

IF Bancorp, Inc.
Form 10-Q
May 10, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2012

OR

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Commission File No. 001-35226

IF Bancorp, Inc.

(Exact name of registrant as specified in its charter)

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Maryland (State or other jurisdiction of incorporation or organization)	45-1834449 (I.R.S. Employer Identification Number)
201 East Cherry Street, Watseka, Illinois (Address of Principal Executive Offices)	60970 Zip Code
(815) 432-2476 (Registrant's telephone number)	
N/A (Former name or former address, if changed since last report)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a 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 smaller reporting company) 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

The Registrant had 4,811,255 shares of common stock, par value \$0.01 per share, issued and outstanding as of May 10, 2012.

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Table of Contents**Part I. Financial Information****Item 1. Financial Statements****IF Bancorp, Inc.****Condensed Consolidated Balance Sheets****(Dollars in thousands)**

	March 31, 2012 (Unaudited)	June 30, 2011
Assets		
Cash and due from banks	\$ 8,280	\$ 53,811
Interest-bearing demand deposits	1,477	6,695
Cash and cash equivalents	9,757	60,506
Interest-bearing time deposits in banks	250	250
Available-for-sale securities	209,992	190,273
Loans, net of allowance for loan losses of \$3,317 and \$3,149 at March 31, 2012 and June 30, 2011, respectively	250,005	240,020
Premises and equipment, net of accumulated depreciation of \$5,113 and \$4,749 at March 31, 2012 and June 30, 2011, respectively	4,441	4,124
Federal Home Loan Bank stock, at cost	3,650	3,121
Foreclosed assets held for sale	559	710
Accrued interest receivable	2,209	1,684
Deferred income taxes	293	337
Bank-owned life insurance	7,430	7,235
Mortgage servicing rights	319	408
Other	1,195	2,148
Total assets	\$ 490,100	\$ 510,816
Liabilities and Equity		
Liabilities		
Deposits		
Demand	\$ 10,045	\$ 8,400
Savings, NOW and money market	131,210	230,283
Certificates of deposit	190,158	199,381
Brokered certificates of deposit	11,500	6,001
Total deposits	342,913	444,065
Federal Home Loan Bank advances	57,000	22,500
Advances from borrowers for taxes and insurance	1,313	841
Accrued post-retirement benefit obligation	2,138	1,932
Accrued interest payable	53	158
Other	1,703	1,879
Total liabilities	405,120	471,375

Commitments and Contingencies

Stockholders' Equity

Common stock, \$.01 par value, 100,000,000 shares authorized, 4,811,255 shares issued and outstanding	48	0
Additional paid-in capital	46,359	0
Unearned ESOP shares, at cost, 370,467 shares at March 31, 2012	(3,705)	0
Retained earnings	37,825	37,328
Accumulated other comprehensive income, net of tax	4,453	2,113
Total stockholders' equity	84,980	39,441
Total liabilities and equity	\$ 490,100	\$ 510,816

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents**IF Bancorp, Inc.****Condensed Consolidated Statements of Income (Unaudited)**

(Dollars in thousands except per share amount)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Interest and Dividend Income				
Interest and fees on loans	\$ 3,047	\$ 3,102	\$ 9,149	\$ 9,559
Securities:				
Taxable	1,417	1,010	4,225	3,097
Tax-exempt	28	30	91	93
Federal Home Loan Bank dividends	1	2	2	2
Deposits with other financial institutions	2	2	17	6
Total interest and dividend income	4,495	4,146	13,484	12,757
Interest Expense				
Deposits	698	933	2,264	3,204
Federal Home Loan Bank advances	223	221	676	679
Total interest expense	921	1,154	2,940	3,883
Net Interest Income	3,574	2,992	10,544	8,874
Provision for Loan Losses	393	225	727	850
Net Interest Income After Provision for Loan Losses	3,181	2,767	9,817	8,024
Noninterest Income				
Customer service fees	134	129	466	453
Other service charges and fees	62	49	175	205
Insurance commissions	178	116	569	443
Brokerage commissions	151	139	380	440
Net realized gains (losses) on sales of available-for-sale securities	95	(26)	385	352
Mortgage banking income, net	125	134	206	554
Bank-owned life insurance income, net	64	63	195	193
Other	150	158	418	447
Total noninterest income	959	762	2,794	3,087
Noninterest Expense				
Compensation and benefits	1,813	1,631	5,320	4,807
Office occupancy	120	122	352	360
Equipment	181	169	511	477
Federal deposit insurance	76	114	219	331
Stationary, printing and office	40	32	120	104
Advertising	82	81	250	221
Professional services	58	27	254	153

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Supervisory examinations	30	53	129	106
Audit and accounting services	31	0	154	23
Organizational dues and subscriptions	13	12	45	52
Insurance bond premiums	30	18	80	71
Telephone and postage	55	50	173	150
Gain on foreclosed assets, net	(7)	(28)	(22)	(112)
Charitable contributions	3	10	3,604	25
Other	289	194	787	784
Total noninterest expense	2,814	2,485	11,976	7,552
Income Before Income Tax	1,326	1,044	635	3,559
Provision for Income Tax	478	379	138	1,294
Net Income	\$ 848	\$ 665	\$ 497	\$ 2,265
Earnings Per Share:				
Basic and diluted (Note 5)	\$.19	N/A	\$.11	N/A

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents**IF Bancorp, Inc.****Consolidated Statements of Comprehensive Income**

(Dollars in thousands)

	(Unaudited) Three Months Ended March 31,	
	2012	2011
Net Income	\$ 848	\$ 665
Other Comprehensive Income		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of \$(14) and \$46, for 2012 and 2011, respectively	(22)	76
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of \$(22) and \$0 for 2012 and 2011, respectively	(35)	(1)
Other comprehensive income (loss), net of tax	(57)	75
Comprehensive Income	\$ 791	\$ 740

	(Unaudited) Nine Months Ended March 31,	
	2012	2011
Net Income	\$ 497	\$ 2,265
Other Comprehensive Income		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of \$1,493 and \$(1,283), for 2012 and 2011, respectively	2,436	(2,093)
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of \$(59) and \$0 for 2012 and 2011, respectively	(96)	0
Other comprehensive income (loss), net of tax	2,340	(2,093)
Comprehensive Income	\$ 2,837	\$ 172

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents**IF Bancorp, Inc.****Condensed Consolidated Statement of Stockholders Equity (Unaudited)**

(Dollars in thousands)

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total
For the nine months ended March 31, 2012						
Balance, July 1, 2011	\$ 0	\$ 0	\$ 0	\$ 37,328	\$ 2,113	\$ 39,441
Net income				497		497
Other comprehensive income					2,340	2,340
Common stock issued in initial public offering, 4,811,255 shares, net of issuance costs of \$1,725	48	46,340				46,388
Acquisition of ESOP shares, 384,900 shares			(3,849)			(3,849)
ESOP shares earned, 14,433 shares		19	144			163
Balance, March 31, 2012	\$ 48	\$ 46,359	\$ (3,705)	\$ 37,825	\$ 4,453	\$ 84,980
For the nine months ended March 31, 2011						
Balance, July 1, 2010	\$ 0	\$ 0	\$ 0	\$ 34,498	\$ 2,790	\$ 37,288
Net income				2,265		2,265
Other comprehensive income	0	0	0	0	(2,093)	(2,093)
Balance, March 31, 2011	\$ 0	\$ 0	\$ 0	\$ 36,763	\$ 697	\$ 37,460

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents**IF Bancorp, Inc.****Condensed Consolidated Statement of Cash Flows (Unaudited)****(Dollars in thousands)**

	Nine Months Ended March 31,	
	2012	2011
Operating Activities		
Net income	\$ 497	\$ 2,265
Items not requiring (providing) cash		
Depreciation	313	287
Provision for loan losses	727	850
Amortization of premiums and discounts on securities	920	483
Deferred income taxes	(1,399)	724
Net realized gains on loan sales	(206)	(554)
Net realized gains on sales of available-for-sale securities	(385)	(352)
Gain on foreclosed assets held for sale	(22)	(112)
Bank-owned life insurance income, net	(195)	(193)
Originations of loans held for sale	(11,974)	(26,391)
Proceeds from sales of loans held for sale	12,269	27,060
ESOP compensation expense	163	0
Contribution of stock to the Foundation	3,148	0
Changes in		
Accrued interest receivable	(525)	(375)
Other assets	953	(416)
Accrued interest payable	(105)	36
Post-retirement benefit obligation	60	0
Other liabilities	(176)	(326)
Net cash provided by operating activities	4,063	2,986
Investing Activities		
Net change in interest-bearing deposits	0	(250)
Purchases of available-for-sale securities	(140,349)	(96,104)
Proceeds from the sales of available-for-sale securities	88,051	58,423
Proceeds from maturities and pay-downs of available-for-sale securities	35,973	19,112
Net change in loans	(11,186)	(7,878)
Purchase of FHLB stock	(529)	0
Purchase of premises and equipment	(630)	(227)
Proceeds from sale of foreclosed assets	647	304
Net cash used in investing activities	(28,023)	(26,620)
Financing Activities		
Net increase (decrease) in demand deposits, money market, NOW and savings accounts	(97,428)	13,105
Net increase (decrease) in certificates of deposit, including brokered certificates	(3,724)	6,124
Net increase in advances from borrowers for taxes and insurance	472	415
Proceeds from Federal Home Loan Bank advances	404,000	15,500
Repayments of Federal Home Loan Bank advances	(369,500)	(10,000)
Proceeds from issuance of common stock, net of costs	43,240	0
Stock issuance from Employee Stock Ownership Plan purchase	(3,849)	0

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Net cash provided by (used in) financing activities	(26,789)	25,144
Net Increase (Decrease) in Cash and Cash Equivalents	(50,749)	1,510
Cash and Cash Equivalents, Beginning of Period	60,506	6,836
Cash and Cash Equivalents, End of Period	\$ 9,757	\$ 8,346

Supplemental Cash Flows Information

Interest paid	\$ 3,045	\$ 3,847
Income taxes paid, net of refunds	\$ 1,618	\$ 1,422
Foreclosed assets acquired in settlement of loans	\$ 474	\$ 153

Supplemental disclosure of noncash financing activities

With the initial public offering in July 2011, the Company loaned \$3,849 to the Employee Stock Ownership Plan, which was used to acquire 384,900 shares of the Company's common stock. The loan is secured by the shares purchased and is shown as unearned ESOP shares in the consolidated balance sheets. Payments on the loan in the nine months ended March 31, 2012, were \$197 which included \$109 in principal and \$88 in interest. In addition, the Company donated 314,755 shares valued at \$3,148 to a charitable foundation. See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Form 10-Q (Unaudited)

(Table dollar amounts in thousands)

Notes to Condensed Consolidated Financial Statements

Note 1: Basis of Financial Statement Presentation

IF Bancorp, Inc., a Maryland corporation (the Company), became the holding company for Iroquois Federal Savings and Loan Association (the Association) upon completion of the Association's conversion from the mutual form of organization to the stock holding company form of organization (the Conversion) on July 7, 2011. For more information regarding the Conversion, see Note 2 of these notes to condensed consolidated financial statements.

The unaudited condensed consolidated financial statements include the accounts of the Company, the Association, and the Association's wholly owned subsidiary, L.C.I. Service Corporation. All significant inter-company accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial reporting and with instructions for Form 10-Q and Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and revenues and expenses for the period. Actual results could differ from these estimates. In the opinion of management, the preceding unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial condition of the Company as of March 31, 2012 and June 30, 2011, and the results of its operations for the three and nine month periods ended March 31, 2012 and 2011. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2011. The results of operations for the nine-month period ended March 31, 2012 are not necessarily indicative of the results that may be expected for the entire year.

Note 2: The Conversion

On March 8, 2011, the Association's Board of Directors adopted a Plan of Conversion (Plan), as amended on March 8, 2011, to convert from the mutual form of organization to the capital stock form of organization (the Conversion). The Company was formed in March 2011 to become the savings and loan holding company of the Association upon consummation of the Conversion. In the Conversion, the Association became a wholly owned subsidiary of the Company, and the Company issued and sold shares of its common stock, par value \$0.01 per share, to eligible members of the Association. A total of 4,811,255 shares of common stock were issued in the offering. A total of 4,496,500 shares were sold on July 7, 2011 in the Conversion at \$10 per share, raising \$44,965,000 of gross proceeds. The Company also donated 7% of the shares sold in the offering, or a total of 314,755 shares, to a newly established charitable foundation (the Foundation). The Association also contributed \$450,000 in cash to the Foundation. The 314,755 donated shares were valued at \$3,147,550 (\$10.00 per share) at the time of the consummation of the Conversion. This \$3,147,550 and the \$450,000 cash donation were both expensed during the quarter ended September 30, 2011.

The subscription offering resulted in the receipt of \$113 million in subscriptions including transfers from deposit accounts, ESOP, and 401(k) accounts, which was in excess of the maximum amount of shares to be offered under the Plan. At June 30, 2011, \$113 million was held in escrow and reflected in deposits. During the quarter ended September 30, 2011, the Association refunded approximately \$68.9 million to subscribers. The Company established an employee stock ownership plan that purchased 8% of the total shares issued in the offering, or 384,900 shares, for a total of \$3,849,000. IF Bancorp, Inc.'s common stock began trading on the NASDAQ Capital Market under the symbol IROQ on July 8, 2011.

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The cost of the Conversion and issuing the capital stock were deferred and deducted from the proceeds of the offering on July 7, 2011. For the period January 1, 2011 through June 30, 2011, the Association had incurred approximately \$766,209 in conversion costs, which were included in other assets on the balance sheet at June 30, 2011. The total amount of the conversion costs was approximately \$1.73 million and was netted from the Conversion proceeds.

In accordance with applicable regulations, at the time of the Conversion, the Association substantially restricted its retained earnings by establishing a liquidation account. The liquidation account will be maintained for the benefit of eligible holders who continue to maintain their accounts at the Association after the Conversion. The liquidation account will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation of the Association, and only in such event, each eligible account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the adjusted qualifying account balances then held. The Association may not pay dividends if those dividends would reduce equity capital below the required liquidation account amount.

**Note 3: New Accounting Pronouncements
Recent and Future Accounting Requirements**

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11 Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 requires an entity to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Retrospective disclosure is required for all comparative periods presented. The Company is assessing the impact of ASU 2011-11 on its disclosures.

In June 2011, the FASB issued ASU No. 2011-05 Comprehensive Income (Topic 220) - Presentation of Comprehensive Income. ASU 2011-05 requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In December 2011, FASB issued ASU No. 2011-12 which defers the effective date of the requirement in ASU 2011-05 to present items that are reclassified from accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. ASU 2011-05 was effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. The effect of applying this standard is reflected in the Consolidated Statements of Comprehensive Income and Consolidated Statements of Stockholders' Equity.

In May 2011, the FASB issued ASU No. 2011-04 Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. ASU 2011-04 changed the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Consequently, the amendments in this update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs (International Financial Reporting Standards). ASU 2011-04 was effective prospectively during interim and annual periods beginning on or after December 15, 2011. Early application by public entities was not permitted. The effect of applying this standard is reflected in Note 11 - Fair Value Measurements.

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Note 4: Employee Stock Ownership Plan (ESOP)

In connection with the conversion to stock form, the Association established an ESOP for the exclusive benefit of eligible employees (all salaried employees who have completed at least 1,000 hours of service in a twelve-month period and have attained the age of 21). The ESOP borrowed funds from the Company in an amount sufficient to purchase 384,900 shares (approximately 8% of the Common Stock issued in the stock offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Association and dividends received by the ESOP, with funds from any contributions on ESOP assets. Contributions will be applied to repay interest on the loan first, then the remainder will be applied to principal. The loan is expected to be repaid over a period of up to 20 years. Shares purchased with the loan proceeds are held in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants. Participants will vest 100% in their accrued benefits under the employee stock ownership plan after six vesting years, with prorated vesting in years two through five. Vesting is accelerated upon retirement, death or disability of the participant or a change in control of the Association. Forfeitures will be reallocated to remaining plan participants. Benefits may be payable upon retirement, death, disability, separation from service, or termination of the ESOP. Since the Association's annual contributions are discretionary, benefits payable under the ESOP cannot be estimated. Participants receive the shares at the end of employment.

The Company is accounting for its ESOP in accordance with ASC Topic 718, *Employers Accounting for Employee Stock Ownership Plans*. Accordingly, the debt of the ESOP is eliminated in consolidation and the shares pledged as collateral are reported as unearned ESOP shares in the consolidated balance sheets. Contributions to the ESOP shall be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, the Company reports compensation expense equal to the average market price of the shares for the respective period, and the shares become outstanding for earnings per shares computations. Dividends, if any, on unallocated ESOP shares are recorded as a reduction of debt and accrued interest.

A summary of ESOP shares at March 31, 2012 is as follows (dollars in thousands):

Shares committed for release	14,434
Unearned shares	370,466
Total ESOP shares	384,900
Fair value of unearned ESOP shares	\$ 4,583(1)

(1) Based on closing price of \$12.37 per share on March 31, 2012

Note 5: Earnings Per Common Share (EPS)

Basic and diluted earnings per common share are presented for the three and nine-month periods ended March 31, 2012. Earnings per share data is from the date of conversion on July 7, 2011, to March 31, 2012. Earnings per share data is not presented for the three or nine months ended March 31, 2011 since there were no outstanding shares of common stock until the conversion on July 7, 2011. The factors used in the earnings per common share computation follow:

	Three Months Ended		Nine Months Ended	
	March 31, 2012		March 31, 2012	
Net income	\$	848	\$	497
Basic weighted average shares outstanding		4,811,255		4,811,255
Less: Average unallocated ESOP shares		(372,873)		(375,278)
Basic average shares outstanding		4,438,382		4,435,977

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Basic and diluted earnings per common share	\$.19	\$.11
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There were no potential dilutive common shares for the periods presented. There were no common shares outstanding prior to July 7, 2011.

Note 6: Securities

The amortized cost and approximate fair value of securities, together with gross unrealized gains and losses, of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
March 31, 2012:				
U.S. government, federal agency, and government-sponsored enterprises (GSE)	\$ 155,663	\$ 5,270	\$ (38)	\$ 160,895
Mortgage-backed:				
GSE residential	44,451	1,755	0	46,206
State and political subdivisions	2,672	219	0	2,891
	\$ 202,786	\$ 7,244	\$ (38)	\$ 209,992
June 30, 2011:				
U.S. government, federal agency, and government-sponsored enterprises (GSE)	\$ 149,791	\$ 3,132	\$ (796)	\$ 152,127
Mortgage-backed:				
GSE residential	34,724	844	(32)	35,536
State and political subdivisions	2,481	129	0	2,610
	\$ 186,996	\$ 4,105	\$ (828)	\$ 190,273

With the exception of U.S. Government, federal agency and GSE securities and GSE residential mortgage-backed securities with a book value of approximately \$155,663,000 and \$44,451,000, respectively, and a market value of approximately \$160,895,000 and \$46,206,000, respectively, at March 31, 2012, the Company held no securities at March 31, 2012 with a book value that exceeded 10% of total equity.

All mortgage-backed securities at March 31, 2012, and June 30, 2011 were issued by GSEs.

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The amortized cost and fair value of available-for-sale securities at March 31, 2012, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale Securities	
	Amortized Cost	Fair Value
Within one year	\$ 1,241	\$ 1,258
One to five years	37,973	41,447
Five to ten years	119,057	121,013
After ten years	64	68
	158,335	163,786
Mortgage-backed securities	44,451	46,206
Totals	\$ 202,786	\$ 209,992

The carrying value of securities pledged as collateral to secure public deposits and for other purposes was \$56,674,000 and \$56,140,000 as of March 31, 2012 and June 30, 2011, respectively.

Gross gains of \$394,000 and \$386,000, and gross losses of \$9,000 and \$34,000, resulting from sales of available-for-sale securities were realized for the nine month periods ended March 31, 2012 and 2011, respectively. The tax provision applicable to these net realized gains amounted to approximately \$146,000 and \$134,000, respectively.

Certain investments in debt and marketable equity securities are reported in the financial statements at amounts less than their historical cost. Total fair value of these investments at March 31, 2012 was \$16,308,000, which is approximately 7.8% of the Company's available-for-sale investment portfolio. These declines primarily resulted from recent increases in market interest rates and failure of certain investments to maintain consistent credit quality ratings. Management believes the declines in fair value for these securities are temporary.

The following table shows the Company's securities' gross unrealized losses and fair value of the Company's securities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2012:

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities:						
U.S. government, federal agency, and government-sponsored enterprises (GSE)	\$ 16,308	\$ (38)	\$ 0	\$ 0	\$ 16,308	\$ (38)
Total temporarily impaired securities	\$ 16,308	\$ (38)	\$ 0	\$ 0	\$ 16,308	\$ (38)

The unrealized losses on the Company's investments were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at March 31, 2012 (unaudited).

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Classes of loans include:

	March 31, 2012	June 30, 2011
Real estate loans:		
One-to-four family, including home equity loans	\$ 147,051	\$ 148,448
Multi-family	32,311	26,299
Commercial	32,384	27,402
Home equity lines of credit	9,138	10,043
Construction	6,902	4,039
Commercial	12,709	12,068
Consumer	13,554	15,779
Total loans	254,049	244,078
Less:		
Unearned fees and discounts, net	61	19
Loans in process	666	890
Allowance for loan losses	3,317	3,149
Loans, net	\$ 250,005	\$ 240,020

The Company believes that sound loans are a necessary and desirable means of employing funds available for investment. Recognizing the Company's obligations to its depositors and to the communities it serves, authorized personnel are expected to seek to develop and make sound, profitable loans that resources permit and that opportunity affords. The Company maintains lending policies and procedures in place designed to focus our lending efforts on the types, locations, and duration of loans most appropriate for our business model and markets. The Company's principal lending activity is the origination of one-to four-family residential mortgage loans but also includes multi-family loans, commercial real estate loans, home equity lines of credits, commercial business loans, consumer (consisting primarily of automobile loans), and, to a much lesser extent, construction loans and land loans. The primary lending market includes the Illinois counties of Vermilion and Iroquois, as well as the adjacent counties in Illinois and Indiana. The Company also has a loan production and wealth management office in Osage Beach, Missouri, which serves the Missouri counties of Camden, Miller, and Morgan. Generally, loans are collateralized by assets, primarily real estate, of the borrowers and guaranteed by individuals. The loans are expected to be repaid from cash flows of the borrowers or from proceeds from the sale of selected assets of the borrowers.

Management reviews and approves the Company's lending policies and procedures on a routine basis. Management routinely (at least quarterly) reviews our allowance for loan losses and reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Our underwriting standards are designed to encourage relationship banking rather than transactional banking. Relationship banking implies a primary banking relationship with the borrower that includes, at minimum, an active deposit banking relationship in addition to the lending relationship. The integrity and character of the borrower are significant factors in our loan underwriting. As a part of underwriting, tangible positive or negative evidence of the borrower's integrity and character are sought out. Additional significant underwriting factors beyond location, duration, the sound and profitable cash flow basis underlying the loan and the borrower's character are the quality of the borrower's financial history, the liquidity of the underlying collateral and the reliability of the valuation of the underlying collateral.

The Company's policies and loan approval limits are established by the Board of Directors. The loan officers generally have authority to approve one-to-four family residential mortgage loans up to \$100,000, other secured loans up to

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\$50,000, and unsecured loans up to \$10,000. Managing Officers (those with designated loan approval authority), generally have authority to approve one-to-four family residential mortgage loans up to \$300,000, other secured loans up to \$300,000, and unsecured loans up to \$150,000. In addition, any two individual officers may combine their loan authority limits to approve a loan. Our Loan Committee may approve one-to-four family residential mortgage loans, commercial real estate loans, multi-family real estate loans and land loans up to \$1,000,000 in aggregate loans or \$750,000 for individual loans, and unsecured loans up to \$500,000. All loans above these limits must be approved by the Operating Committee, consisting of the Chairman, the President, and up to four other Board members. At no time is a borrower's total borrowing relationship to exceed our regulatory lending limit. Loans to related parties, including executive officers and the Company's directors, are reviewed for compliance with regulatory guidelines and the board of directors at least annually.

The Company conducts internal loan reviews that validate the loans against the Company's loan policy quarterly for mortgage, consumer, and small commercial loans on a sample basis, and all larger commercial loans on an annual basis. Beginning January 1, 2011, the Association also began receiving independent loan reviews performed by a third party on larger commercial loans to be performed annually. In addition to compliance with our policy, the loan review process reviews the risk assessments made by our credit department, lenders and loan committees. Results of these reviews are presented to management and the board of directors.

The Company's lending can be summarized into six primary areas; one-to-four family residential mortgage loans, commercial real estate and multi-family real estate loans, home equity lines of credits, real estate construction, commercial business loans, and consumer loans.

One-to-four family Residential Mortgage Loans

The Company offers one-to four-family residential mortgage loans that conform to Fannie Mae and Freddie Mac underwriting standards (conforming loans) as well as non-conforming loans. In recent years there has been an increased demand for long-term fixed-rate loans, as market rates have dropped and remained near historic lows. As a result, the Company has sold a substantial portion of the fixed-rate one-to-four family residential mortgage loans with terms of 15 years or greater. Generally, the Company retains fixed-rate one-to-four family residential mortgage loans with terms of less than 15 years, although this has represented a small percentage of the fixed-rate loans originated in recent years due to the favorable long-term rates for borrower.

In addition, the Company also offers home equity loans that are secured by a second mortgage on the borrower's primary or secondary residence. Home equity loans are generally underwritten using the same criteria used to underwrite one-to-four family residential mortgage loans.

As one-to-four family residential mortgage and home equity loan underwriting are subject to specific regulations, the Company typically underwrites its one-to-four family residential mortgage and home equity loans to conform to widely accepted standards. Several factors are considered in underwriting including the value of the underlying real estate and the debt to income and credit history of the borrower.

Commercial Real Estate and Multi-Family Real Estate Loans

Commercial real estate mortgage loans are primarily secured by office buildings, owner-occupied businesses, strip mall centers, farm loans secured by real estate and churches. In underwriting commercial real estate and multi-family real estate loans, the Company considers a number of factors, which include the projected net cash flow to the loan's debt service requirement, the age and condition of the collateral, the financial resources and income level of the borrower and the borrower's experience in owning or managing similar properties. Personal guarantees are typically obtained from commercial real estate and multi-family real estate borrowers. In addition, the borrower's financial information on such loans is monitored on an ongoing basis by requiring periodic financial statement updates. The repayment of these loans is primarily dependent on the cash flows of the underlying property. However, the commercial real estate loan generally must be supported by an adequate underlying collateral value. The performance and the value of the underlying property may be adversely affected by economic factors or geographical and/or industry specific factors. These loans are subject to other industry guidelines that are closely monitored by the Association.

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Home Equity Lines of Credit

In addition to traditional one-to-four family residential mortgage loans and home equity loans, the Company offers home equity lines of credit that are secured by the borrower's primary or secondary residence. Home equity lines of credit are generally underwritten using the same criteria used to underwrite one-to-four family residential mortgage loans. As home equity lines of credit underwriting are subject to specific regulations, the Company typically underwrites its home equity lines of credit to conform to widely accepted standards. Several factors are considered in underwriting including the value of the underlying real estate and the debt to income and credit history of the borrower.

Commercial Business Loans

The Company originates commercial non-mortgage business (term) loans and adjustable lines of credit. These loans are generally originated to small- and medium-sized companies in the Company's primary market area. Commercial business loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture, and are primarily secured by business assets other than real estate, such as business equipment and inventory, accounts receivable or stock. The Company also offers agriculture loans that are not secured by real estate.

The commercial business loan portfolio consists primarily of secured loans. When making commercial business loans, the Company considers the financial statements, lending history and debt service capabilities of the borrower, the projected cash flows of the business and the value of the collateral, if any. The cash flows of the underlying borrower, however, may not perform consistent with historical or projected information. Further, the collateral securing loans may fluctuate in value due to individual economic or other factors. Loans are typically guaranteed by the principals of the borrower. The Company has established minimum standards and underwriting guidelines for all commercial loan types.

Real Estate Construction Loans

The Company originates construction loans for one-to-four family residential properties and commercial real estate properties, including multi-family properties. The Company generally requires that a commitment for permanent financing to be in place prior to closing the construction loan. The repayment of these loans is typically through permanent financing following completion of the construction. Real estate construction loans are inherently more risky than loans on completed properties as the unimproved nature and the financial risks of construction significantly enhance the risks of commercial real estate loans. These loans are closely monitored and subject to other industry guidelines.

Consumer Loans

Consumer loans consist of installment loans to individuals, primarily automotive loans. These loans are centrally underwritten utilizing the borrower's financial history, including the Fair Isaac Corporation (FICO) credit scoring and information as to the underlying collateral. Repayment is expected from the cash flow of the borrower. Consumer loans may be underwritten with terms up to seven years, fully amortized. Unsecured loans are limited to twelve months. Loan-to-value ratios vary based on the type of collateral. The Company has established minimum standards and underwriting guidelines for all consumer loan collateral types.

The loan portfolio includes a concentration of loans secured by commercial real estate properties amounting to \$64,695,000 and \$53,701,000 as of March 31, 2012 and June 30, 2011, respectively. Generally, these loans are collateralized by multi-family and nonresidential properties. The loans are expected to be repaid from cash flows or from proceeds from the sale of the properties of the borrower.

The Company's loans receivable included purchased loans of \$18,904,000 and \$20,966,000 at March 31, 2012 and June 30, 2011, respectively. All of these loans are out-of-area purchased loans which are secured by single family homes

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located primarily in the Midwest. The Company's loans receivable also include commercial loan participations of \$10,072,000 and \$10,484,000 at March 31, 2012 and June 30, 2011, respectively, of which \$6,561,000 and \$6,385,000, at March 31, 2012 and June 30, 2011 were outside our primary market area. These participation loans are secured by real estate and other business assets.

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of the three and nine-month periods ended March 31, 2012 and the year ended June 30, 2011:

	Three Months Ended March 31, 2012			
	Real Estate Loans			
	One-to-Four Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for loan losses:				
Balance, beginning of period	\$ 1,827	\$ 320	\$ 234	\$ 95
Provision charged to expense	418	4	13	2
Losses charged off	(177)	0	0	0
Recoveries	44	0	0	0
Balance, end of period	\$ 2,112	\$ 324	\$ 247	\$ 97
Ending balance: individually evaluated for impairment	\$ 818	\$ 0	\$ 55	\$ 15
Ending balance: collectively evaluated for impairment	\$ 1,294	\$ 324	\$ 192	\$ 82
Loans:				
Ending balance	\$ 147,051	\$ 32,311	\$ 32,384	\$ 9,138
Ending balance: individually evaluated for impairment	\$ 4,809	\$ 1,498	\$ 96	\$ 52
Ending balance: collectively evaluated for impairment	\$ 142,242	\$ 30,813	\$ 32,288	\$ 9,086

	Three Months Ended March 31, 2012 (Continued)				
	Construction	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:					
Balance, beginning of period	\$ 47	\$ 383	\$ 183	\$ 19	\$ 3,108
Provision charged to expense	18	(28)	(29)	(5)	393
Losses charged off	0	(29)	(26)	0	(232)
Recoveries	0	0	4	0	48
Balance, end of period	\$ 65	\$ 326	\$ 132	\$ 14	\$ 3,317
Ending balance: individually evaluated for impairment	\$ 0	\$ 0	\$ 31	\$ 0	\$ 919
Ending balance: collectively evaluated for impairment	\$ 65	\$ 326	\$ 101	\$ 14	\$ 2,398

Loans:

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Ending balance	\$ 6,902	\$ 12,709	\$ 13,554	\$ 0	\$ 254,049
Ending balance: individually evaluated for impairment	\$ 0	\$ 3	\$ 84	\$ 0	\$ 6,542
Ending balance: collectively evaluated for impairment	\$ 6,902	\$ 12,706	\$ 13,470	\$ 0	\$ 247,507

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	Nine Months Ended March 31, 2012			
	Real Estate Loans			Home Equity Lines of Credit
	One-to-Four Family	Multi-Family	Commercial	
Allowance for loan losses:				
Balance, beginning of period	\$ 1,987	\$ 250	\$ 232	\$ 120
Provision charged to expense	555	74	64	(23)
Losses charged off	(501)	0	(49)	0
Recoveries	71	0	0	0
Balance, end of period	\$ 2,112	\$ 324	\$ 247	\$ 97
Ending balance: individually evaluated for impairment	\$ 818	\$ 0	\$ 55	\$ 15
Ending balance: collectively evaluated for impairment	\$ 1,294	\$ 324	\$ 192	\$ 82
Loans:				
Ending balance	\$ 147,051	\$ 32,311	\$ 32,384	\$ 9,138
Ending balance: individually evaluated for impairment	\$ 4,809	\$ 1,498	\$ 96	\$ 52
Ending balance: collectively evaluated for impairment	\$ 142,242	\$ 30,813	\$ 32,288	\$ 9,086

	Nine Months Ended March 31, 2012 (Continued)				
	Construction	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:					
Balance, beginning of period	\$ 30	\$ 352	\$ 169	\$ 9	\$ 3,149
Provision charged to expense	35	3	14	5	727
Losses charged off	0	(29)	(86)	0	(665)
Recoveries	0	0	35	0	106
Balance, end of period	\$ 65	\$ 326	\$ 132	\$ 14	\$ 3,317
Ending balance: individually evaluated for impairment	\$ 0	\$ 0	\$ 31	\$ 0	\$ 919
Ending balance: collectively evaluated for impairment	\$ 65	\$ 326	\$ 101	\$ 14	\$ 2,398
Loans:					
Ending balance	\$ 6,902	\$ 12,709	\$ 13,554	\$ 0	\$ 254,049
Ending balance: individually evaluated for impairment	\$ 0	\$ 3	\$ 84	\$ 0	\$ 6,542
Ending balance: collectively evaluated for impairment	\$ 6,902	\$ 12,706	\$ 13,470	\$ 0	\$ 247,507

Year Ended June 30, 2011
Real Estate Loans

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	One-to-Four Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for loan losses:				
Balance, beginning of year	\$ 1,785	\$ 202	\$ 175	\$ 71
Provision charged to expense	1,106	48	57	49
Losses charged off	(920)	0	0	0
Recoveries	16	0	0	0
Balance, end of year	\$ 1,987	\$ 250	\$ 232	\$ 120
Ending balance: individually evaluated for impairment	\$ 808	\$ 0	\$ 57	\$ 31
Ending balance: collectively evaluated for impairment	\$ 1,179	\$ 250	\$ 175	\$ 89
Loans:				
Ending balance	\$ 148,448	\$ 26,299	\$ 27,402	\$ 10,043
Ending balance: individually evaluated for impairment	\$ 5,335	\$ 0	\$ 206	\$ 73
Ending balance: collectively evaluated for impairment	\$ 143,113	\$ 26,299	\$ 27,196	\$ 9,970

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	Year Ended June 30, 2011 (Continued)				Total
	Construction	Commercial	Consumer	Unallocated	
Allowance for loan losses:					
Balance, beginning of year	\$ 0	\$ 400	\$ 127	\$ 7	\$ 2,767
Provision charged to expense	30	(18)	77	2	1,351
Losses charged off	0	(30)	(54)	0	(1,004)
Recoveries	0	0	19	0	35
Balance, end of year	\$ 30	\$ 352	\$ 169	\$ 9	\$ 3,149
Ending balance: individually evaluated for impairment	\$ 0	\$ 0	\$ 58	\$ 0	\$ 954
Ending balance: collectively evaluated for impairment	\$ 30	\$ 352	\$ 111	\$ 9	\$ 2,195
Loans:					
Ending balance	\$ 4,039	\$ 12,068	\$ 15,779	\$ 0	\$ 244,078
Ending balance: individually evaluated for impairment	\$ 0	\$ 4	\$ 130	\$ 0	\$ 5,748
Ending balance: collectively evaluated for impairment	\$ 4,039	\$ 12,064	\$ 15,649	\$ 0	\$ 238,330

Activity in the allowance for loan losses for the three and nine month periods ended March 31, 2011 was as follows:

	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2011
Balance, beginning of period	\$ 2,711	\$ 2,767
Provision charged to expense	225	850
Losses charged off, net of recoveries of \$19,000 and \$24,000 for the three and nine months ended March 31, 2011	(136)	(817)
Balance, end of period	\$ 2,800	\$ 2,800

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Management's opinion as to the ultimate collectability of loans is subject to estimates regarding future cash flows from operations and the value of property, real and personal, pledged as collateral. These estimates are affected by changing economic conditions and the economic prospects of borrowers.

Allowance for Loan Losses

The allowance for loan losses represents an estimate of the amount of losses believed inherent in our loan portfolio at the balance sheet date. The allowance calculation involves a high degree of estimation that management attempts to mitigate through the use of objective historical data where available. Loan losses are charged against the allowance for loan losses when management believes the uncollectability of the loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Overall, we believe the reserve to be consistent with prior periods and adequate to cover the estimated losses in our loan portfolio.

The Company's methodology for assessing the appropriateness of the allowance for loan losses consists of two key elements: (1) specific allowances for estimated credit losses on individual loans that are determined to be impaired through the Company's review for identified problem loans; and (2) a general allowance based on estimated credit losses inherent in the remainder of the loan portfolio.

The specific allowance is measured by determining the present value of expected cash flows, the loan's observable market value, or for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expense. Factors used in identifying a specific problem loan include: (1) the strength of the customer's personal or business cash flows; (2) the availability of other sources of repayment; (3) the amount due or past due; (4) the type and value of collateral; (5) the strength of the collateral position; (6) the estimated cost to sell the collateral; and (7) the borrower's effort to cure the delinquency. In addition for loans secured by real estate, the Company also considers the extent of any past due and unpaid property taxes applicable to the property serving as collateral on the mortgage.

The Company establishes a general allowance for loans that are not deemed impaired to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, has not been allocated to particular problem assets. The general valuation allowance is determined by segregating the loans by loan category and assigning allowance percentages based on the Company's historical loss experience and management's evaluation of the collectability of the loan portfolio. The allowance is then adjusted for qualitative factors that, in management's judgment, affect the collectability of the portfolio as of the evaluation date. These qualitative factors may include: (1) Management's assumptions regarding the minimal level of risk for a given loan category; (2) changes in lending policies and procedures, including changes in underwriting standards, and charge-off and recovery practices not considered elsewhere in estimating credit losses; (3) changes in international, national, regional and local economics and business conditions and developments that affect the collectability of the portfolio, including the conditions of various market segments; (4) changes in the nature and volume of the portfolio and in the terms of loans; (5) changes in the experience, ability, and depth of the lending officers and other relevant staff; (6) changes in the volume and severity of past due loans, the volume of non-accrual loans, the volume of troubled debt restructured and other loan modifications, and the volume and severity of adversely classified loans; (7) changes in the quality of the loan review system; (8) changes in the value of the underlying collateral for collateral-dependent loans; (9) the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and (10) the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio. The applied loss factors are re-evaluated quarterly to ensure their relevance in the current environment.

Although the Company's policy allows for a general valuation allowance on certain smaller-balance, homogenous pools of loans classified as substandard, the Company has historically evaluated every loan classified as substandard, regardless of size, for impairment as part of the review for establishing specific allowances. The Company's policy also allows for general valuation allowance on certain smaller-balance, homogenous pools of loans which are loans criticized as special mention or watch. A separate general allowance calculation is made on these loans based on historical measured weakness, and which is no less than twice the amount of the general allowance calculated on the non-classified loans.

There have been no changes to the Company's accounting policies or methodology from the prior periods.

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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. All loans are graded at inception of the loan. Subsequently, analyses are performed on an annual basis and grade changes are made as necessary. Interim grade reviews may take place if circumstances of the borrower warrant a more timely review. The Company utilizes an internal asset classification system as a means of reporting problem and potential problem loans. Under the Company's risk rating system, the Company classifies problem and potential problem loans as Watch, Substandard, Doubtful, and Loss. The Company uses the following definitions for risk ratings:

Pass Loans classified as pass are well protected by the ability of the borrower to pay or by the value of the asset or underlying collateral.

Watch Loans classified as watch 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 Company'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.

Loss Loans classified as loss are the portion of the loan that is considered uncollectible so that its continuance as an asset is not warranted. The amount of the loss determined will be charged-off.

The following tables present the credit risk profile of the Company's loan portfolio based on rating category and payment activity:

	Real Estate Loans							Total
	One-to-Four Family	Multi-Family	Commercial	Home Equity Lines of Credit	Construction	Commercial	Consumer	
March 31, 2012 :								
Pass	\$ 141,669	\$ 30,813	\$ 32,288	\$ 9,086	\$ 6,902	\$ 11,484	\$ 13,471	\$ 245,713
Watch	416	0	0	0	0	1,222	0	1,638
Substandard	4,966	1,498	96	52	0	3	83	6,698
Doubtful	0	0	0	0	0	0	0	0
Loss	0	0	0	0	0	0	0	0
Total	\$ 147,051	\$ 32,311	\$ 32,384	\$ 9,138	\$ 6,902	\$ 12,709	\$ 13,554	\$ 254,049

	Real Estate Loans							Total
	One-to-Four Family	Multi-Family	Commercial	Home Equity Lines of Credit	Construction	Commercial	Consumer	
June 30, 2011:								
Pass	\$ 142,931	\$ 24,787	\$ 27,196	\$ 9,970	\$ 4,039	\$ 10,739	\$ 15,646	\$ 235,308
Watch	71	0	0	0	0	1,325	3	1,399
Substandard	5,446	1,512	206	73	0	4	130	7,371
Doubtful	0	0	0	0	0	0	0	0
Loss	0	0	0	0	0	0	0	0

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Total	\$ 148,448	\$ 26,299	\$ 27,402	\$ 10,043	\$ 4,039	\$ 12,068	\$ 15,779	\$ 244,078
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The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at the earlier date if collection of principal and interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged-off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The following tables present the Company's loan portfolio aging analysis:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
March 31, 2012:							
Real estate loans:							
One-to-four family	\$ 3,278	\$ 525	\$ 2,745	\$ 6,548	\$ 140,503	\$ 147,051	\$ 0
Multi-family	0	0	0	0	32,311	32,311	0
Commercial	182	0	0	182	32,202	32,384	0
Home equity lines of credit	104	0	52	156	8,982	9,138	0
Construction	0	0	0	0	6,902	6,902	0
Commercial	62	13	0	75	12,634	12,709	0
Consumer	110	29	19	158	13,396	13,554	0
Total	\$ 3,736	\$ 567	\$ 2,816	\$ 7,119	\$ 246,930	\$ 254,049	\$ 0

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
June 30, 2011:							
Real estate loans:							
One-to-four family	\$ 2,619	\$ 631	\$ 3,458	\$ 6,708	\$ 141,740	\$ 148,448	\$ 0
Multi-family	0	0	0	0	26,299	26,299	0
Commercial	198	0	104	302	27,100	27,402	0
Home equity lines of credit	283	67	37	387	9,656	10,043	0
Construction	0	0	0	0	4,039	4,039	0
Commercial	19	0	0	19	12,049	12,068	0
Consumer	149	80	25	254	15,525	15,779	0
Total	\$ 3,268	\$ 778	\$ 3,624	\$ 7,670	\$ 236,408	\$ 244,078	\$ 0

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Association will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. 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 a case-by-case

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basis, taking into consideration all of the circumstances surrounding the loans 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.

Impairment is measured on a loan-by-loan basis by either the present value of the expected future cash flows, the loan's observable market value, or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. Significant restructured loans are considered impaired in determining the adequacy of the allowance for loan losses.

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The Company actively seeks to reduce its investment in impaired loans. The primary tools to work through impaired loans are settlements with the borrowers or guarantors, foreclosure of the underlying collateral, or restructuring. Included in certain loan categories in the impaired loans are \$3.8 million in troubled debt restructurings that were classified as impaired.

The following tables present impaired loans:

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Three Months Ended March 31, 2012			Nine Months Ended March 31, 2012		
				Average Investment in Impaired Loans	Interest Recognized	Interest on Cash Basis	Average Investment in Impaired Loans	Interest Recognized	Interest on Cash Basis
March 31, 2012:									
Loans without a specific valuation allowance									
Real estate loans:									
One-to-four family	\$ 1,794	\$ 1,794	\$ 0	\$ 1,767	\$ 3	\$ 3	\$ 1,758	\$ 6	\$ 6
Multi-family	1,498	1,498	0	1,527	0	0	1,505	23	32
Commercial	0	0	0	0	0	0	0	0	0
Home equity line of credit	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0
Commercial	3	3	0	3	0	0	3	0	0
Consumer	5	5	0	16	0	0	17	0	1
Loans with a specific allowance									
Real estate loans:									
One-to-four family	3,015	3,015	818	2,907	12	12	2,896	23	29
Multi-family	0	0	0	0	0	0	0	0	0
Commercial	97	97	55	99	0	0	99	0	0
Home equity line of credit	52	52	15	45	0	0	44	0	0
Construction	0	0	0	0	0	0	0	0	0
Commercial	0	0	0	2	0	0	2	0	0
Consumer	78	78	31	79	1	1	81	2	2
Total:									
Real estate loans:									
One-to-four family	4,809	4,809	818	4,674	15	15	4,654	29	35
Multi-family	1,498	1,498	0	1,527	0	0	1,505	23	32
Commercial	97	97	55	99	0	0	99	0	0
Home equity line of credit	52	52	15	45	0	0	44	0	0
Construction	0	0	0	0	0	0	0	0	0
Commercial	3	3	0	5	0	0	5	0	0
Consumer	83	83	31	95	1	1	98	2	70
	\$ 6,542	\$ 6,542	\$ 919	\$ 6,445	\$ 16	\$ 16	\$ 6,405	\$ 54	\$ 70

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	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized	Interest on Cash Basis
June 30, 2011:						
Loans without a specific valuation allowance						
Real estate loans:						
One-to-four family	\$ 2,272	\$ 2,272	\$ 0	\$ 2,292	\$ 65	\$ 65
Multi-family	0	0	0	0	0	0
Commercial	104	104	0	105	2	2
Home equity line of credit	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Commercial	0	0	0	0	0	0
Consumer	7	7	0	8	1	1
Loans with a specific allowance						
Real estate loans:						
One-to-four family	3,063	3,063	808	3,081	55	55
Multi-family	0	0	0	0	0	0
Commercial	102	102	57	116	7	7
Home equity line of credit	73	73	31	73	3	3
Construction	0	0	0	0	0	0
Commercial	4	4	0	19	1	1
Consumer	123	123	58	133	11	11
Total:						
Real estate loans:						
One-to-four family	5,335	5,335	808	5,373	120	120
Multi-family	0	0	0	0	0	0
Commercial	206	206	57	221	9	9
Home equity line of credit	73	73	31	73	3	3
Construction	0	0	0	0	0	0
Commercial	4	4	0	19	1	1
Consumer	130	130	58	141	12	12
	\$ 5,748	\$ 5,748	\$ 954	\$ 5,827	\$ 145	\$ 145

Interest income recognized on impaired loans includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on non-accruing impaired loans for which the ultimate collectability of principal is not uncertain.

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The following table presents the Company's nonaccrual loans at March 31, 2012 and June 30, 2011:

	March 31, 2012	June 30, 2011
Mortgages on real estate:		
One-to-four family	\$ 4,545	\$ 4,881
Multi-family	1,498	0
Commercial	96	206
Home equity lines of credit	52	73
Construction loans	0	0
Commercial business loans	3	4
Consumer loans	83	108
Total	\$ 6,277	\$ 5,272

Included in certain loan categories in the impaired loans are troubled debt restructurings (TDR), where economic concessions have been granted to borrowers who have experienced financial difficulties, which were classified as impaired. These concessions typically result from our loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. TDRs are considered impaired at the time of restructuring and may be returned to accrual status after considering the borrower's sustained repayment performance for a reasonable period of a least six months, and typically are returned to performing status after twelve months, unless impairment still exists.

When loans and leases are modified into a TDR, the Company evaluates any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan or lease agreement, and uses the current fair value of the collateral, less selling costs for collateral dependent loans. If the Company determines that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, the Company evaluates all TDRs, including those that have payment defaults, for possible impairment and recognizes impairment through the allowance.

Beginning with the quarter ended September 30, 2011, the Company adopted ASU 2011-02. The amendments in ASU 2011-02 require prospective application of the impairment measurement guidance in ASC 310-10-35 for those receivables newly identified as impaired. As a result of adopting ASU 2011-02, the Company reassessed all restructurings that occurred on or after July 1, 2011, the beginning of our current fiscal year, for identification as TDRs. The Company identified no loans as troubled debt restructurings for which the allowance for loan losses had previously been measured under a general allowance for credit losses methodology. Therefore, there was no additional impact to the allowance for loan losses as a result of the adoption.

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The following table presents the recorded balance, at original cost, of troubled debt restructurings, all of which were performing according to the terms of the restructuring, as of March 31, 2012 and June 30, 2011. As of March 31, 2012 all loans listed were on nonaccrual except for three, one- to four-family residential loans totaling \$264,000. All loans listed as of June 30, 2011 were on nonaccrual.

	March 31, 2012	June 30, 2011
Real estate loans		
One-to-four family	\$ 2,199	\$ 1,633
Home equity lines of credit	0	0
Multi-family	1,498	0
Commercial	96	102
 Total real estate loans	 3,793	 1,735
 Construction	 0	 0
Commercial and industrial	3	4
Consumer loans	27	71
 Total	 \$ 3,823	 \$ 1,810

The following table represents loans modified as troubled debt restructurings during the three and nine month periods ending March 31, 2012:

	Three Months Ended March 31, 2012		Nine Months Ended March 31, 2012	
	Number of Modifications	Recorded Investment	Number of Modifications	Recorded Investment
Real estate loans:				
One-to-four family	0	\$ 0	13	\$ 1,121
Home equity lines of credit	0	0	0	0
Multi-family	0	0	1	1,561
Commercial	0	0	0	0
 Total real estate loans	 0	 0	 14	 2,682
 Construction	 0	 0	 0	 0
Commercial	0	0	0	0
Consumer loans	0	0	0	0
 Total	 0	 \$ 0	 14	 \$ 2,682

During the three month period ended March 31, 2012, the Company had no modifications.

During the nine month period ended March 31, 2012, the Company modified 13 one- to four-family residential real estate loans, with a recorded investment of \$1.1 million, which were deemed TDRs. None of the modifications included the lowering of the interest rate. All 13 of the

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modifications, totaling \$1.1 million involved payment adjustments or maturity concessions, and did not result in a reduction in the contractual interest rate or a write-off of the principal balance. Such loans are considered collateral dependent, and the modifications resulted in specific allowances of \$78,000, based upon the fair value of the collateral.

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In addition, the Company modified 1 multi-family residential real estate loan during the period, which had recorded investment of \$1,561,000 prior to modification and was deemed a TDR. The modification resulted in an extended maturity date without a change in interest rate, which resulted in a specific allowance of \$7,000 based upon the fair value of the collateral.

The company has two TDRs, both one-to-four family residential loans for \$368,000, that were in default as of March 31, 2012, and were restructured in prior periods. Both loans are currently in foreclosure. A third loan, consumer loan for \$21,000, defaulted in the second quarter and the property was repossessed and liquidated at no loss to the company. The company defines a default as any loan that becomes 90 days or more past due.

Specific loss allowances are included in the calculation of estimated future loss ratios, which are applied to the various loan portfolios for purposes of estimating future losses.

Management considers the level of defaults within the various portfolios, as well as the current adverse economic environment and negative outlook in the real estate and collateral markets when evaluating qualitative adjustments used to determine the adequacy of the allowance for loan losses. We believe the qualitative adjustments more accurately reflect collateral values in light of the sales and economic conditions that we have recently observed.

Note 8: Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula. The Company owned \$3,650,000 and \$3,121,000 of Federal Home Loan Bank stock as of March 31, 2012 and June 30, 2011 respectively. The increase in Federal Home Loan Bank stock allowed the Company to increase borrowing capacity of Federal Home Loan Bank advances. The Federal Home Loan Bank of Chicago (FHLB) was operating under a Consent Cease and Desist Order (Consent Order) from its regulator, the Federal Housing Finance Board. However, on April 18, 2012, they announced that the Federal Housing Finance Agency had agreed to terminate the Consent Order effective immediately. During the nine months ended March 31, 2012, FHLB's new capital structure and repurchase plan were approved by the FHFA. This new capital structure established two subclasses of stock effective January 1, 2012, and the repurchase plan allows members to request that the FHLB repurchase all or a portion of their excess FHLB stock. The first repurchase date was February 15, 2012 and a second repurchase date is scheduled for May 15, 2012. The FHLB continues to provide liquidity and funding through advances. With regard to dividends, the FHLB will continue to assess its dividend capacity each quarter and make appropriate request for approval. The FHLB did not pay a dividend in calendar year 2010; however, in calendar year 2011 the FHLB declared and paid four quarterly dividends at an annualized rate of 10 basis points per share. Management performed an analysis as of March 31, 2012 and June 30, 2011 and deemed the cost method investment in FHLB stock was ultimately recoverable.

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Note 9: Comprehensive Income (Loss)

Other comprehensive income (loss) components and related taxes were as follows:

	Nine Months Ended	
	March 31, 2012	March 31, 2011
Net unrealized gains (losses) on securities available-for-sale	\$ 4,314	\$ (3,023)
Less reclassification adjustment for realized gains included in income	385	352
	3,929	(3,375)
Postretirement health plan		
Amortization of transition obligation	25	25
Amortization of prior service cost	(36)	(36)
Change in net gain (loss)	(144)	11
	(155)	0
Other comprehensive income (loss), before tax effect	3,774	(3,375)
Less tax expense (benefit)	1,434	(1,282)
	\$ 2,340	\$ (2,093)

The components of accumulated other comprehensive income, included in stockholders' equity, are as follows:

	March 31, 2012	June 30, 2011
Net unrealized gains on securities available-for-sale	\$ 7,206	\$ 3,277
Net unrealized postretirement health benefit plan obligations	(26)	129
	7,180	3,406
Tax effect	(2,727)	(1,293)
Total	\$ 4,453	\$ 2,113

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A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Computed at the statutory rate (34%)	\$ 451	\$ 355	\$ 216	\$ 1,210
Decrease resulting from				
Tax exempt interest	(10)	(7)	(31)	(15)
Cash surrender value of life insurance	(22)	(22)	(66)	(66)
State income taxes	42	(11)	20	70
Other	17	64	(1)	95
Actual expense	\$ 478	\$ 379	\$ 138	\$ 1,294

The Company established a charitable foundation at the time of its mutual-to-stock conversion and donated to it shares of common stock equal to 7% of the shares sold in the offering, or 314,755 shares. The donated shares were valued at \$3,147,550 (\$10.00 per share) at the time of conversion. The Association also contributed \$450,000 in cash to the Foundation. The \$3,147,550 and the \$450,000 cash donation, or a total of \$3,597,550 was expensed during the quarter ended September 30, 2011. The Company established a deferred tax asset associated with this charitable contribution. No valuation allowance was deemed necessary as it appears the Company will be able to deduct the contribution, which is subject to limitations each year, during the current year and five year carry forward period.

Note 11: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value: