IF Bancorp, Inc.
Form 10-Q
May 12, 2014
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2014

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 x NO ¨

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or 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	x

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

The Registrant had 4,427,657 shares of common stock, par value $0.01 per share, issued and outstanding as of May 6, 2014.

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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)

	March 31, 2014 (Unaudited)	June 30, 2013
Assets		
Cash and due from banks	$ 12,323	$ 5,371
Interest-bearing demand deposits	138	1,209
Cash and cash equivalents	12,461	6,580
Interest-bearing time deposits in banks	250	250
Available-for-sale securities	214,093	200,827
Loans, net of allowance for loan losses of $3,921 and $3,938 at March 31, 2014 and June 30, 2013, respectively	327,213	315,775
Premises and equipment, net of accumulated depreciation of $5,498 and $5,193 at March 31, 2014 and June 30, 2013, respectively	4,900	4,293
Federal Home Loan Bank stock, at cost	5,425	5,425
Foreclosed assets held for sale	381	418
Accrued interest receivable	2,024	1,688
Bank-owned life insurance	7,960	7,757
Mortgage servicing rights	516	502
Deferred income taxes	2,778	3,213
Other	342	807
Total assets	$ 578,343	$ 547,535
Liabilities and Equity		
Liabilities		
Deposits		
Demand	$ 16,652	$ 12,820
Savings, NOW and money market	132,242	131,779
Certificates of deposit	215,042	188,775
Brokered certificates of deposit	40,371	37,829
Total deposits	404,307	371,203

Repurchase agreements	2,737	1,674
Federal Home Loan Bank advances	84,500	87,500
Advances from borrowers for taxes and insurance	1,322	966
Accrued post-retirement benefit obligation	2,494	2,344
Accrued interest payable	80	44
Other	2,037	2,055
Total liabilities	497,477	465,786
Commitments and Contingencies		
Stockholders Equity		
Common stock, $.01 par value per share, 100,000,000 shares authorized, 4,427,657 and 4,570,692 shares issued and outstanding at March 31, 2014 and June 30, 2013, respectively	44	46
Additional paid-in capital	46,609	46,451
Unearned ESOP shares, at cost, 331,976 and 346,410 shares at March 31, 2014 and June 30, 2013, respectively	(3,320)	(3,464)
Retained earnings	37,347	39,101
Accumulated other comprehensive income (loss), net of tax	186	(385)
Total stockholders equity	80,866	81,749
Total liabilities and stockholders equity	$ 578,343	$ 547,535

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 March 31, 2014	Three Months Ended March 31, 2013	Nine Months Ended March 31, 2014	Nine Months Ended March 31, 2013
Interest and Dividend Income				
Interest and fees on loans	$ 3,436	$ 3,140	$ 10,273	$ 9,188
Securities:				
Taxable	1,346	1,221	3,754	3,816
Tax-exempt	22	28	76	88
Federal Home Loan Bank dividends	8	4	18	11
Deposits with other financial institutions	2	2	6	8
Total interest and dividend income	4,814	4,395	14,127	13,111
Interest Expense				
Deposits	580	546	1,732	1,682
Federal Home Loan Bank advances and repurchase agreements	209	209	617	659
Total interest expense	789	755	2,349	2,341
Net Interest Income	4,025	3,640	11,778	10,770
Provision for Loan Losses	140	45	366	552
Net Interest Income After Provision for Loan Losses	3,885	3,595	11,412	10,218
Noninterest Income				
Customer service fees	114	126	406	414
Other service charges and fees	17	60	89	207
Insurance commissions	200	200	550	572
Brokerage commissions	172	158	508	426
Net realized gains (losses) on sales of available-for-sale securities	(95)	61	(199)	629
Mortgage banking income, net	31	74	159	190
Gain on sale of loans	5	44	77	251
Bank-owned life insurance income, net	68	64	202	197
Other	159	144	446	509
Total noninterest income	671	931	2,238	3,395

Noninterest Expense								
Compensation and benefits		2,141		2,032		6,330		5,798
Office occupancy		136		131		386		395
Equipment		223		253		658		717
Federal deposit insurance		69		81		210		218
Stationary, printing and office		41		39		120		123
Advertising		102		84		300		240
Professional services		80		47		278		284
Supervisory examinations		39		35		113		105
Audit and accounting services		20		21		101		123
Organizational dues and subscriptions		12		12		45		45
Insurance bond premiums		27		24		92		87
Telephone and postage		69		71		194		215
Loss (gain) on foreclosed assets, net		17		(1)		209		(22)
Other		306		255		849		994
Total noninterest expense		3,282		3,084		9,885		9,322
Income Before Income Tax		1,274		1,442		3,765		4,291
Provision for Income Tax		440		518		1,292		1,525
Net Income	$	834	$	924	$	2,473	$	2,766
Earnings Per Share:								
Basic and diluted (Note 4)	$	.21	$	.22	$	.60	$	.64
Dividends declared per common share	$	.05	$		$	.10	$	

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 March 31, 2014		Three Months Ended March 31, 2013	
Net Income	$	834	$	924
Other Comprehensive Income (Loss)				
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of $1,115 and $(438), for 2014 and 2013, respectively		1,652		(1,091)
Less: reclassification adjustment for realized gains (losses) included in net income, net of taxes of $38 and $(25) for 2014 and 2013, respectively		(57)		36
		1,709		(1,127)
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of $(6) and $(16) for 2014 and 2013, respectively		(8)		(18)
Other comprehensive income (loss), net of tax		1,701		(1,145)
Comprehensive Income (Loss)	$	2,535	$	(221)

	Nine Months Ended March 31, 2014		Nine Months Ended March 31, 2013	
Net Income	$	2,473	$	2,766
Other Comprehensive Income (Loss)				
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of $322 and $(413), for 2014 and 2013, respectively		478		(1,084)
Less: reclassification adjustment for realized gains (losses) included in net income, net of taxes of $80 and $(255), for 2014 and 2013, respectively		(119)		377
		597		(1,461)
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of $(19) and $(41) for 2014 and 2013,		(26)		(61)

respectively

Other comprehensive income (loss), net of tax		571		(1,522)
Comprehensive Income	$	3,044	$	1,244

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 (Loss)	Total
For the nine months ended March 31, 2014						
Balance, July 1, 2013	$ 46	$ 46,451	$ (3,464)	$ 39,101	$ (385)	$ 81,749
Net income				2,473		2,473
Other comprehensive income					571	571
Dividends on common stock, $0.10 per share				(432)		(432)
Stock equity plan	1	68				69
Stock repurchase, 228,535 shares, average price $16.61 each	(3)			(3,795)		(3,798)
ESOP shares earned, 14,434 shares		90	144			234
Balance, March 31, 2014	$ 44	$ 46,609	$ (3,320)	$ 37,347	$ 186	$ 80,866
For the nine months ended March 31, 2013						
Balance, July 1, 2012	$ 48	$ 46,371	$ (3,656)	$ 38,728	$ 5,158	$ 86,649
Net income				2,766		2,766
Other comprehensive loss					(1,522)	(1,522)
Stock repurchase, 214,035 shares, average price $13.71 each	(2)			(2,933)		(2,935)
ESOP shares earned, 14,434 shares		55	144			199
Balance, March 31, 2013	$ 46	$ 46,426	$ (3,512)	$ 38,561	$ 3,636	$ 85,157

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)

	Nine Months Ended March 31, 2014	2013
Operating Activities		
Net income	$ 2,473	$ 2,766
Items not requiring (providing) cash		
Depreciation	304	336
Provision for loan losses	366	552
Amortization of premiums and discounts on securities	759	957
Deferred income taxes	51	(79)
Net realized gains on loan sales	(236)	(441)
Net realized (gains)/losses on sales of available-for-sale securities	199	(629)
(Loss) gain on foreclosed assets held for sale	209	(22)
Bank-owned life insurance income, net	(202)	(197)
Originations of loans held for sale	(6,683)	(17,697)
Proceeds from sales of loans held for sale	6,905	18,083
ESOP compensation expense	234	199
Stock equity plan expense	69	
Changes in		
Accrued interest receivable	(336)	(237)
Other assets	463	259
Accrued interest payable	37	(2)
Post-retirement benefit obligation	106	45
Other liabilities	(246)	(187)
Net cash provided by operating activities	4,472	3,706
Investing Activities		
Purchases of available-for-sale securities	(63,299)	(145,832)
Proceeds from the sales of available-for-sale securities	42,676	122,802
Proceeds from maturities and pay-downs of available-for-sale securities	7,398	20,978
Net change in loans	(12,390)	(32,271)
Purchase of FHLB stock		(1,250)
Purchase of premises and equipment	(911)	(282)
Proceeds from sale of foreclosed assets	414	642
Net cash used in investing activities	(26,112)	(35,213)
Financing Activities		
Net increase in demand deposits, money market, NOW and savings accounts	4,301	6,364

Net increase in certificates of deposit, including brokered certificates		28,810		20,216
Net increase in advances from borrowers for taxes and insurance		356		408
Proceeds from Federal Home Loan Bank advances		309,000		508,665
Repayments of Federal Home Loan Bank advances		(310,937)		(496,000)
Dividends paid		(211)		
Stock purchase per stock repurchase plan		(3,798)		(2,935)
Net cash provided by financing activities		27,521		36,718
Net Increase in Cash and Cash Equivalents		5,881		5,211
Cash and Cash Equivalents, Beginning of Period		6,580		8,193
Cash and Cash Equivalents, End of Period	$	12,461	$	13,404
Supplemental Cash Flows Information				
Interest paid	$	2,313	$	2,343
Income taxes paid, net of refunds	$	1,391	$	1,799
Foreclosed assets acquired in settlement of loans	$	586	$	58
Dividends payable	$	221	$	

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 stock, and a charitable foundation, Iroquois Federal Foundation, to which the Company donated 314,755 shares of Company stock and $450,000 cash. IF Bancorp, Inc. s common stock began trading on the NASDAQ Capital Market on July 8, 2011, under the symbol IROQ .

During the nine months ended March 31, 2014, a second stock repurchase plan was adopted whereby the Company could repurchase up to 228,535 shares of its common stock, or approximately 5% of the then current outstanding shares. As shares were repurchased, the Company treated them as shares repurchased for constructive retirement (although such shares may be reissued), and the excess of purchase price over par value was charged entirely to retained earnings in recognition of the fact that that the Company may always capitalize or allocate retained earnings for such purposes. The stock repurchase plan was completed on January 27, 2014, and the average price paid per share was $16.61.

During the nine months ended March 31, 2014, the Board of Directors declared two cash dividends of $0.05 per common share each. The first dividend was paid on October 15, 2013, to the stockholders of record as of the close of business on September 12, 2013, and the second dividend was paid on April 15, 2014, to the stockholders of record as of the close of business on March 24, 2014.

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 be awarded to senior officers and directors of the Association. The restricted stock will vest in equal installments over 10 years and the stock options will vest in equal installments over 7 years, both starting in December 2014.

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

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accruals) necessary for a fair presentation of the financial condition of the Company as of March 31, 2014 and June 30, 2013, and the results of its operations for the three month and nine month periods ended March 31, 2014 and 2013. 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, 2013. The results of operations for the three month and nine month periods ended March 31, 2014 are not necessarily indicative of the results that may be expected for the entire year.

Note 2: New Accounting Pronouncements
Recent and Future Accounting Requirements

FASB ASU 2013-04 *Liabilities (Topic 405): Obligations Resulting From Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date*. On February 28, 2013, FASB issued ASU 2013-40. The amendments in this Update provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this Update is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors.

The guidance in this Update also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. This Accounting Standards Update is the final version of Proposed Accounting Standard Update EITF12D Liabilities (Topic 405) which has been deleted.

The amendments in this Update are effective for fiscal years beginning after December 31, 2013. Early adoption is 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.

FASB ASU 2014-04: *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure.* EITF Issue 13-E sought to define in substance repossession or foreclosure because of the diversity in practice regarding when entities were reclassifying loans receivable to other real estate owned (OREO) (instead of as a loan receivable). The timing of loan reclassifications to OREO may be qualitatively significant to regulators and other financial statement users. In substance repossession or foreclosure is clarified by the ASU.

A creditor is considered to have received physical possession (resulting from an in substance repossession or foreclosure) of residential real estate property collateralizing a consumer mortgage loan only upon the occurrence of either of the following:

a. The creditor obtains legal title to the residential real estate property upon completion of a foreclosure. A creditor may obtain legal title to the residential real estate property even if the borrower has redemption rights that provide the borrower with a legal right for a period of time after a foreclosure to reclaim the real estate property by paying certain amounts specified by law.

b. The borrower conveys all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The deed in lieu of foreclosure or similar legal agreement is completed when agreed-upon terms and conditions have been satisfied by both the borrower and the creditor.

The ASU is effective for fiscal years beginning after December 15, 2014, and interim periods therein. Early adoption is 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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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 March 31, 2014 and June 30, 2013 are as follows (dollars in thousands):

	March 31, 2014	June 30, 2013
Allocated shares	37,571	19,245
Shares committed for release	14,434	19,245
Unearned shares	331,976	346,410
Total ESOP shares	383,981	384,900
Fair value of unearned ESOP shares (1)	$ 5,398	$ 5,293

(1) Based on closing price of $16.26 and $15.28 per share on March 31, 2014, and June 30, 2013, respectively. During the nine months ended March 31, 2014, 919 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.

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On December 10, 2013, the Board of Directors approved grants of 85,500 shares of restricted stock and 167,000 in stock options to be awarded to senior officers and directors of the Association. The restricted stock will vest in equal installments over 10 years and the stock options will vest in equal installments over 7 years, both starting in December 2014. As of March 31, 2014, there were 106,950 shares of restricted stock and 314,125 stock option shares available for future grants under this plan.

The following table summarizes stock option activity for the nine months ended March 31, 2014 (dollars in thousands):

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, June 30, 2013		$		
Granted	167,000	16.63		
Exercised				
Forfeited				
Outstanding, March 31, 2014	167,000	$ 16.63	9.67	$ 62(1)
Exercisable, March 31, 2014		$ N/A	N/A	$

(1) Based on closing price of $16.26 per share on March 31, 2014.
Intrinsic value for stock options is defined as the difference between the current market value and the exercise price. The weighted-average grant-date fair value of options granted during the period was $2.54.

The fair value for each option grant was estimated on the date of grant using the Black-Scholes option pricing model using the following assumptions. The Company used the seven year U.S. Treasury rate in effect at the time of the grant to determine the risk-free interest rate. The expected dividend yield was estimated using the projected semi-annual dividend level and recent stock price of the Company s common stock at the date of grant. Expected volatility was based on historical volatility of the Company s stock and other factors. The expected term of options granted represents the period of time that options are expected to be outstanding. The exercise price is the share price on the grant date of December 10, 2013.

The weighted-average assumptions used in the Black-Scholes option pricing model for the grants made on December 10, 2013, were as follows:

Risk-free interest rate	2.17%
Expected dividend yield	0.60%
Expected stock volatility	9.87%
Expected life (years)	7.00
Exercise price	$ 16.63

There were no options that vested during the nine months ended March 31, 2014. Stock-based compensation expense and related tax benefit was considered nominal for stock options for the nine months ended March 31, 2014. Total unrecognized compensation cost related to non-vested stock options was $404,000 at March 31, 2014 and is expected to be recognized over the remaining weighted-average period of 6.75 years.

The following table summarizes non-vested restricted stock activity for the nine months ended March 31, 2014:

	Shares	**Weighted-Average Grant-Date Fair Value**
Balance, June 30, 2013		$
Granted	85,500	16.63
Forfeited		
Earned and issued		
Balance, March 31, 2014	85,500	$ 16.63

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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. The weighted-average grant date fair value of restricted stock granted during the nine months ended March 31, 2014 was $16.63 per share or $1.4 million. Stock-based compensation expense and related tax benefit for restricted stock was nominal and was recognized in non-interest expense for the nine months ended March 31, 2014. Unrecognized compensation expense for non-vested restricted stock awards was $1.4 million and is expected to be recognized over ten years with a corresponding credit to paid-in capital.

Note 4: Earnings Per Common Share (EPS)

Basic and diluted earnings per common share are presented for the three month and nine month periods ended March 31, 2014 and 2013. The factors used in the earnings per common share computation are as follows:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Nine Months Ended March 31, 2014	Nine Months Ended March 31, 2013
Net income	$ 834	$ 924	$ 2,473	$ 2,766
Basic weighted average shares outstanding	4,347,860	4,614,486	4,474,147	4,710,586
Less: Average unallocated ESOP shares	(334,382)	(353,627)	(339,193)	(358,438)
Basic average shares outstanding	4,013,478	4,260,859	4,134,954	4,352,148
Diluted effect of restricted stock awards and stock options				
Diluted average shares outstanding	4,013,478	4,260,859	4,134,954	4,352,148
Basic earnings per common share	$ .21	$ .22	$ .60	$ .64
Diluted earnings per common share	$ .21	$ .22	$ .60	$ .64

On September 11, 2013, the Company announced a second stock repurchase program to repurchase up to 228,535 shares of its common stock, or approximately 5% of its then current outstanding shares. The stock repurchase plan was completed on January 27, 2014, and the average price paid per share was $16.61.

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 will vest over 10 years and the stock options will vest over 7 years, both starting in December 2014. The 167,000 in stock options and 83,718 shares of non-vested restricted stock were not included in the computation of diluted earnings per share as the stock awards were considered antidilutive for the three and nine month periods ended March 31, 2014.

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Note 5: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
March 31, 2014:				
U.S. Government and federal agency and Government sponsored enterprises (GSE s)	$ 130,593	$ 2,735	$ (1,348)	$ 131,980
Mortgage-backed:				
GSE residential	80,219	799	(1,805)	79,213
State and political subdivisions	2,774	148	(22)	2,900
	$ 213,586	$ 3,682	$ (3,175)	$ 214,093
June 30, 2013:				
U.S. Government and federal agency and Government sponsored enterprises (GSE s)	$ 121,162	$ 3,543	$ (2,372)	$ 122,333
Mortgage-backed:				
GSE residential	76,407	465	(2,263)	74,609
State and political subdivisions	3,750	175	(40)	3,885
	$ 201,319	$ 4,183	$ (4,675)	$ 200,827

With the exception of U.S. Government and federal agency and GSE securities, and mortgage-backed GSE residential securities with a book value of approximately $130,593,000 and $80,219,000, respectively, and a market value of approximately $131,980,000 and $79,213,000, respectively, at March 31, 2014, the Company held no securities at March 31, 2014 with a book value that exceeded 10% of total equity.

All mortgage-backed securities at March 31, 2014, and June 30, 2013 were issued by GSEs.

The amortized cost and fair value of available-for-sale securities at March 31, 2014, 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	$ 1,089	$ 1,124
One to five years	45,015	47,210

Five to ten years	87,175	86,451
After ten years	88	95
	133,367	134,880
Mortgage-backed securities	80,219	79,213
Totals	$ 213,586	$ 214,093

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The carrying value of securities pledged as collateral to secure public deposits and for other purposes was $50,316,000 and $49,416,000 as of March 31, 2014 and June 30, 2013, respectively.

Gross gains of $596,000 and $632,000, and gross losses of $795,000 and $2,000, resulting from sales of available-for-sale securities were realized for the nine month periods ended March 31, 2014 and 2013, respectively. The tax provision applicable to these net realized gains (losses) amounted to approximately $(80,000) and $255,000, respectively. Gross gains of $406,000 and $61,000, and gross losses of $501,000 and $0, resulting from the sale of available-for-sale securities were realized for the three month periods ended March 31, 2014, and 2013, respectively. The tax provision applicable to these net gains amounted to approximately $(38,000) and $25,000, respectively.

Certain investments in debt and marketable equity securities are reported in the financial statements at amounts less than their historical cost. Total fair value of these investments at March 31, 2014 and June 30, 2013 was $82,043,000 and $107,019,000, respectively, which is approximately 38.3% and 53.3% 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 tables show 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 March 31, 2014 and June 30, 2013:

	March 31, 2014					
	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)	$ 17,894	$ (641)	$ 18,286	$ (707)	$ 36,180	$ (1,348)
Mortgage-backed:						
GSE residential	43,062	(1,692)	1,762	(113)	44,824	(1,805)
State and political subdivisions			1,039	(22)	1,039	(22)
Total temporarily impaired securities	$ 60,956	$ (2,333)	$ 21,087	$ (842)	$ 82,043	$ (3,175)

	June 30, 2013					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
	$ 55,825	$ (2,372)	$	$	$ 55,825	$ (2,372)

U.S. Government and federal agency and Government sponsored enterprises (GSE s)						
Mortgage-backed:						
GSE residential	50,172	(2,263)			50,172	(2,263)
State and political subdivisions	1,022	(40)			1,022	(40)
Total temporarily impaired securities	$ 107,019	$ (4,675)	$	$	$ 107,019	$ (4,675)

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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 at maturity, the Company does not consider those investments to be other-than-temporarily impaired at March 31, 2014.

Note 6: Loans and Allowance for Loan Losses

Classes of loans include:

	March 31, 2014	June 30, 2013
Real estate loans:		
One-to four-family, including home equity loans	$ 149,310	$ 147,221
Multi-family	62,607	58,442
Commercial	82,142	74,679
Home equity lines of credit	7,540	8,228
Construction	1,663	2,497
Commercial	20,645	19,695
Consumer	8,729	9,662
Total loans	332,636	320,424
Less:		
Unearned fees and discounts, net	137	67
Loans in process	1,365	644
Allowance for loan losses	3,921	3,938
Loans, net	$ 327,213	$ 315,775

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 and Iroquois, as well as the adjacent counties in Illinois and Indiana. The Company also has a loan production and wealth management office in Osage Beach, Missouri, which serves the Missouri counties of Camden, Miller, and Morgan. Generally, loans are collateralized by assets, primarily real estate, of the borrowers and guaranteed by individuals. The loans are expected to be repaid from cash flows of the borrowers or from proceeds from the sale of selected assets of the borrowers.

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

The Company s policies and loan approval limits are established by the Board of Directors. The loan officers generally have authority to approve one-to four-family residential mortgage loans up to $100,000, other secured loans up to $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 or $750,000 for individual 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 semi-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.

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 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 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.

Loan Concentrations

The loan portfolio includes a concentration of loans secured by commercial real estate properties amounting to $144,749,000 and $133,121,000 as of March 31, 2014 and June 30, 2013, 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.

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Purchased Loans and Loan Participations

The Company s loans receivable included purchased loans of $14,085,000 and $15,692,000 at March 31, 2014 and June 30, 2013, respectively. All of these purchased loans are secured by single family homes located out of our primary market area primarily in the Midwest. The Company has not purchased any loans since May of 2007. The Company s loans receivable also include commercial loan participations of $24,955,000 and $27,695,000 at March 31, 2014 and June 30, 2013, respectively, of which $7,944,000 and $9,803,000, at March 31, 2014 and June 30, 2013 were outside our primary market area. The Company did not purchase any new commercial participations during the quarter ended March 31, 2014. These participation loans are secured by real estate and other business assets.

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 nine month periods ended March 31, 2014 and 2013 and the year ended June 30, 2013:

	Three Months Ended March 31, 2014			
	Real Estate Loans			
	One-to Four-Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for loan losses:				
Balance, beginning of period	$ 1,486	$ 814	$ 873	$ 90
Provision charged to expense	(1)	42	78	(3)
Losses charged off	(80)			
Recoveries				
Balance, end of period	$ 1,405	$ 856	$ 951	$ 87
Ending balance: individually evaluated for impairment	$ 187	$	$	$
Ending balance: collectively evaluated for impairment	$ 1,218	$ 856	$ 951	$ 87
Loans:				
Ending balance	$ 149,310	$ 62,607	$ 82,142	$ 7,540
Ending balance: individually evaluated for impairment	$ 3,120	$ 1,646	$ 57	$
Ending balance: collectively evaluated for impairment	$ 146,190	$ 60,961	$ 82,085	$ 7,540

	Three Months Ended March 31, 2014 (Continued)				
	Construction	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:					
Balance, beginning of period	$ 30	$ 526	$ 81	$ 6	$ 3,906
Provision charged to expense	(19)	7	15	21	140
Losses charged off		(38)	(9)		(127)
Recoveries			2		2
Balance, end of period	$ 11	$ 495	$ 89	$ 27	$ 3,921
Ending balance: individually evaluated for impairment	$	$	$ 21	$	$ 208
Ending balance: collectively evaluated for impairment	$ 11	$ 495	$ 68	$ 27	$ 3,713
Loans:					
Ending balance	$ 1,663	$ 20,645	$ 8,729	$	$ 332,636
Ending balance: individually evaluated for impairment	$	$ 32	$ 41	$	$ 4,896
Ending balance: collectively evaluated for impairment	$ 1,663	$ 20,613	$ 8,688	$	$ 327,740

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	Nine Months Ended March 31, 2014 Real Estate Loans			
	One-to Four-Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for loan losses:				
Balance, beginning of period	$ 1,616	$ 797	$ 838	$ 90
Provision charged to expense	74	59	141	(3)
Losses charged off	(331)		(28)	
Recoveries	46			