

IF Bancorp, Inc.
Form 10-K
September 21, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2015

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 Number: 001-35226

IF BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	45-1834449 (I.R.S. Employer Identification No.)
201 East Cherry Street, Watseka, Illinois (Address of principal executive offices)	60970 (Zip Code)
(815) 432-2476	

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	Nasdaq Capital Market
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 filing 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 (§ 232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the
Act). Yes No

The aggregate market value of the voting and non-voting common equity held by nonaffiliates as of December 31, 2014 was \$56,359,136.

The number of shares outstanding of the registrant's common stock as of September 14, 2015 was 4,053,274.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the Registrant's Annual Meeting of Stockholders to be held on November 23, 2015 are incorporated by reference in Part III of this Form 10-K.

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This report contains certain forward-looking statements within the meaning of the federal securities laws. These statements are not historical facts; rather, they are statements based on IF Bancorp, Inc.'s current expectations regarding its business strategies, intended results and future performance. Forward-looking statements are preceded by terms such as expects, believes, anticipates, intends and similar expressions.

Management's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors which could affect actual results include interest rate trends, the general economic climate in the market area in which IF Bancorp, Inc. operates, as well as nationwide, IF Bancorp, Inc.'s ability to control costs and expenses, competitive products and pricing, loan delinquency rates and changes in federal and state legislation and regulation. For further discussion of factors that may affect IF Bancorp Inc.'s financial condition and results of operations, see Item 1A. Risk Factors in this Annual Report on Form 10-K (Form 10-K). These factors should be considered in

evaluating the forward-looking statements and undue reliance should not be placed on such statements.

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PART I

ITEM 1. BUSINESS

General

IF Bancorp, Inc. (IF Bancorp or the Company) is a Maryland corporation formed in March 2011 to become the holding company for Iroquois Federal Savings and Loan Association (Iroquois Federal or the Association). On July 7, 2011, the Company completed its offering of common stock in connection with Iroquois Federal's mutual-to-stock conversion, selling 4,496,500 shares of common stock at \$10.00 per share, including 384,900 shares sold to Iroquois Federal's employee stock ownership plan with funds borrowed from IF Bancorp, and raising approximately \$45.0 million of gross proceeds. In addition, the Company issued 314,755 shares of its common stock to the Iroquois Federal Foundation.

The Company is primarily engaged in the business of directing, planning, and coordinating the business activities of Iroquois Federal. The Company's most significant asset is its investment in Iroquois Federal. At June 30, 2015 and 2014, we had consolidated assets of \$563.7 million and \$551.3 million, consolidated deposits of \$415.5 million and \$404.6 million and consolidated equity of \$80.4 million and \$82.1 million, respectively.

Iroquois Federal is a federally chartered savings association headquartered in Watseka, Illinois. The Association's business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in one- to four-family residential mortgage loans, multi-family mortgage loans, commercial real estate loans (including farm loans), home equity lines of credit, commercial business loans, consumer loans (consisting primarily of automobile loans), and, to a much lesser extent, construction loans and land development loans. We also invest in securities, which historically have consisted primarily of securities issued by the U.S. government, U.S. government agencies and U.S. government-sponsored enterprises, as well as mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises. To a lesser extent, we also invest in municipal obligations.

We offer a variety of deposit accounts, including statement savings accounts, certificates of deposit, money market accounts, commercial and regular checking accounts, individual retirement accounts and health savings accounts.

In addition to our traditional banking products and services, we offer a full line of property and casualty insurance products through Iroquois Federal's wholly-owned subsidiary, L.C.I. Service Corporation, an insurance agency with offices in Watseka and Danville, Illinois. We also offer annuities, mutual funds, individual and group retirement plans, life, disability and health insurance, individual securities, managed accounts and other financial services at all of our locations through Iroquois Financial, a division of Iroquois Federal. Raymond James Financial Services, Inc. serves as the broker-dealer for Iroquois Financial.

We are dedicated to offering alternative banking delivery systems, including ATMs, online banking, ACH payroll, remote capture and telephone banking delivery systems. We have recently added text message options to our mobile banking solutions and introduced mobile aps for the iPhone, iPad, Android and Android Tablet.

Available Information

IF Bancorp is a public company, and files interim, quarterly and annual reports with the Securities and Exchange Commission. These respective reports are on file and a matter of public record with the Securities and Exchange

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Commission and may be read and copied at the Securities and Exchange Commission's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (<http://www.sec.gov>).

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IF Bancorp's executive offices are located at 201 East Cherry Street, Watseka, Illinois 60970. Our telephone number at this address is (815) 432-2476, and our website address is www.iroquoisfed.com. Information on our website should not be considered a part of this Form 10-K.

Market Area

We conduct our operations from our five full-service banking offices located in the municipalities of Watseka, Danville, Clifton, Hoopston and Savoy, Illinois and our loan production and wealth management office in Osage Beach, Missouri. Our primary lending market includes the Illinois counties of Vermilion, Iroquois and Champaign, as well as the adjacent counties in Illinois and Indiana. Our loan production and wealth management office in Osage Beach, Missouri, serves the Missouri counties of Camden, Miller and Morgan.

In recent years Iroquois and Vermilion Counties, our traditional primary market areas, have experienced negative growth, reflecting in part, the economic downturn. However, Champaign County, where our new Savoy branch is located, has experienced population growth. Future business and growth opportunities will be influenced by economic and demographic characteristics of our primary market area and of east central Illinois. According to data from the U.S. Census Bureau, Iroquois County had an estimated population of 29,000 in July 2014, a decrease of 2.8% since April 2010, and Vermilion County had an estimated population of 80,000 in July 2014, a decrease of 2.3% since April 2010, while Champaign County had an estimated population of 207,000 in July 2014, an increase of 3.0% since April 2010. However, unemployment rates in our primary market have decreased significantly over the last year. According to the Illinois Department of Employment Security, unemployment, on a non-seasonally adjusted basis, between June 2014 and June 2015, increased from 6.1% to 6.2% in Iroquois County, and decreased from 9.3% to 8.4% in Vermilion County and from 7.0% to 5.7% in Champaign County.

The economy in our primary market is fairly diversified, with employment in services, wholesale/retail trade, and government serving as the basis of the Iroquois County, Vermilion County and Champaign County economies. Manufacturing jobs, which tend to be higher paying jobs, are also a large source of employment in Vermilion and Champaign Counties, while Iroquois County is heavily influenced by agriculture and agriculture related businesses. Hospitals and other health care providers, local schools and trucking/distribution businesses also serve as major sources of employment.

Our Osage Beach, Missouri loan production and wealth management office is located in the Lake of the Ozarks region and serves the Missouri counties of Camden, Miller and Morgan. Once known primarily as a resort area, this market is becoming an area of permanent residences and a growing retirement community, providing an excellent market for mortgage loans and our wealth management and financial services business.

Competition

We face intense competition in our market area both in making loans and attracting deposits. We also compete with commercial banks, credit unions, savings institutions, mortgage brokerage firms, finance companies, mutual funds, insurance companies and investment banking firms. Some of our competitors have greater name recognition and market presence that benefit them in attracting customers, and offer certain services that we do not or cannot provide.

Our deposit sources are primarily concentrated in the communities surrounding our banking offices located in Iroquois and Vermilion Counties, Illinois. As of June 30, 2014, the latest date for which FDIC data is available, we ranked first of 13 bank and thrift institutions with offices in Iroquois County with a 24.50% deposit market share. As of the same date, we ranked first of 16 bank and thrift institutions with offices in Vermilion County with a 17.61% deposit market share and we ranked 30th of 31 bank and thrift institutions with offices in Champaign County, with a 0.07% deposit

market share.

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Lending Activities

Our principal lending activity is the origination of one- to four-family residential mortgage loans, multi-family loans, commercial real estate loans (including farm loans), home equity loans and lines of credit, commercial business loans, consumer loans (consisting primarily of automobile loans), and, to a much lesser extent, construction loans and land development loans.

In addition to loans originated by Iroquois Federal, our loan portfolio includes loan purchases which are secured by single family homes located primarily in the Midwest. As of June 30, 2015 and 2014, the amount of such loans equaled \$11.5 million and \$13.7 million, respectively. See [Loan Originations, Purchases, Sales, Participations and Servicing](#).

Our loan portfolio also includes commercial loan participations which are secured by both real estate and other business assets, primarily within 100 miles of our primary lending market. As of June 30, 2015 and 2014, the amount of such loans equaled \$27.8 million and \$24.8 million, respectively. See [Loan Originations, Purchases, Sales, Participations and Servicing](#).

The Association's legal lending limit to any one borrower is 15% of unimpaired capital and surplus. On July 30, 2012 our bank received approval from the Comptroller of the Currency to participate in the Supplemental Lending Limits Program (SLLP). This program allows eligible savings associations to make additional residential real estate loans or extensions of credit to one borrower, small business loans or extensions of credit to one borrower, or small farm loans or extensions of credit to one borrower, in the lesser of the following two amounts: (1) 10% of its capital and surplus; or (2) the percentage of capital and surplus, in excess of 15%, that a state bank is permitted to lend under the state lending limit that is available for loans secured by one- to four-family residential real estate loans, small business loans, small farm loans or unsecured loans in the state where the main office of the savings association is located. For Iroquois Federal this additional limit (or supplemental limit(s)) for one- to four-family residential real estate, small business, or small farm loans is 10% of Iroquois Federal's capital and surplus. In addition, the total outstanding amount of the Association's loans or extensions of credit or parts of loans and extensions of credit made to all of its borrowers under the SLLP may not exceed 100% of the Association's capital and surplus. By Association policy, participation of any credit facilities in the SLLP is to be infrequent and all credit facilities are to be with prior Board approval.

We originate a substantial portion of our fixed-rate one- to four-family residential mortgage loans for sale to the Federal Home Loan Bank of Chicago with servicing retained. Total loans sold under this program equaled approximately \$73.8 million and \$74.0 million as of June 30, 2015 and 2014, respectively. See [One- to Four-Family Residential Real Estate Lending](#) below for more information regarding the origination of loans for sale to the Federal Home Loan Bank of Chicago.

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Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio, including loans held for sale, by type of loan at the dates indicated. Amounts shown for one- to four-family loans include loans held for sale of approximately \$93,000, \$313,000, \$492,000, \$179,000 and \$0 at June 30, 2015, 2014, 2013, 2012 and 2011, respectively.

	2015		2014		At June 30, 2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)										
Real estate loans:										
One- to four-family (1)	\$ 145,064	40.16%	\$ 149,549	44.60%	\$ 147,221	45.95%	\$ 147,686	55.93%	\$ 148,448	60.82%
Multi-family	58,399	16.17	61,603	18.37	58,442	18.24	38,547	14.60	26,299	10.78
Commercial	103,614	28.68	83,134	24.79	74,679	23.30	32,925	12.47	27,402	11.23
Home equity lines of credit	7,713	2.14	7,824	2.33	8,228	2.57	8,994	3.41	10,043	4.12
Construction	987	0.27	1,572	0.47	2,497	0.78	8,396	3.18	4,039	1.65
Commercial	37,151	10.28	23,120	6.90	19,695	6.15	13,917	5.27	12,068	4.94
Consumer	8,325	2.30	8,509	2.54	9,662	3.01	13,578	5.14	15,779	6.46
	361,253									
Total loans		100.00%	335,311	100.00%	320,424	100.00%	264,043	100.00%	244,078	100.00%
Less:										
Unearned fees and discounts, net	155		104		67		63		19	
Loans in process	693		1,325		644		1,539		890	
Allowance for loan losses	4,211		3,958		3,938		3,531		3,149	
Total loans, net	\$ 356,194		\$ 329,924		\$ 315,775		\$ 258,910		\$ 240,020	

(1) Includes home equity loans.

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Loan Portfolio Maturities and Yields. The following table summarizes the scheduled repayments of our loan portfolio at June 30, 2015. We had no demand loans or loans having no stated repayment schedule or maturity at June 30, 2015.

	One- to four-family residential real estate (1)		Multi-family real estate		Commercial real estate		Home equity lines of credit	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
(Dollars in thousands)								
Due During the Years Ending June 30,								
2016	\$ 1,450	4.97%	\$ 1,031	4.63%	\$ 14,420	4.71%	\$ 711	4.34%
2017	1,892	5.39	8,190	4.25	4,853	4.84	615	4.08
2018 to 2019	5,584	4.67	15,526	4.10	29,468	4.09	1,394	4.67
2020 to 2024	17,751	4.78	18,856	3.84	44,126	3.85	1,526	4.63
2025 to 2029	18,000	4.05	1,032	4.50	9,244	4.15	2,210	4.10
2030 and beyond	100,387	4.02	13,764	3.70	1,503	4.86	1,257	3.36
Total	\$ 145,064	4.17%	\$ 58,399	3.96%	\$ 103,614	4.13%	\$ 7,713	4.21%

	Construction		Commercial		Consumer		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
(Dollars in thousands)								
Due During the Years Ending June 30,								
2016	\$		% \$ 11,921	4.24%	\$ 1,966	4.38%	\$ 31,499	4.51%
2017			5,198	4.94	1,467	6.26	22,215	4.76
2018 to 2019			4,546	4.46	2,667	5.62	59,185	4.26
2020 to 2024			15,335	4.18	1,972	3.96	99,566	4.08
2025 to 2029			151	3.35	253	3.86	30,890	4.09
2030 and beyond	987	4.05					117,898	3.99
Total	\$ 987	4.05%	\$ 37,151	4.34%	\$ 8,325	4.99%	\$ 361,253	4.16%

(1) Includes home equity loans.

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at June 30, 2015 that are contractually due after June 30, 2016.

	Due After June 30, 2016		
	Fixed	Adjustable	Total
	(In thousands)		
Real estate loans:			
One- to four-family (1)	\$ 48,599	\$ 95,015	\$ 143,614
Multi-family	27,647	29,721	57,368
Commercial	62,496	26,698	89,194
Home equity lines of credit	3,183	3,819	7,002
Construction		987	987
Commercial	14,797	10,433	25,230
Consumer	6,359		6,359
Total loans	\$ 163,081	\$ 166,673	\$ 329,754

(1) Includes home equity loans.

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One- to Four-Family Residential Mortgage Loans. At June 30, 2015, \$145.1 million, or 40.2% of our total loan portfolio, consisted of one- to four-family residential mortgage loans. We offer residential mortgage loans that conform to Fannie Mae and Freddie Mac underwriting standards (conforming loans) as well as non-conforming loans. We generally underwrite our one- to four-family residenti