 30, 2016	Current Year Change	Balance at December 31, 2016
Unrealized gains (losses) on available-for-sale securities	$ 31	$ 36	$ 67

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

(in thousands)	Six months ended December 31, 2016	2015
Unrealized holding gains (losses) on available-for-sale securities	$ 55	$ (17)
Tax effect	19	(6)
Net-of-tax amount	$ 36	$ (11)

(in thousands)	Three months ended December 31, 2016	2015
Unrealized holding gains (losses) on available-for-sale securities	$ 62	$ (17)
Tax effect	21	(6)
Net-of-tax amount	$ 41	$ (11)

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, 2016. 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.

Kentucky First Federal Bancorp

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

AND RESULTS OF OPERATIONS (continued)

Average Balance Sheets

The following table represents the average balance sheets for the six month periods ended December 31, 2016 and 2015, along with the related calculations of tax-equivalent net interest income, net interest margin and net interest spread for the related periods.

	Six Months Ended December 31,					
	2016			2015		
	Average Balance	Interest And Dividends	Yield/ Cost	Average Balance	Interest And Dividends	Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans [1]	$243,508	$ 5,405	4.44 %	$246,172	$ 5,786	4.70 %
Mortgage-backed securities	2,001	31	3.10	2,683	44	3.28
Other securities	2,082	6	0.58	3,423	10	0.58
Other interest-earning assets	19,813	158	1.60	16,062	129	1.61
Total interest-earning assets	267,404	5,600	4.19	268,340	5,969	4.45
Less: Allowance for loan losses	(1,491)			(1,568)		
Non-interest-earning assets	29,826			29,503		
Total assets	$295,739			$296,275		
Interest-bearing liabilities:						
Demand deposits	$15,868	$ 11	0.14 %	$17,135	$ 14	0.16 %
Savings	62,987	127	0.40	63,826	130	0.41
Certificates of deposit	104,044	361	0.69	112,198	404	0.72
Total deposits	182,899	499	0.55	193,159	548	0.57
Borrowings	38,578	170				