

IF Bancorp, Inc.  
Form 10-Q  
February 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 December 31, 2011**

**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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<b>Maryland</b> (State or other jurisdiction of incorporation or organization)	<b>45-1834449</b> (I.R.S. Employer Identification Number)
<b>201 East Cherry Street, Watseka, Illinois</b> (Address of Principal Executive Offices)	<b>60970</b> Zip Code
<b>(815) 432-2476</b> (Registrant's telephone number)	
<b>N/A</b> (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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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 February 10, 2012.

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**Form 10-Q**

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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)**

	<b>December 31, 2011 (Unaudited)</b>	<b>June 30, 2011</b>
<b>Assets</b>		
Cash and due from banks	\$ 13,404	\$ 53,811
Interest-bearing demand deposits	1,187	6,695
Cash and cash equivalents	14,591	60,506
Interest-bearing time deposits in banks	250	250
Available-for-sale securities	199,161	190,273
Loans, net of allowance for loan losses of \$3,108 and \$3,149 at December 31, 2011 and June 30, 2011, respectively	247,930	240,020
Premises and equipment, net of accumulated depreciation of \$5,002 and \$4,749 at December 31, 2011 and June 30, 2011, respectively	4,404	4,124
Federal Home Loan Bank stock, at cost	3,875	3,121
Foreclosed assets held for sale	787	710
Accrued interest receivable	1,619	1,684
Deferred income taxes	142	337
Bank-owned life insurance	7,367	7,235
Mortgage servicing rights	307	408
Other	1,270	2,148
Total assets	\$ 481,703	\$ 510,816
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
<b>Deposits</b>		
Demand	\$ 10,145	\$ 8,400
Savings, NOW and money market	121,503	230,283
Certificates of deposit	189,709	199,381
Brokered certificates of deposit	11,000	6,001
Total deposits	332,357	444,065
Federal Home Loan Bank advances	60,500	22,500
Advances from borrowers for taxes and insurance	974	841
Accrued post-retirement benefit obligation	2,070	1,932
Accrued interest payable	76	158
Other	1,595	1,879

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Total liabilities	397,572	471,375
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## **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	46,351	0
Unearned ESOP shares, at cost, 375,278 shares at December 31, 2011	(3,753)	0
Retained earnings	36,977	37,328
Accumulated other comprehensive income, net of tax	4,508	2,113

Total stockholders' equity	84,131	39,441
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<b>Total liabilities and equity</b>	<b>\$ 481,703</b>	<b>\$ 510,816</b>
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See accompanying notes to the unaudited condensed consolidated financial statements.

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

(Dollars in thousands except per share amount)

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Interest and Dividend Income</b>				
Interest and fees on loans	\$ 3,034	\$ 3,206	\$ 6,102	\$ 6,457
Securities:				
Taxable	1,439	995	2,808	2,087
Tax-exempt	33	32	63	63
Federal Home Loan Bank dividends	0	0	1	0
Deposits with other financial institutions	3	2	15	4
Total interest and dividend income	4,509	4,235	8,989	8,611
<b>Interest Expense</b>				
Deposits	757	1,069	1,566	2,271
Federal Home Loan Bank advances	227	219	453	458
Total interest expense	984	1,288	2,019	2,729
<b>Net Interest Income</b>	3,525	2,947	6,970	5,882
<b>Provision for Loan Losses</b>	195	400	334	625
<b>Net Interest Income After Provision for Loan Losses</b>	3,330	2,547	6,636	5,257
<b>Noninterest Income</b>				
Customer service fees	176	160	332	323
Other service charges and fees	70	79	113	156
Insurance commissions	208	111	391	327
Brokerage commissions	108	160	229	301
Net realized gains on sales of available-for-sale securities	240	150	290	378
Mortgage banking income, net	109	244	81	420
Bank-owned life insurance income, net	65	65	131	130
Other	129	152	268	290
Total noninterest income	1,105	1,121	1,835	2,325
<b>Noninterest Expense</b>				
Compensation and benefits	1,753	1,577	3,507	3,176
Office occupancy	111	126	232	238
Equipment	164	157	330	308
Federal deposit insurance	78	107	142	217
Stationary, printing and office	40	34	80	73
Advertising	89	77	167	141
Professional services	102	80	196	126
Supervisory examinations	33	0	98	53

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Audit and accounting services	78	0	123	23
Organizational dues and subscriptions	14	25	32	41
Insurance bond premiums	26	29	50	53
Telephone and postage	62	52	117	100
Gain on foreclosed assets, net	(1)	(8)	(14)	(84)
Charitable contributions	0	12	3,601	15
Other	266	256	500	587

Total noninterest expense	2,815	2,524	9,161	5,067
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<b>Income (Loss) Before Income Tax</b>	1,620	1,144	(690)	2,515
<b>Provision (Benefit) for Income Tax</b>	596	432	(339)	915

<b>Net (Loss) Income</b>	\$ 1,024	\$ 712	\$ (351)	\$ 1,600
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## **Earnings (Loss) Per Share:**

Basic and diluted (Note 5)	\$ .23	N/A	\$ (.08)	N/A
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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
<b>For the six months ended December 31, 2011</b>						
Balance, July 1, 2011	\$ 0	\$ 0	\$ 0	\$ 37,328	\$ 2,113	\$ 39,441
<b>Comprehensive income:</b>						
Net loss				(351)		(351)
Change in unrealized appreciation on available-for-sale securities, net of tax expense of \$1,473	0	0	0	0	2,395	2,395
Total comprehensive income						2,044
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, 9,622 shares		11	96			107
Balance, December 31, 2011	\$ 48	\$ 46,351	\$ (3,753)	\$ 36,977	\$ 4,508	\$ 84,131
<b>For the six months ended December 31, 2010</b>						
Balance, July 1, 2010	\$ 0	\$ 0	\$ 0	\$ 34,498	\$ 2,790	\$ 37,288
<b>Comprehensive income:</b>						
Net income				1,600		1,600
Change in unrealized appreciation on available-for-sale securities, net of tax expense of \$1,329	0	0	0	0	(2,168)	(2,168)
Total comprehensive income						(568)
Balance, December 31, 2010	\$ 0	\$ 0	\$ 0	\$ 36,098	\$ 622	\$ 36,720

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)

	<b>Six Months Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Operating Activities</b>		
Net income (loss)	\$ (351)	\$ 1,600
Items not requiring (providing) cash		
Depreciation	203	191
Provision for loan losses	334	625
Amortization of premiums and discounts on securities	683	297
Deferred income taxes	(1,278)	199
Net realized gains on loan sales	(81)	(420)
Net realized gains on sales of available-for-sale securities	(290)	(378)
Gain on foreclosed assets held for sale	(14)	(84)
Bank-owned life insurance income, net	(131)	(130)
Originations of loans held for sale	(7,181)	(17,594)
Proceeds from sales of loans held for sale	7,363	18,098
ESOP compensation expense	107	0
Contribution of stock to the Foundation	3,148	0
Changes in		
Accrued interest receivable	65	57
Other assets	878	(561)
Accrued interest payable	(82)	45
Post-retirement benefit obligation	41	0
Other liabilities	(284)	46
Net cash provided by operating activities	3,130	1,991
<b>Investing Activities</b>		
Net change in interest-bearing deposits	0	(250)
Purchases of available-for-sale securities	(103,055)	(87,143)
Proceeds from the sales of available-for-sale securities	68,270	52,694
Proceeds from maturities and pay-downs of available-for-sale securities	29,469	18,906
Net change in loans	(8,748)	(7,707)
Purchase of FHLB stock	(754)	0
Purchase of premises and equipment	(484)	(204)
Proceeds from sale of foreclosed assets	441	306
Net cash used in investing activities	(14,861)	(23,398)
<b>Financing Activities</b>		
Net increase (decrease) in demand deposits, money market, NOW and savings accounts	(107,035)	7,998
Net increase (decrease) in certificates of deposit, including brokered certificates	(4,673)	4,636
Net increase in advances from borrowers for taxes and insurance	133	93
Proceeds from Federal Home Loan Bank advances	300,000	8,500
Repayments of Federal Home Loan Bank advances	(262,000)	0
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	(34,184)	21,227
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(45,915)</b>	<b>(180)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>60,506</b>	<b>6,836</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 14,591</b>	<b>\$ 6,656</b>

## **Supplemental Cash Flows Information**

Interest paid	\$ 2,101	\$ 2,683
Income taxes paid, net of refunds	\$ 933	\$ 908
Foreclosed assets acquired in settlement of loans	\$ 504	\$ 111

## **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 2011 were \$132 which included \$74 in principal and \$58 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 December 31, 2011 and June 30, 2011, and the results of its operations for the three and six month periods ended December 31, 2011 and 2010. 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 six-month period ended December 31, 2011 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. The Company filed a registration statement with the U.S. Securities and Exchange Commission which was declared effective on May 13, 2011. 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 establish a 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 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 funds including transfers from deposit accounts, ESOP, and 401(k) accounts, which was in excess of the maximum amount of shares to be offered based on 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 potential 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 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**

*ASU No. 2011-02; A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring (TDR).* In April, 2011, FASB issued ASU No. 2011-02, intended to provide additional guidance to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a troubled debt restructuring. The amendments in this ASU are effective for the first interim or annual period beginning on or after June 15, 2011, and are to be applied retrospectively to the beginning of the annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. Early adoption was permitted. The Company adopted the provisions of this guidance and resulted in no additional loans classified as troubled debt restructures. The impact of ASU 2011-02 on our disclosures is reflected in Note 7 Loans.

*ASU No. 2011-03; Reconsideration of Effective Control for Repurchase Agreements.* In April, 2011, FASB issued ASU No. 2011-03. The amendments in this ASU remove from the assessment of effective control the criterion relating to the transferor's ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee. The amendments in this ASU also eliminate the requirement to demonstrate that the transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets.

The guidance in this ASU is effective for the first interim or annual period beginning on or after December 15, 2011. The guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

*ASU No. 2011-04; Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* In May, 2011, FASB issued ASU No. 2011-04. The amendments in this ASU generally represent clarifications of Topic 820, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This ASU results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRSs.

The amendments in this ASU are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

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*ASU No. 2011-05; Amendments to Topic 220, Comprehensive Income.* In June, 2011, FASB issued ASU No. 2011-05. Under the amendments in this ASU, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income 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. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income.

The amendments in this ASU should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures. The Company is currently evaluating the impact of this standard.

**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 December 31, 2011 is as follows (dollars in thousands):

Shares committed for release	9,622
Unearned shares	375,278
<b>Total ESOP shares</b>	<b>384,900</b>
Fair value of unearned ESOP shares	\$ 4,211 (1)

(1) Based on closing price of \$11.22 per share on December 30, 2011

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### Note 5: Earnings (Loss) Per Common Share ( EPS )

Basic and diluted earnings (loss) per common share are presented for the three and six-month periods ended December 31, 2011. Loss per share data for 2011 is from the date of conversion on July 7, 2011, to December 31, 2011. Earnings (loss) per share data is not presented for the three or six months ended December 31, 2010 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 December 31, 2011	Six Months Ended December 31, 2011
Net income (loss)	\$ 1,024	\$ (351)
Basic weighted average shares outstanding	4,811,255	4,811,255
Less: Average unallocated ESOP shares	(380,037)	(382,442)
Basic average shares outstanding	4,431,218	4,428,813
Basic and diluted earnings (loss) per common share	\$ .23	\$ (.08)

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
<b>Available-for-sale securities:</b>				
<b>December 31, 2011 (unaudited):</b>				
U.S. government, federal agency, and government-sponsored enterprises (GSE)	\$ 144,317	\$ 5,487	\$ (22)	\$ 149,782
Mortgage-backed:				
GSE residential	44,624	1,556	(9)	46,171
State and political subdivisions	2,977	231	0	3,208
	\$ 191,918	\$ 7,274	\$ (31)	\$ 199,161
<b>June 30, 2011:</b>				
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





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With the exception of U.S. Government, federal agency and GSE securities and GSE residential mortgage-backed securities with a book value of approximately \$144,317,000 and \$44,624,000, respectively, and a market value of approximately \$149,782,000 and \$46,171,000, respectively, at December 31, 2011, the Company held no securities at December 31, 2011 with a book value that exceeded 10% of total equity.

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

The amortized cost and fair value of available-for-sale securities at December 31, 2011, 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	\$ 1,054	\$ 1,083
One to five years	38,562	42,186
Five to ten years	107,614	109,653
After ten years	64	68
	147,294	152,990
Mortgage-backed securities	44,624	46,171
Totals	\$ 191,918	\$ 199,161

The carrying value of securities pledged as collateral to secure public deposits and for other purposes was \$57,024,000 and \$56,140,000 as of December 31, 2011 and June 30, 2011, respectively.

Gross gains of \$299,000 and \$378,000, and gross losses of \$9,000 and \$0, resulting from sales of available-for-sale securities were realized for the six month periods ended December 31, 2011 and 2010, respectively. The tax provision applicable to these net realized gains amounted to approximately \$110,000 and \$144,000, 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 December 31, 2011 was \$16,503,000, which is approximately 8.3% 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 December 31, 2011 (unaudited):

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Available-for-Sale Securities:</b>						
U.S. government, federal agency, and government-sponsored enterprises (GSE)	\$ 11,955	\$ (22)	\$ 0	\$ 0	\$ 11,955	\$ (22)
<b>Mortgage-backed:</b>						
GSE residential	4,548	(9)	0	0	4,548	(9)

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Total temporarily impaired securities	\$ 16,503	\$ (31)	\$ 0	\$ 0	\$ 16,503	\$ (31)
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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 December 31, 2011 (unaudited).

**Note 7: Loans and Allowance for Loan Losses**

Classes of loans include:

	December 31, 2011 (Unaudited)	June 30, 2011
Real estate loans:		
One-to-four family, including home equity loans	\$ 148,056	\$ 148,448
Multifamily	30,482	26,299
Commercial	30,052	27,402
Home equity lines of credit	9,632	10,043
Construction	5,017	4,039
Commercial	13,535	12,068
Consumer	14,865	15,779
<b>Total loans</b>	<b>251,639</b>	<b>244,078</b>
Less:		
Unearned fees and discounts, net	52	19
Loans in process	549	890
Allowance for loan losses	3,108	3,149
<b>Loans, net</b>	<b>\$ 247,930</b>	<b>\$ 240,020</b>

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



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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 \$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 directorates, 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

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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.

### *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. Virtually all of our loans are 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 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.

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The loan portfolio includes a concentration of loans secured by commercial real estate properties amounting to \$60,534,000 and \$53,701,000 as of December 31, 2011 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 \$19,684,000 and \$20,966,000 at December 31, 2011 and June 30, 2011, respectively. All of these loans are out-of-area purchased loans which are secured by single family homes located primarily in the Midwest. The Company's loans receivable also include commercial loan participations of \$11,871,000 and \$10,484,000 at December 31, 2011 and June 30, 2011, respectively, of which \$8,301,000 and \$6,385,000, at December 31, 2011 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 six-month periods ended December 31, 2011 and the year ended June 30, 2011:

	Three Months Ended December 31, 2011 (Unaudited)			
	Real Estate Loans			Home Equity
	One-to-Four Family	Multi-Family Commercial		Lines of Credit
<b>Allowance for loan losses:</b>				
Balance, beginning of period	\$ 1,852	\$ 270	\$ 228	\$ 114
Provision charged to expense	30	50	55	(19)
Losses charged off	(62)	0	(49)	0
Recoveries	7	0	0	0
Balance, end of period	\$ 1,827	\$ 320	\$ 234	\$ 95
Ending balance: individually evaluated for impairment	\$ 641	\$ 16	\$ 56	\$ 9
Ending balance: collectively evaluated for impairment	\$ 1,186	\$ 304	\$ 178	\$ 86
<b>Loans:</b>				
Ending balance	\$ 148,056	\$ 30,482	\$ 30,052	\$ 9,632
Ending balance: individually evaluated for impairment	\$ 4,967	\$ 1,556	\$ 101	\$ 37
Ending balance: collectively evaluated for impairment	\$ 143,089	\$ 28,926	\$ 29,951	\$ 9,595

	Three Months Ended December 31, 2011 (Unaudited) (Continued)				
	Construction	Commercial	Consumer	Unallocated	Total
<b>Allowance for loan losses:</b>					
Balance, beginning of period	\$ 39	\$ 315	\$ 190	\$ 12	\$ 3,020
Provision charged to expense	8	68	(4)	7	195
Losses charged off	0	0	(32)	0	(143)
Recoveries	0	0	29	0	36
Balance, end of period	\$ 47	\$ 383	\$ 183	\$ 19	\$ 3,108
Ending balance: individually evaluated for impairment	\$ 0	\$ 23	\$ 64	\$ 0	\$ 809

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Ending balance: collectively evaluated for impairment	\$ 47	\$ 360	\$ 119	\$ 19	\$ 2,299
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### Loans:

Ending balance	\$ 5,017	\$ 13,535	\$ 14,865	\$ 0	\$ 251,639
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Ending balance: individually evaluated for impairment	\$ 0	\$ 39	\$ 177	\$ 0	\$ 6,877
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Ending balance: collectively evaluated for impairment	\$ 5,017	\$ 13,496	\$ 14,688	\$ 0	\$ 244,763
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### Six Months Ended December 31, 2011 (Unaudited) Real Estate Loans

	One-to-Four Family	Multi-Family Commercial	Home Equity Lines of Credit
<b>Allowance for loan losses:</b>			
Balance, beginning of period	\$ 1,987	\$ 250	\$ 232
Provision charged to expense	137	70	51
Losses charged off	(324)	0	(49)
Recoveries	27	0	0
Balance, end of period	\$ 1,827	\$ 320	\$ 234
Ending balance: individually evaluated for impairment	\$ 641	\$ 16	\$ 56
Ending balance: collectively evaluated for impairment	\$ 1,186	\$ 304	\$ 178
<b>Loans:</b>			
Ending balance	\$ 148,056	\$ 30,482	\$ 30,052
Ending balance: individually evaluated for impairment	\$ 4,967	\$ 1,556	\$ 101
Ending balance: collectively evaluated for impairment	\$ 143,089	\$ 28,926	\$ 29,951

### Six Months Ended December 31, 2011 (Unaudited) (Continued)

	Construction	Commercial	Consumer	Unallocated	Total
<b>Allowance for loan losses:</b>					
Balance, beginning of period	\$ 30	\$ 352	\$ 169	\$ 9	\$ 3,149
Provision charged to expense	17	31	43	10	334
Losses charged off	0	0	(60)	0	(433)
Recoveries	0	0	31	0	58
Balance, end of period	\$ 47	\$ 383	\$ 183	\$ 19	\$ 3,108
Ending balance: individually evaluated for impairment	\$ 0	\$ 23	\$ 64	\$ 0	\$ 809
Ending balance: collectively evaluated for impairment	\$ 47	\$ 360	\$ 119	\$ 19	\$ 2,299
<b>Loans:</b>					
Ending balance	\$ 5,017	\$ 13,535	\$ 14,865	\$ 0	\$ 251,639
Ending balance: individually evaluated for impairment	\$ 0	\$ 39	\$ 177	\$ 0	\$ 6,877
Ending balance: collectively evaluated for impairment	\$ 5,017	\$ 13,496	\$ 14,688	\$ 0	\$ 244,763

### Year Ended June 30, 2011 Real Estate Loans

One-to-Four Family	Multi-Family Commercial	Home Equity Lines of
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<b>Allowance for loan losses:</b>				
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
<b>Loans:</b>				
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)				
	Construction	Commercial	Consumer	Unallocated	Total
<b>Allowance for loan losses:</b>					
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
<b>Loans:</b>					
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 six month periods ended December 31, 2010 was as follows:

	Three Months Ended December 31, 2010 (Unaudited)	Six Months Ended December 31, 2010 (Unaudited)
Balance, beginning of period	\$ 2,624	\$ 2,767
Provision charged to expense	400	625
Losses charged off, net of recoveries of \$3,000 and \$5,000 for the three and six months ended December 31, 2010	(312)	(680)
Balance, end of period	\$ 2,712	\$ 2,712

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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			Home Equity		Construction	Commercial	Consumer	Total
	One-to-Four Family	Multi-Family	Commercial	Lines of Credit					
December 31, 2011 (Unaudited):									
Pass	\$ 142,835	\$ 28,926	\$ 29,951	\$ 9,595	\$ 5,017	\$ 12,236	\$ 14,680	\$ 243,240	
Watch	184	0	0	0	0	1,260	0	1,444	
Substandard	5,037	1,556	101	37	0	39	185	6,955	
Doubtful	0	0	0	0	0	0	0	0	
Loss	0	0	0	0	0	0	0	0	
Total	\$ 148,056	\$ 30,482	\$ 30,052	\$ 9,632	\$ 5,017	\$ 13,535	\$ 14,865	\$ 251,639	

	Real Estate Loans			Home Equity		Construction	Commercial	Consumer	Total
	One-to-Four Family	Multi-Family	Commercial	Lines of Credit					
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
<b>December 31, 2011 (Unaudited):</b>							
Real estate loans:							
One-to-four family	\$ 3,108	\$ 1,064	\$ 2,958	\$ 7,130	\$ 140,926	\$ 148,056	\$ 0
Multi-family	0	0	0	0	30,482	30,482	0
Commercial	187	0	0	187	29,865	30,052	0
Home equity lines of credit	64	59	37	160	9,472	9,632	0
Construction	0	0	0	0	5,017	5,017	0
Commercial	34	14	35	83	13,452	13,535	0
Consumer	192	111	139	442	14,423	14,865	0
Total	\$ 3,585	\$ 1,248	\$ 3,169	\$ 8,002	\$ 243,637	\$ 251,639	\$ 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
<b>June 30, 2011:</b>							
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 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.





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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.

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 \$4.2 million in troubled debt restructurings that were classified as impaired.

The following tables present impaired loans:

				Three Months Ended December 31, 2011 Average Investment in Impaired Loans	Interest Income Recognized	Six Months Ended December 31, 2011 Average Investment in Impaired Loans	Interest Income Recognized
	Recorded Balance	Unpaid Principal Balance	Specific Allowance				
<b>December 31, 2011 (Unaudited):</b>							
Loans without a specific valuation allowance							
Real estate loans:							
One-to-four family	\$ 2,226	\$ 2,226	\$ 0	\$ 2,216	\$ 1	\$ 2,217	\$ 5
Multi-family	0	0	0	0	0	0	0
Commercial	0	0	0	0	0	0	0
Home equity line of credit	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0
Commercial	0	0	0	0	0	0	0
Consumer	6	6	0	6	0	6	0
Loans with a specific allowance							
Real estate loans:							
One-to-four family	2,741	2,741	641	2,743	0	2,731	10
Multi-family	1,556	1,556	16	1,558	0	1,534	23
Commercial	101	101	56	101	0	102	0
Home equity line of credit	37	37	9	37	0	37	0
Construction	0	0	0	0	0	0	0
Commercial	39	39	23	39	0	40	1
Consumer	171	171	64	172	0	175	1
Total:							
Real estate loans:							
One-to-four family	4,967	4,967	641	4,959	1	4,948	15
Multi-family	1,556	1,556	16	1,558	0	1,534	23
Commercial	101	101	56	101	0	102	0
Home equity line of credit	37	37	9	37	0	37	0
Construction	0	0	0	0	0	0	0
Commercial	39	39	23	39	0	40	1
Consumer	177	176	64	178	0	181	1
	\$ 6,877	\$ 6,877	\$ 809	\$ 6,872	\$ 1	\$ 6,842	\$ 40

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