Kentucky First Federal Bancorp
Form 10-Q
November 19, 2013

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, 2013

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.)

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 ¨ (Do not check if a smaller reporting company)	Smaller Reporting Company x

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At November 13, 2013, the latest practicable date, the Corporation had 8,529,192 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 share data)

	September 30, 2013	June 30, 2013
ASSETS		
Cash and due from financial institutions	$ 3,547	$ 4,537
Interest-bearing demand deposits	9,189	12,003
Cash and cash equivalents	12,736	16,540
Securities available for sale	179	205
Securities held-to-maturity, at amortized cost- approximate fair value of $11,305 and $12,354 at September 30, 2013 and June 30, 2013, respectively	11,149	12,232
Loans held for sale		196
Loans, net of allowance of $1,386 and $1,310 at September 30, 2013 and June 30, 2013, respectively	258,241	262,491
Real estate owned, net	1,478	1,163
Premises and equipment, net	4,616	4,608
Federal Home Loan Bank stock, at cost	7,732	7,732
Accrued interest receivable	931	919
Bank-owned life insurance	2,810	2,787
Goodwill	14,507	14,507
Prepaid expenses and other assets	635	682
Total assets	$ 315,014	$ 324,062
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Deposits	$ 227,021	$ 230,981
Federal Home Loan Bank advances	18,734	24,310
Advances by borrowers for taxes and insurance	803	562
Accrued interest payable	38	36
Accrued federal income taxes	124	45
Deferred federal income taxes	163	241
Deferred revenue	664	641
Other liabilities	746	624
Total liabilities	248,293	257,440
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		34,724		34,732
Retained earnings		33,667		33,604
Unearned employee stock ownership plan (ESOP)		(1,580)		(1,626)
Treasury shares at cost, 22,886 common shares at both September 30,				
2013 and		(197)		(197)
June 30, 2013				
Accumulated other comprehensive income		21		23
Total shareholders' equity		66,721		66,622
Total liabilities and shareholders' equity	$	315,014	$	324,062

See accompanying notes.

Kentucky First Federal Bancorp
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Dollars in thousands, except per share data)

	Three months ended September 30, 2013	2012
Interest income		
Loans, including fees	$ 3,111	$ 2,313
Mortgage-backed securities	36	51
Other securities	7	-
Interest-bearing deposits and other	82	61
Total interest income	3,236	2,425
Interest expense		
Interest-bearing demand deposits	7	7
Savings	60	63
Certificates of Deposit	301	234
Deposits	368	304
Borrowings	85	135
Total interest expense	453	439
Net interest income	2,783	1,986
Provision for loan losses	282	26
Net interest income after provision for losses on loans	2,501	1,960
Non-interest income		
Earnings on bank-owned life insurance	23	22
Net gains on sales of loans	35	58
Net gain (loss) on sales of OREO	(10)	3
Write-down of real estate owned	(17)	
Other	84	26
Total non-interest income	115	109
Non-interest expense		
Employee compensation and benefits	1,249	854
Occupancy and equipment	140	78
Outside service fees	36	37
Legal fees	11	47
Data processing	122	60
Auditing and accounting	33	26
FDIC insurance premiums	60	29
Franchise and other taxes	68	44
Foreclosure and OREO expenses (net)	20	(28)
Other	248	143
Total non-interest expense	1,987	1,290
Income before income taxes	629	779
Federal income taxes	206	257
NET INCOME	$ 423	$ 522

EARNINGS PER SHARE		
Basic and diluted	$ 0.05	$ 0.07
DIVIDENDS PER SHARE	$ 0.10	$ 0.10

See accompanying notes.

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

	Three months ended September 30, 2013		2012	
Net income	$	423	$	522
Other comprehensive income (loss), net of taxes (benefits): Unrealized holding losses on securities designated as available for sale, net of tax benefits of $1 and $ during the respective periods		(2)		
Comprehensive income	$	421	$	522

See accompanying notes.

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

	Three months ended September 30, 2013		2012	
Cash flows from operating activities:				
Net income	$	423	$	522
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation		78		42
Amortization of deferred loan origination costs				8
Amortization of premiums on investment securities		(64)		
Amortization of premiums on Federal Home Loan Bank advances		(42)		
Amortization of premiums on deposits		(120)		
Net gain on sale of loans		(35)		(58)
Write down of real estate owned		17		
Deferred gain on sale of other real estate owned		23		(3)
ESOP compensation expense		38		46
Amortization of stock benefit plans and stock options expense				1
Earnings on bank-owned life insurance		(23)		(22)
Provision for loan losses		282		26
Origination of loans held for sale		(1,073)		(1,273)
Proceeds from loans held for sale		1,304		1,148
Increase (decrease) in cash, due to changes in:				
Accrued interest receivable		(12)		(16)
Prepaid expenses and other assets		47		37
Accrued interest payable		2		(15)
Accounts payable and other liabilities		122		136
Federal income taxes		3		137
Net cash provided by operating activities		970		716
Cash flows from investing activities:				
Securities maturities, prepayments and calls:				
Held to maturity		1,147		386
Available for sale		22		2
Loans originated for investment, net of principal collected		3,636		4,469
Additions to premises and equipment, net		(86)		(3)
Net cash provided by investing activities		4,719		4,854
Cash flows from financing activities:				
Net change in deposits		(3,840)		(1,215)
Payments by borrowers for taxes and insurance, net		241		138
Repayments on Federal Home Loan Bank advances		(5,534)		(2,567)
Dividends paid on common stock		(360)		(277)
Treasury stock repurchases				(61)
Net cash used in financing activities		(9,493)		(3,982)

Net increase (decrease) in cash and cash equivalents		(3,804)		1,588
Beginning cash and cash equivalents		16,540		5,735
Ending cash and cash equivalents	$	12,736	$	7,323

See accompanying notes.

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

	Three months ended September 30, 2013		2012	
Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Federal income taxes	$	225	$	120
Interest on deposits and borrowings	$	613	$	454
Transfers of loans to real estate acquired through foreclosure, net	$	(327)	$	40
Loans made on sale of real estate acquired through foreclosure	$	35	$	
Deferred gain on sale of real estate acquired through foreclosure	$	5	$	
Capitalization of mortgage servicing rights	$	10	$	9

See accompanying notes.

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Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2013
(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.

On December 31, 2012, the Company completed its acquisition of CKF Bancorp, Inc. ("CKF Bancorp"), the parent company of Central Kentucky Federal Savings Bank ("Central Kentucky FSB"), pursuant to the provisions of the Agreement of Merger dated as of November 3, 2011 and amended as of September 28, 2012. The acquisition was accounted for using the acquisition method of accounting and resulted in the recordation of bargain purchase gain of $958,000. The results of operations associated with Central Kentucky FSB for the three months ended September 30, 2013, have been included herein.

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, 2013, are not necessarily indicative of the results which may be expected for an entire fiscal year. The consolidated balance sheet as of June 30, 2013 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 2013 filed with the Securities and Exchange Commission.

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

Interest income on one- to four-family residential loans is generally discontinued at the time a loan is 180 days delinquent and on other loans at the time the loan is 90 days delinquent. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2013
(unaudited)

1. Basis of presentation (continued)

Interest income on non-consumer loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Retail credit, which includes loans to individuals secured by their personal residence, including first mortgage, home equity and home improvement loans, are placed on nonaccrual status in accordance with the Uniform Retail Credit Classification and Account Management. Nonaccrual loans and loans past due 90 days still on accrual include both homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to nonaccrual status in accordance with the Company's policy, typically after 90 days of non-payment for commercial credits and 180 days for one- to four-family residential credits.

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

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

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

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

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.

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2013
(unaudited)

1. Basis of presentation (continued)

The general component covers non impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the loss history experience of the Company over the most recent two years and a rolling average of the current year's loss history. 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, land, farms, commercial (non-mortgage) and consumer and other loans. The residential real estate segment is our primary lending activity and it enables borrowers to purchase or refinance homes in the Banks' respective market areas. We further classify our residential real estate loans as one- to four-family, multi-family or construction. We originate loans to individuals to finance the construction of residential dwellings for personal use or for use as rental property. We occasionally lend to builders for construction of speculative or custom residential properties for resale, but on a limited basis. We also offer loans secured by nonresidential real estate, primarily commercial office buildings, churches and properties used for other purposes. Generally, these loans are originated for 25 years or less and do not exceed 75% of the appraised value. Our consumer loans include home equity lines of credit, auto loans, personal loans, and loans secured by savings deposits. In the acquisition of CKF, we acquired a portfolio of non-mortgage commercial loans totaling $3.2 million. Future originations of this type of loan are expected to be limited in the foreseeable future.

Purchased Credit Impaired Loans Purchased credit impaired loans acquired in a business combination are recorded at estimated fair value on their purchase date with no carryover of the related allowance for loan losses. In determining the estimated fair value of these loans, management considers a number of factors including the remaining life of the acquired loans, estimated prepayments, estimated future credit losses, estimated value of the underlying collateral, estimated holding periods and the net present value of the cash flows expected to be received. To the extent that any smaller dollar purchased credit impaired loan is not specifically reviewed, when evaluating the net present value of the future estimated cash flows, management applies a loss estimate to that loan based on the average expected loss rates for the loans that were individually reviewed in that loan portfolio, adjusted for other factors, as applicable.

The difference between the estimated value of the loans acquired is divided into accretable and non-accretable portions. The non-accretable difference represents the difference between the contractually required payments and the cash flows expected to be collected.

Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows will result in a reversal of the provision for loan losses to the extent of prior charges with a corresponding adjustment to the accretable yield, which would have a positive impact on interest income.

The accretable difference on purchased credit impaired loans represents the difference between the expected cash flows and the amount paid. Such difference is accreted into earnings using the level-yield method over the expected cash flow periods of the loans.

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Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2013
(unaudited)

1. Basis of presentation (continued)

Management will separately monitor the purchased credit impaired loan portfolio and on a quarterly basis will review loans contained within this portfolio against the factors and assumptions used in determining the initial fair value adjustment. In addition to its quarterly evaluation, a loan is typically reviewed (i) when it is modified or extended, (ii) when material information becomes available to the Bank which provides additional insight pertaining to the loan's performance, the status of the borrower, or the quality or value of the underlying collateral, or (iii) in connection with the quarterly review of projected cash flows, which includes a substantial portion of each acquired loan portfolio.

United States generally accepted accounting principles ("U.S. GAAP") provides up to twelve months following the date of acquisition in which management can finalize the fair values of acquired assets and assumed liabilities. Material events that occur during the measurement period will be analyzed to determine if the new information reflected facts and circumstances that existed on the acquisition date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns more information is unobtainable. The measurement period is limited to one year from the acquisition date. Once management has finalized the fair values of acquired assets and assumed liabilities within this twelve month period, management considers such values to be the "Day One Fair Values."

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.

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.

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:

	Three months ended September 30,	
(in thousands)	2013	2012
Net income allocated to common shareholders, basic and diluted	$ 423	$ 522

	Three months ended September 30,	
(in thousands)	2013	2012
Weighted-average common shares outstanding, basic and diluted	8,369,515	7,545,126

There were 309,800 stock option shares outstanding for the three-month periods ended September 30, 2013 and 2012. The stock option shares outstanding were antidilutive for the respective periods.

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Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2013
(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 September 30, 2013 and June 30, 2013, the corresponding amounts of gross unrealized gains recognized in accumulated other comprehensive income and gross unrecognized gains and losses:

	September 30, 2013			
(in thousands)	Amortized cost	Gross unrealized/ unrecognized gains	Gross unrealized/ unrecognized losses	Estimated fair value
Available-for-sale Securities				
Agency mortgage-backed:residential	$ 140	$ 3	$ -	$ 143
FHLMC stock	8	28	-	36
	$ 148	$ 31	$ -	$ 179
Held-to-maturity Securities				
Agency mortgage-backed: residential	$ 4,804	$ 186	$ 13	$ 4,977
Agency bonds	6,345	-	17	6,328
	$ 11,149	$ 186	$ 30	$ 11,305

	June 30, 2013			
(in thousands)	Amortized cost	Gross unrealized/ unrecognized gains	Gross unrealized/ unrecognized losses	Estimated fair value
Available-for-sale Securities				
Agency mortgage-backed:residential	$ 162	$ 4	$ -	$ 166
FHLMC stock	8	31	-	39
	$ 170	$ 35	$ -	$ 205
Held-to-maturity Securities				
Agency mortgage-backed: residential	$ 5,340	$ 210	$ 49	$ 5,502
Agency bonds	6,892	-	39	6,852
	$ 12,232	$ 210	$ 88	$ 12,354

Our securities holdings consist of agency mortgage-backed securities, which do not have a single maturity date. Our pledged securities at September 30, 2013, and June 30, 2013 totaled $2.8 million and $3.1 million, respectively.

There were no sales of investment securities during the fiscal year ended June 30, 2013 nor the three-month periods ended September 30, 2013 and 2012.

We evaluated securities in unrealized loss positions for evidence of other-than-temporary impairment, considering duration, severity, financial condition of the issuer, our intention to sell or requirement to sell. Management does not believe other-than-temporary impairment is evident, because none of the investments have been in a loss position for more than twelve months.

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Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2013
(unaudited)

4. Loans receivable

The composition of the loan portfolio was as follows:

(in thousands)	September 30, 2013	June 30, 2013
Residential real estate		
One- to four-family	$ 205,184	$ 209,092
Multi-family	14,127	14,506
Construction	2,019	1,753
Land	2,849	2,821
Farm	1,707	1,843
Nonresidential real estate	22,567	22,092
Commercial nonmortgage	3,115	3,189
Consumer and other:		
Loans on deposits	2,658	2,710
Home equity	5,633	5,757
Automobile	58	72
Unsecured	540	708
	260,457	264,543
Undisbursed portion of loans in process	910	833
Deferred loan origination fees (cost)	(80)	(91)
Allowance for loan losses	1,386	1,310
	$ 258,241	$ 262,491

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended September 30, 2013:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 871	273	$ 207	$	$ 937
Multi-family	63	2			65
Construction	8	1			9
Land	12	(1)			11
Farm	6	2			8
Nonresidential real estate	94	8			102
Commercial nonmortgage	13	1			14
Consumer and other:					
Loans on deposits	12				12
Home equity	25	1			26

Automobile					
Unsecured	6	(5)		1	2
Unallocated	200				200
Totals	$1,310	$282	$207	$1	$1,386

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Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2013
(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 September 30, 2012:

(in thousands)	Beginning balance	Provision for loan losses	Loans charged off	Recoveries	Ending balance
Residential real estate:					
One- to four-family	$ 565	$ 26	$ 28	$	$ 563
Multi-family	49				49
Construction	3				3
Nonresidential real estate and land	35				35
Loans on deposits	7				7
Consumer and other	16				16
Unallocated	200				200
Totals	$ 875	$ 26	$ 28	$	$ 873

Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013
(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 September 30, 2013. The recorded investment in loans excludes accrued interest receivable and deferred loan costs, net due to immateriality.

September 30, 2013:

(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	$ 3,417	$ 2,692	$ 6,109	$ 14	$	$ 14
Land		472	472			
Nonresidential real estate		537	537			
Commercial and industrial		86	86			
Consumer and other						
Automobile						
Unsecured		22	22			
	3,417	3,809	7,226	14		14
Loans collectively evaluated for impairment:						
Residential real estate:						
One- to four-family			$ 202,492	$ 923	$	$ 923
Multi-family			14,127	65		65
Construction			2,019	9		9
Land			2,377	11		11
Farm			1,707	8		8
Nonresidential real estate			22,030	102		102
Commercial and industrial			3,029	14		14
Consumer and other						
Loans on deposits			2,658	12		12
Home equity			5,633	26		26
Automobile			58			
Unsecured			518	2		2
Unallocated					200	200
			256,648	1,172	200	1,372
			$ 260,457	$ 1,186	$ 200	$ 1,386

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Kentucky First Federal Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013
(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, 2013.

June 30, 2013:

(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	$ 4,715	$ 2,989	$ 7,704	$ 14	$	$ 14
Farm		485	485			
Nonresidential real estate		546	546			
Commercial and industrial		119	119			
Consumer and other						
Automobile		23	23			
	4,715	4,162	8,877	14		14
Loans collectively evaluated for impairment:						
Residential real estate:						
One- to four-family			$ 201,388	$ 860	$	$ 860
Multi-family			14,506	63		63
Construction			1,753	8		8
Land			2,821	12		12
Farm			1,358	6		6
Nonresidential real estate			21,546	94		94
Commercial and industrial			3,070	13		13
Consumer and other						
Loans on deposits			2,710	12		12
Home equity			5,757	25		25
Automobile			49			
Unsecured			708	3		3
Unallocated					200	200
			255,666	1,096	200	1,296
			$ 264,543	$ 1,110	$ 200	$ 1,310

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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 September 30, 2013 and 2012:

September 30, 2013:

(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	$ 3,207	$	$ 3,854	$	$
Purchased credit-impaired loans	3,809		3,986		
	7,016		7,840		
With an allowance recorded:					
One- to four-family	210	14	212		
	$ 7,226	$ 14	$ 8,052	$	$

September 30, 2012:

(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	$ 2,348	$	$ 1,785	$ 19	$ 19
With an allowance recorded:					
One- to four-family	1,532	90	1,533	17	17
	$ 3,880	$ 90	$ 3,318	$ 36	$ 36

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 September 30, 2013, and June 30, 2013:

	September 30, 2013		June 30, 2013	
(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	$ 5,937	$ 1,570	$ 5,989	$ 1,972
Multi-family	486			
Nonresidential real estate and land	186			
Commercial nonmortgage	37			
Consumer and other	39	16		
	$ 6,685	$ 1,586	$ 5,989	$ 1,972

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4. Loans receivable (continued)

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." At September 30, 2013 and June 30, 2013, the Company had $3.2 million and $2.9 million of loans classified as TDRs, respectively. Of the TDRs at September 30, 2013, approximately 16.2% were residential real estate loans involving the Banks' conceding to refinance a loan to then-current market interest rates despite poor credit history or a high loan-to-value ratio and approximately 34.2% were related to the borrower's completion of Chapter 7 bankruptcy proceedings with no reaffirmation of his debt to the Banks.

During the period ended September 30, 2013, the terms of six loans were restructured. Two of those loans (to one borrower) were written down pursuant to an order from bankruptcy court, while additional funds were advanced to two borrowers to protect the banks' position and two loans' terms were modified to extend the maturity date, which, in turn provided the borrowers with lower monthly debt service requirements.

The following table presents loans by class modified as TDRs during the three months ended September 30, 2013 and the year ended June 30, 2013, 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
Three months ended September 30, 2013					
Residential Real Estate:					
1-4 Family	6	$ 422	$ 425	$ 283	$ 61
Three months ended September 30, 2012					
Residential Real Estate:					
1-4 Family					