IF Bancorp, Inc.
Form 10-Q
February 09, 2017
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended December 31, 2016

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)

Maryland	**45-1834449**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
201 East Cherry Street, Watseka, Illinois	**60970**
(Address of Principal Executive Offices)	**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 3,940,408 shares of common stock, par value $0.01 per share, issued and outstanding as of February 2, 2017.

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Part I. Financial Information

Item 1. Financial Statements

IF Bancorp, Inc.

Condensed Consolidated Balance Sheets

(Dollars in thousands, except per share amount)

	December 31, 2016 (Unaudited)	June 30, 2016
Assets		
Cash and due from banks	$ 4,972	$ 5,451
Interest-bearing demand deposits	568	998
Cash and cash equivalents	5,540	6,449
Interest-bearing time deposits in banks	250	252
Available-for-sale securities	112,253	121,328
Loans, net of allowance for loan losses of $5,387 and $5,351 at December 31, 2016 and June 30, 2016, respectively	436,665	443,748
Premises and equipment, net of accumulated depreciation of $6,135 and $5,925 at December 31, 2016 and June 30, 2016, respectively	4,843	4,586
Federal Home Loan Bank stock, at cost	5,425	5,425
Foreclosed assets held for sale	533	338
Accrued interest receivable	1,664	1,803
Bank-owned life insurance	8,691	8,555
Mortgage servicing rights	618	440
Deferred income taxes	3,269	1,746
Other	600	895
Total assets	$ 580,351	$ 595,565
Liabilities and Equity		
Liabilities		
Deposits		
Demand	$ 19,351	$ 19,036
Savings, NOW and money market	159,460	156,688
Certificates of deposit	209,275	216,343
Brokered certificates of deposit	38,777	41,641
Total deposits	426,863	433,708

Repurchase agreements	2,677	4,392
Federal Home Loan Bank advances	62,500	67,000
Advances from borrowers for taxes and insurance	804	932
Accrued post-retirement benefit obligation	2,991	2,967
Accrued interest payable	59	59
Other	1,973	2,535
Total liabilities	497,867	511,593
Commitments and Contingencies		
Stockholders Equity		
Common stock, $.01 par value per share, 100,000,000 shares authorized, 3,950,408 and 4,014,061 shares issued and outstanding at December 31, 2016 and June 30, 2016, respectively	40	40
Additional paid-in capital	47,733	47,535
Unearned ESOP shares, at cost, 279,053 and 288,675 shares at December 31, 2016 and June 30, 2016, respectively	(2,791)	(2,887)
Retained earnings	38,083	37,095
Accumulated other comprehensive income (loss), net of tax	(581)	2,189
Total stockholders equity	82,484	83,972
Total liabilities and stockholders equity	$ 580,351	$ 595,565

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statements of Income (Unaudited)

(Dollars in thousands except per share amounts)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Interest and Dividend Income				
Interest and fees on loans	$ 4,659	$ 4,177	$ 9,327	$ 8,089
Securities:				
Taxable	603	719	1,286	1,668
Tax-exempt	36	37	72	75
Federal Home Loan Bank dividends	27	12	52	20
Deposits with other financial institutions	13	4	19	5
Total interest and dividend income	5,338	4,949	10,756	9,857
Interest Expense				
Deposits	697	560	1,379	1,121
Federal Home Loan Bank advances	180	209	405	422
Total interest expense	877	769	1,784	1,543
Net Interest Income	4,461	4,180	8,972	8,314
Provision for Loan Losses	(46)	408	33	888
Net Interest Income After Provision for Loan Losses	4,507	3,772	8,939	7,426
Noninterest Income				
Customer service fees	137	134	278	281
Other service charges and fees	62	45	122	95
Insurance commissions	177	169	350	354
Brokerage commissions	147	153	293	357
Net realized gains on sales of available-for-sale securities		153	117	302
Mortgage banking income, net	154	57	284	97
Gain on sale of loans	90	65	175	99
Bank-owned life insurance income, net	69	68	136	134
Other	182	221	384	424
Total noninterest income	1,018	1,065	2,139	2,143
Noninterest Expense				

Compensation and benefits	2,427	2,249	4,643	4,488
Office occupancy	149	144	298	294
Equipment	301	258	594	506
Federal deposit insurance	10	75	92	151
Stationary, printing and office	44	63	84	102
Advertising	87	76	156	163
Professional services	115	134	241	284
Supervisory examinations	40	38	81	77
Audit and accounting services	23	25	74	86
Organizational dues and subscriptions	27	26	50	43
Insurance bond premiums	43	40	75	70
Telephone and postage	47	73	91	135
Loss (gain) on foreclosed assets, net		1	(7)	1
Other	351	461	670	760
Total noninterest expense	3,664	3,663	7,142	7,160
Income Before Income Tax	1,861	1,174	3,936	2,409
Provision for Income Tax	691	419	1,463	855
Net Income	$ 1,170	$ 755	$ 2,473	$ 1,554
Earnings Per Share:				
Basic	$ 0.32	$ 0.20	$ 0.67	$ 0.42
Diluted	$ 0.32	$ 0.20	$ 0.66	$ 0.42
Dividends declared per common share	$ 0.00	$ 0.00	$ 0.08	$ 0.05

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(Dollars in thousands)

	Three Months Ended December 31, 2016	2015
Net Income	$ 1,170	$ 755
Other Comprehensive Loss		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of $(1,506) and $(627), for 2016 and 2015, respectively	(2,343)	(931)
Less: reclassification adjustment for realized gains included in net income, net of taxes of $0 and $62, for 2016 and 2015, respectively		91
	(2,343)	(1,022)
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of $(1) and $(2) for 2016 and 2015, respectively	(2)	(3)
Other comprehensive loss, net of tax	(2,345)	(1,025)
Comprehensive Loss	$ (1,175)	$ (270)

	Six Months Ended December 31, 2016	2015
Net Income	$ 2,473	$ 1,554
Other Comprehensive Income (Loss)		
Unrealized depreciation on available-for-sale securities, net of taxes of $(1,731) and $(13), for 2016 and 2015, respectively	(2,695)	(19)
Less: reclassification adjustment for realized gains included in net income, net of taxes of $46 and $122, for 2016 and 2015, respectively	71	180
	(2,766)	(199)
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of $(2) and $(2) for 2016 and 2015, respectively	(4)	(5)
Other comprehensive loss, net of tax	(2,770)	(204)
Comprehensive Income (Loss)	$ (297)	$ 1,350

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statement of Stockholders Equity (Unaudited)

(Dollars in thousands, except per share amounts)

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total
For the six months ended December 31, 2016						
Balance, July 1, 2016	$ 40	$ 47,535	$ (2,887)	$ 37,095	$ 2,189	$ 83,972
Net income				2,473		2,473
Other comprehensive loss					(2,770)	(2,770)
Dividends on common stock, $0.08 per share				(297)		(297)
Stock equity plan		112				112
Stock repurchase, 63,653 shares, average price $18.66 each				(1,188)		(1,188)
ESOP shares earned, 9,622 shares		86	96			182
Balance, December 31, 2016	$ 40	$ 47,733	$ (2,791)	$ 38,083	$ (581)	$ 82,484
For the six months ended December 31, 2015						
Balance, July 1, 2015	$ 41	$ 47,009	$ (3,079)	$ 35,466	$ 999	$ 80,436
Net income				1,554		1,554
Other comprehensive loss					(204)	(204)
Dividends on common stock, $0.05 per share				(188)		(188)
Stock equity plan		265		(28)		237
Stock repurchase, 83,313 shares, average price $17.11 each	(1)			(1,425)		(1,426)
ESOP shares earned, 9,622 shares		68	96			164
Balance, December 31, 2015	$ 40	$ 47,342	$ (2,983)	$ 35,379	$ 795	$ 80,573

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statement of Cash Flows (Unaudited)

(Dollars in thousands)

	Six Months Ended December 31, 2016	2015
Operating Activities		
Net income	$ 2,473	$ 1,554
Items not requiring (providing) cash		
Depreciation	210	214
Provision for loan losses	33	888
Amortization of premiums and discounts on securities	150	167
Deferred income taxes	257	(268)
Net realized gains on loan sales	(175)	(196)
Net realized gains on sales of available-for-sale securities	(117)	(302)
Loss (gain) on foreclosed assets held for sale	(7)	1
Bank-owned life insurance income, net	(136)	(134)
Originations of loans held for sale	(12,003)	(5,863)
Proceeds from sales of loans held for sale	11,975	6,058
ESOP compensation expense	182	164
Stock equity plan expense	112	237
Changes in		
Accrued interest receivable	139	38
Other assets	399	14
Accrued interest payable		(14)
Post-retirement benefit obligation	17	25
Other liabilities	(562)	(167)
Net cash provided by operating activities	2,947	2,416
Investing Activities		
Net change in interest bearing time deposits	2	(1)
Purchases of available-for-sale securities	(20,704)	(3,000)
Proceeds from the sales of available-for-sale securities		51,224
Proceeds from maturities and pay-downs of available-for-sale securities	25,203	5,556
Net change in loans	6,719	(58,688)
Purchase of premises and equipment	(571)	(114)
Proceeds from sale of foreclosed assets	168	17
Net cash provided by (used in) investing activities	10,817	(5,006)
Financing Activities		
Net increase in demand deposits, money market, NOW and savings accounts	3,087	2,564
Net decrease in certificates of deposit, including brokered certificates	(9,932)	(11,168)

Net increase (decrease) in advances from borrowers for taxes and insurance		(128)		70
Proceeds from Federal Home Loan Bank advances		55,500		153,000
Repayments of Federal Home Loan Bank advances		(60,000)		(149,000)
Net increase (decrease) in repurchase agreements		(1,715)		1,141
Dividends paid		(297)		(188)
Stock purchase per stock repurchase plan		(1,188)		(1,426)
Net cash used in financing activities		(14,673)		(5,007)
Net Decrease in Cash and Cash Equivalents		(909)		(7,597)
Cash and Cash Equivalents, Beginning of Period		6,449		13,224
Cash and Cash Equivalents, End of Period	$	5,540	$	5,627
Supplemental Cash Flows Information				
Interest paid	$	1,784	$	1,557
Income taxes paid, net of refunds	$	1,552	$	1,147
Foreclosed assets acquired in settlement of loans	$	355	$	152

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. At the time of the conversion, the Company also established an employee stock ownership plan that purchased 384,900 shares of Company common stock, and a charitable foundation, Iroquois Federal Foundation, to which the Company donated 314,755 shares of Company common stock and $450,000 cash. IF Bancorp, Inc. s common stock began trading on the NASDAQ Capital Market under the symbol IROQ on July 8, 2011.

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 intercompany 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, 2016 and June 30, 2016, and the results of its operations for the three month and six month periods ended December 31, 2016 and 2015. 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, 2016. The results of operations for the three month and six month periods ended December 31, 2016 are not necessarily indicative of the results that may be expected for the entire year.

Note 2: New Accounting Pronouncements

In May, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides a five-step revenue recognition model for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are included in the scope of other standards). The guidance requires an entity to recognize the revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),* which clarifies the implementation guidance related to principal versus agent considerations and adds illustrative examples to assist in the application of the guidance. The amendments in ASU 2016-08 affect the guidance in ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is not yet effective. The effective date and transition requirements in ASU 2016-08 are the same as the effective date and transition requirements of ASU 2014-09. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and must be applied either retrospectively or using the modified retrospective approach. Early adoption is not permitted. Management does not expect the adoption of this guidance to have a material impact on the Company s consolidated financial statements.

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In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Adoption by the Company is not expected to have a material impact on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which amends the existing standards for lease accounting effectively bringing most leases onto the balance sheets of the related lessees by requiring them to recognize a right-of-use asset and a corresponding lease liability, while leaving lessor accounting largely unchanged with only targeted changes incorporated into the update. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the pending adoption of ASU 2016-02 and its impact on the Company s consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718)-Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the pending adoption of ASU 2016-09 and its impact on the Company s consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies, this update will be effective for interim and annual periods beginning after December 15, 2019. As we prepare for the adoption of ASU 2016-13, we have established a team to review the requirements as published, monitor developments and new guidance, and review and collect data that will be required to calculate and report the allowance when ASU 2016-13 becomes effective. The Company has not yet determined the impact the adoption of ASU 2016-13 will have on the consolidated financial statements.

On August 26, 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230),* which amends ASC 230 to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. ASC 230 lacks consistent principles for evaluating the classification of cash payments and receipts in the statement of cash flows. This has led to diversity in practice and, in certain circumstances, financial statement restatements. Therefore, the FASB issued the ASU with the intent of reducing diversity in practice with respect to eight types of cash flows. The amendments in this Update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the pending adoption of ASU-2016-15 and its impact on the Company s consolidated financial statements.

Note 3: Stock-based Compensation

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 share 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, 2016 and June 30, 2016 are as follows (dollars in thousands):

	December 31, 2016	June 30, 2016
Allocated shares	84,409	72,524
Shares committed for release	9,622	19,245
Unearned shares	279,053	288,675
Total ESOP shares	373,084	380,444
Fair value of unearned ESOP shares (1)	$ 5,162	$ 5,294

(1) Based on closing price of $18.50 and $18.34 per share on December 31, 2016, and June 30, 2016, respectively. During the six months ended December 31, 2016, 7,360 ESOP shares were paid to ESOP participants due to separation from service.

At the annual meeting on November 19, 2012, the IF Bancorp, Inc. 2012 Equity Incentive Plan (the Equity Incentive Plan) was approved by stockholders. The purpose of the Equity Incentive Plan is to promote the long-term financial success of the Company and its Subsidiaries by providing a means to attract, retain and reward individuals who contribute to such success and to further align their interests with those of the Company s stockholders. The Equity Incentive Plan authorizes the issuance or delivery to participants of up to 673,575 shares of the Company common stock pursuant to grants of incentive and non-qualified stock options, restricted stock awards and restricted stock unit awards, provided that the maximum number of shares of Company common stock that may be delivered pursuant to the exercise of stock options (all of which may be granted as incentive stock options) is 481,125 and the maximum number of shares of Company stock that may be issued as restricted stock awards or restricted stock units is 192,450.

On December 10, 2013, the Board of Directors approved grants of 85,500 shares of restricted stock and 167,000 in stock options to senior officers and directors of the Association. The restricted stock vests in equal installments over 10 years and the stock options vest in equal installments over 7 years. Vesting of both the restricted stock and options started in December 2014. On December 10, 2015, the Board of Directors approved grants of 16,900 shares of restricted stock to be awarded to senior officers and directors of the Association. The restricted stock vests in equal installments over 8 years, starting in December 2016. As of December 31, 2016, there were 90,050 shares of restricted stock and 314,125 stock option shares available for future grants under this plan.

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The following table summarizes stock option activity for the six months ended December 31, 2016 (dollars in thousands):

	Options	Weighted-Average Exercise Price/Share		Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value	
Outstanding, June 30, 2016	164,143	$	16.63			
Granted						
Exercised						
Forfeited	11,000		16.63			
Outstanding, December 31, 2016	153,143	$	16.63	6.9	$	286 (1)
Exercisable, December 31, 2016	64,000	$	16.63	6.9	$	120 (1)

(1) Based on closing price of $18.50 per share on December 31, 2016.
Intrinsic value for stock options is defined as the difference between the current market value and the exercise price. There were no stock options granted during the six months ended December 31, 2016.

There were 22,286 stock options that vested during the six months ended December 31, 2016 and 31,714 stock options that vested during the six months ended December 31, 2015. Stock-based compensation expense and related tax benefit was considered nominal for stock options for the six months ended December 31, 2016 and 2015. Total unrecognized compensation cost related to non-vested stock options was $222,000 at December 31, 2016 and is expected to be recognized over a weighted-average period of 3.9 years.

The following table summarizes non-vested restricted stock activity for the six months ended December 31, 2016:

	Shares	Weighted-Average Grant-Date Fair Value	
Balance, June 30, 2016	80,500	$	16.79
Granted			
Forfeited			
Earned and issued	10,062		16.79
Balance, December 31, 2016	70,438	$	16.79

The fair value of the restricted stock awards is amortized to compensation expense over the vesting period (ten years) and is based on the market price of the Company s common stock at the date of grant multiplied by the number of shares granted that are expected to vest. At the date of grant the par value of the shares granted was recorded in equity as a credit to common stock and a debit to paid-in capital. Stock-based compensation expense and related tax benefit for restricted stock was $85,000 and was recognized in non-interest expense for the six months ended December 31, 2016. Stock-based compensation was nominal for the six months ended December 31, 2015. Unrecognized compensation expense for non-vested restricted stock awards was $1.2 million at December 31, 2016, and is expected to be recognized over 6.9 years with a corresponding credit to paid-in capital.

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Note 4: Earnings Per Common Share (EPS)

Basic and diluted earnings per common share are presented for the three month and six month periods ended December 31, 2016 and 2015. The factors used in the earnings per common share computation follow:

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
Net income	$ 1,170	$ 755	$ 2,473	$ 1,554
Basic weighted average shares outstanding	3,954,095	4,015,289	3,982,271	4,043,222
Less: Average unallocated ESOP shares	(281,458)	(300,703)	(283,864)	(303,109)
Basic average shares outstanding	3,672,637	3,714,586	3,698,407	3,740,113
Diluted effect of restricted stock awards and stock options	25,299	1,957	24,514	917
Diluted average shares outstanding	3,697,936	3,716,543	3,722,921	3,741,030
Basic earnings per common share	$ 0.32	$ 0.20	$ 0.67	$ 0.42
Diluted earnings per common share	$ 0.32	$ 0.20	$ 0.66	$ 0.42

The Company announced a stock repurchase plan on February 5, 2016, which allowed the Company to repurchase up to 200,703 shares of its common stock, or approximately 5% of its then current outstanding shares. As of December 31, 2016, 63,653 shares were repurchased at an average price of $18.66.

On December 10, 2013, the Company awarded 85,500 shares of restricted stock and 167,000 in stock options to officers and directors of the Association as part of the IF Bancorp, Inc. 2012 Equity Incentive Plan. The restricted stock vests over 10 years and the stock options vest over 7 years, both starting in December 2014. On December 10, 2015, the Company awarded 16,900 shares of restricted stock to officers and directors of the Association as part of this plan. This restricted stock will vest over 8 years, starting in December 2016.

Note 5: 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:				
December 31, 2016:				
U.S. government, federal agency, and Government-sponsored enterprises (GSE)	$ 74,861	$ 947	$ (586)	$ 75,222
Mortgage-backed:				
GSE residential	34,374	73	(933)	33,514
State and political subdivisions	3,276	241		3,517
	$ 112,511	$ 1,261	$ (1,519)	$ 112,253
June 30, 2016:				
U.S. government, federal agency, and Government-sponsored enterprises (GSE)	$ 87,193	$ 2,912	$	$ 90,105
Mortgage-backed:				
GSE residential	26,418	827		27,245
State and political subdivisions	3,431	547		3,978
	$ 117,042	$ 4,286	$	$ 121,328

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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 $74,861,000 and $34,374,000, respectively, and a market value of approximately $75,222,000 and $33,514,000, respectively, at December 31, 2016, the Company held no securities at December 31, 2016 with a book value that exceeded 10% of total equity.

All mortgage-backed securities at December 31, 2016, and June 30, 2016 were issued by GSEs.

The amortized cost and fair value of available-for-sale securities at December 31, 2016, 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	$ 7,209	$ 7,290
One to five years	43,889	44,899
Five to ten years	25,284	24,709
After ten years	1,755	1,841
	78,137	78,739
Mortgage-backed securities	34,374	33,514
Totals	$ 112,511	$ 112,253

The carrying value of securities pledged as collateral to secure public deposits and for other purposes was $64,908,000 and $64,180,000 as of December 31, 2016 and June 30, 2016, respectively.

The carrying value of securities sold under agreement to repurchase amounted to $2.7 million at December 31, 2016 and $4.4 million at June 30, 2016. At December 31, 2016, approximately $1.1 million of our repurchase agreements had an overnight maturity, while the remaining $1.6 million in repurchase agreements had a term of 30 to 90 days. All of our repurchase agreements were secured by U.S. Government, federal agency and GSE securities. The right of offset for a repurchase agreement resembles a secured borrowing, whereby the collateral pledged by the Company would be used to settle the fair value of the repurchase agreement should the Company be in default. The collateral is held by the Company in a segregated custodial account. In the event the collateral fair value falls below stipulated levels, the Company will pledge additional securities. The Company closely monitors collateral levels to ensure adequate levels are maintained.

Gross gains of $117,000 and $490,000, and gross losses of $0 and $188,000, resulting from sales of available-for-sale securities were realized for the six month periods ended December 31, 2016 and 2015, respectively. The tax provision applicable to these net realized gains amounted to approximately $46,000 and $122,000, respectively. Gross gains of $0 and $153,000, and gross losses of $0 and $0, resulting from sales of available-for-sale securities were realized for the three month periods ended December 31, 2016 and 2015, respectively. The tax provision applicable to these net realized gains amounted to approximately $0 and $62,000, 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, 2016 and June 30, 2016 was $49,136,000 and $0, respectively, which is approximately 43.8% and 0% of the Company s available-for-sale investment portfolio. These declines primarily resulted from recent increases in market interest rates. Management believes the declines in fair value for these securities are temporary.

The following table shows the gross unrealized losses of the Company s securities and the 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, 2016. The Company had no investments in debt and marketable equity securities that were reported in the financial statements at amounts less than their historical cost as of June 30, 2016.

	December 31, 2016					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and federal agency and Government sponsored enterprises (GSE s)	$ 22,359	$ (586)	$	$	$ 22,359	$ (586)
Mortgage-backed:						
GSE residential	26,777	(933)			26,777	(933)
Total temporarily impaired securities	$ 49,136	$ (1,519)	$	$	$ 49,136	$ (1,519)

The unrealized losses on the Company s investment in residential mortgage-backed securities, and U.S. Government and federal agency and Government sponsored enterprises were caused by interest rate increases. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and 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, 2016.

Note 6: Loans and Allowance for Loan Losses

Classes of loans include:

	December 31, 2016	June 30, 2016
Real estate loans:		
One- to four-family, including home equity loans	$ 146,490	$ 149,538
Multi-family	83,968	84,200

Commercial		118,762		119,643
Home equity lines of credit		7,585		8,138
Construction		23,501		19,698
Commercial		53,404		57,826
Consumer		8,190		10,086
Total loans		441,900		449,129
Less:				
Unearned fees and discounts, net		(152)		30
Allowance for loan losses		5,387		5,351
Loans, net	$	436,665	$	443,748

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 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 loans (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, Iroquois and Champaign, 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 $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 $100,000. 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, and unsecured loans up to $300,000. All loans above these limits must be approved by the Operating Committee, consisting of the Chairman 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. The Company also receives independent loan reviews performed by a third party on larger commercial loans to be performed annually. In addition to compliance with our policy, the third party 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.

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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.

The Company offers USDA Rural Development loans and sells the servicing.

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 ratio 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, churches and farm loans secured by real estate. 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 Company.

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 is 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 ratio and credit history of the borrower.

Commercial Business Loans

The Company originates commercial non-mortgage business (term) loans and 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 any collateral. The cash flows of the underlying borrower, however, may not perform consistently 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 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 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.

Loan Concentration

The loan portfolio includes a concentration of loans secured by commercial real estate properties amounting to $224,883,000 and $222,395,000 as of December 31, 2016 and June 30, 2016, 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.

Purchased Loans and Loan Participations

The Company s loans receivable included purchased loans of $9,103,000 and $9,772,000 at December 31, 2016 and June 30, 2016, respectively. All of these purchased loans are secured by single family homes located out of our primary market area, but still primarily in the Midwest. The Company s loans receivable also include commercial loan participations of $42,546,000 and $47,731,000 at December 31, 2016 and June 30, 2016, respectively, of which

$17,866,000 and $19,303,000, at December 31, 2016 and June 30, 2016 were outside our primary market area.

Allowance for Loan Losses

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 month and six month periods ended December 31, 2016 and 2015 and the year ended June 30, 2016:

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	Three Months Ended December 31, 2016 Real Estate Loans One- to Four-Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for loan losses:				
Balance, beginning of period	$ 1,176	$ 1,253	$ 1,499	$ 92
Provision charged to expense	20	31	(105)	(1)
Losses charged off			(8)	
Recoveries	9			
Balance, end of period	$ 1,205	$ 1,284	$ 1,386	$ 91
Ending balance: individually evaluated for impairment	$ 47	$	$ 9	$
Ending balance: collectively evaluated for impairment	$ 1,158	$ 1,284	$ 1,377	$ 91
Loans:				
Ending balance	$ 146,490	$ 83,968	$ 118,762	$ 7,585
Ending balance: individually evaluated for impairment	$ 2,443	$ 1,423	$ 30	$ 10
Ending balance: collectively evaluated for impairment	$ 144,047	$ 82,545	$ 118,732	$ 7,575

	Three Months Ended December 31, 2016 (Continued) Construction	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:					
Balance, beginning of period	$ 274	$ 1,068	$ 83	$	$ 5,445
Provision charged to expense	10	(8)	7		(46)
Losses charged off			(16)		(24)
Recoveries			3		12
Balance, end of period	$ 284	$ 1,060	$ 77	$	$ 5,387
Ending balance: individually evaluated for impairment	$	$	$ 8	$	$ 64
Ending balance: collectively evaluated for impairment	$ 284	$ 1,060	$ 69	$	$ 5,323
Loans:					
Ending balance	$ 23,501	$ 53,404	$ 8,190	$	$ 441,900

Ending balance: individually evaluated for impairment	$	$ 101	$ 8	$	$ 4,015
Ending balance: collectively evaluated for impairment	$ 23,501	$ 53,303	$ 8,182	$	$ 437,885

	Six Months Ended December 31, 2016			
	Real Estate Loans			
	One- to Four-Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for loan losses:				
Balance, beginning of period	$ 1,198	$ 1,202	$ 1,399	$ 94
Provision charged to expense	(20)	82	(5)	(3)
Losses charged off			(8)	
Recoveries	27			
Balance, end of period	$ 1,205	$ 1,284	$ 1,386	$ 91
Ending balance: individually evaluated for impairment	$ 47	$	$ 9	$
Ending balance: collectively evaluated for impairment	$ 1,158	$ 1,284	$	