

KENTUCKY FIRST FEDERAL BANCORP COMPENSATION COMMITTEE CHARTER

I. PURPOSE

The Compensation Committee (the “Committee”) of Kentucky First Federal Bancorp (the “Corporation”) is responsible for overseeing and approving the compensation paid to executives of the Corporation. In and of itself, the Corporation currently has no employees and has no plans for hiring employees exclusively in the service of the Corporation. Instead, the executive officers of the Corporation are also employees of the two subsidiary financial institutions (the “Banks”), First Federal Savings and Loan of Hazard (“Hazard”) and First Federal Savings Bank of Frankfort (“Frankfort”). These executive officers will receive their compensation from the respective Banks and the terms of their employment, including working time, vacation policies, and fringe benefits will be governed by the Banks and their respective boards. As part of a formula mutually developed by the Banks and the Corporation, the Banks will be reimbursed by the Corporation for the compensation expenses attributable to the executive’s responsibilities with the Corporation.

In general, the Committee will be responsible for

- a) determining base salary levels for executives of the corporation
- b) administering corporate-level compensation plans which may include the Restricted Recognition Plan and the Stock Option Plan
- c) recommendation to the full Board as to implementation or renewal of employment agreements
- d) executive development
- e) succession planning
- f) effecting nondiscriminatory employment practices for executives of the corporation.

II. COMPOSITION

The Committee shall consist of three or more directors, each of whom shall satisfy the definition of independent director as defined in any qualitative listing requirements for The Nasdaq Stock Market, Inc. issuers and any applicable Securities and Exchange Commission rules and regulations. Committee members shall be elected by the Board of Directors (the “Board”) at the Board’s annual organizational meeting. Members shall serve until their successors are appointed. The Committee’s Chairperson shall be designated by the full Board or, if it does not do so, the Committee members shall elect a Chairperson by vote of a majority of the full Committee. The Chief Executive Officer (“CEO”) and senior management of the Banks may meet with the Committee but will not be members of the Committee or participate in all of its meetings.

The Committee may form and delegate authority to subcommittees when appropriate.

III. MEETINGS

The Committee shall meet at least annually, or more frequently as circumstances dictate. The Committee Chairperson will preside at each meeting and, in consultation with the other members of the Committee, will set the frequency and length of each meeting and the agenda of items to be addressed at each meeting.

IV. RESPONSIBILITIES AND DUTIES

The principal responsibilities of the Committee are

- A. **Oversight of executive compensation programs.** The Committee will review on an annual basis the Corporation's and Banks' executive compensation programs to determine that they are properly coordinated. The compensation package for some executives will (at the discretion of the Committee) include a mix of short-term pay and long-term incentives. An important responsibility of the Committee is the development of an appropriate balance while focusing on long-term shareholder value.

- B. **Appraising the performance of the Chief Executive Officer.** The Committee will annually review the performance of the CEO and, if necessary, meet with the CEO to discuss his or her strengths and weaknesses. The Committee will recommend to the Board of Directors the annual salary, bonus, stock options, and other benefits direct and indirect, of the CEO. In making its recommendation, the Committee will consider
 - the performance of the Corporation
 - shareholder return
 - the level of salary, bonus, and other benefits, direct and indirect, of the CEO relative to the CEOs at comparable companies; and
 - the level of salary, bonus, stock options, and other benefits, direct and indirect, given to the CEO in recent years.

After its evaluation, the Committee may from time to time recommend increases in the levels of salary, bonus, and other compensation. However, the absence of such a recommendation should not indicate or infer unsatisfactory performance of the CEO.

The Committee will make recommendations to the Board of Directors regarding the extension of the employment agreements and change in control agreements of the CEO and other senior officers.

- C. **Preparation of report.** If necessary, the Committee will prepare a report on executive compensation for inclusion in the Corporation's annual meeting proxy statement, in accordance with applicable rules and regulations.

- D. **Recommendations of executive compensation programs.** In addition to the CEO, the Committee will review on an annual basis the Corporation's salary administration procedures with respect to other corporate officers including the offices of Chairman, President, and Vice President (realizing that the CEO may hold one or more of these offices in addition to that of CEO). The Committee will recommend to the Board any changes in the levels of compensation and benefits for these officers.
- E. **Oversight of staff benefit programs.** In addition to officers of the Corporation, the Committee will review the salary and benefit package of any bank employee whose salary exceeds \$75,000 annually. The Boards of the Banks will obtain approval from the Committee before offering any employee a salary above this level or before increasing the salary of an employee whose salary exceeds this amount.
- F. **Oversight of the performance incentive compensation plan.** Prior to the beginning of each fiscal year, the Committee will review the Corporation's stock option plans and the Bank's performance incentive compensation plan to determine that they are properly structured to reward performance. The Committee will consider the overall performance of the Corporation and the Bank and the cost of the performance incentive compensation plan to ascertain that shareholder value is being increased. The Committee will make recommendations to the Board of Directors regarding changes to the plan. The Committee will also approve the pay-out of the plans after the Corporation's performance has been ratified by the external auditing firm.
- G. **Oversight of executive development and management succession planning.** The committee will review on an annual basis the development of junior executives and will use this as a basis for an annual review of succession planning.
- H. **Oversight of Director Compensation.** The Committee shall review on an annual basis, in conjunction with the Nominating and Corporate Governance Committee, the appropriate levels of director compensation and an appropriate director compensation program and shall make recommendations to the Board regarding the same.

V. EVALUATIONS

Annually, the Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

VI. COMMITTEE RESOURCES

The Committee shall have the authority to obtain advice and seek assistance from internal or external legal or other advisors. The Committee shall have the sole authority to retain and terminate any compensation consultant used to assist the Committee in evaluating executive compensation, including sole authority to approve such consultant's fees and other retention terms.