IF Bancorp, Inc.
Form 10-Q
May 12, 2015
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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, 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 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 4,288,557 shares of common stock, par value $0.01 per share, issued and outstanding as of May 4, 2015.

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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, 2015 (Unaudited)	June 30, 2014
Assets		
Cash and due from banks	$ 12,104	$ 12,615
Interest-bearing demand deposits	390	116
Cash and cash equivalents	12,494	12,731
Interest-bearing time deposits in banks	250	250
Available-for-sale securities	176,123	184,586
Loans, net of allowance for loan losses of $4,111 and $3,958 at March 31, 2015 and June 30, 2014, respectively	338,365	329,924
Premises and equipment, net of accumulated depreciation of $5,609 and $5,253 at March 31, 2015 and June 30, 2014, respectively	4,858	5,124
Federal Home Loan Bank stock, at cost	5,425	5,425
Foreclosed assets held for sale	371	436
Accrued interest receivable	1,669	1,788
Bank-owned life insurance	8,223	8,025
Mortgage servicing rights	476	506
Deferred income taxes	1,238	2,059
Other	260	489
Total assets	$ 549,752	$ 551,343
Liabilities and Equity		
Liabilities		
Deposits		
Demand	$ 13,695	$ 16,705
Savings, NOW and money market	137,188	132,638
Certificates of deposit	225,593	219,675
Brokered certificates of deposit	37,208	35,575
Total deposits	413,684	404,593

Repurchase agreements	4,403	2,324
Federal Home Loan Bank advances	41,000	56,750
Advances from borrowers for taxes and insurance	1,229	997
Accrued post-retirement benefit obligation	2,432	2,387
Accrued interest payable	88	96
Other	1,701	2,110
Total liabilities	464,537	469,257
Commitments and Contingencies		
Stockholders Equity		
Common stock, $.01 par value per share, 100,000,000 shares authorized, 4,339,057 and 4,377,657 shares issued and outstanding at March 31, 2015 and June 30, 2014, respectively	43	44
Additional paid-in capital	46,940	46,689
Unearned ESOP shares, at cost, 312,731 and 327,165 shares at March 31, 2015 and June 30, 2014, respectively	(3,127)	(3,272)
Retained earnings	38,972	37,544
Accumulated other comprehensive income, net of tax	2,387	1,081
Total stockholders equity	85,215	82,086
Total liabilities and stockholders equity	$ 549,752	$ 551,343

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,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Interest and Dividend Income				
Interest and fees on loans	$ 3,599	$ 3,436	$ 10,669	$ 10,273
Securities:				
Taxable	1,068	1,346	3,298	3,754
Tax-exempt	42	22	113	76
Federal Home Loan Bank dividends	7	8	23	18
Deposits with other financial institutions	4	2	10	6
Total interest and dividend income	4,720	4,814	14,113	14,127
Interest Expense				
Deposits	592	580	1,842	1,732
Federal Home Loan Bank advances and repurchase agreements	198	209	591	617
Total interest expense	790	789	2,433	2,349
Net Interest Income	3,930	4,025	11,680	11,778
Provision for Loan Losses	17	140	259	366
Net Interest Income After Provision for Loan Losses	3,913	3,885	11,421	11,412
Noninterest Income				
Customer service fees	111	114	382	406
Other service charges and fees	32	17	85	89
Insurance commissions	193	200	537	550
Brokerage commissions	194	172	565	508
Net realized gains (losses) on sales of available-for-sale securities	1	(95)	(41)	(199)
Mortgage banking income, net	22	31	110	159
Gain on sale of loans	25	5	76	77
Bank-owned life insurance income, net	64	68	198	202
Other	160	159	488	446

Total noninterest income		802		671		2,400		2,238
Noninterest Expense								
Compensation and benefits		2,185		2,141		6,272		6,330
Office occupancy		151		136		426		386
Equipment		241		223		762		658
Federal deposit insurance		78		69		230		210
Stationary, printing and office		43		41		132		120
Advertising		96		102		304		300
Professional services		93		80		339		278
Supervisory examinations		38		39		111		113
Audit and accounting services		14		20		84		101
Organizational dues and subscriptions		13		12		46		45
Insurance bond premiums		27		27		92		92
Telephone and postage		65		69		191		194
Loss on foreclosed assets, net		7		17		62		209
Other		308		306		931		849
Total noninterest expense		3,359		3,282		9,982		9,885
Income Before Income Tax		1,356		1,274		3,839		3,765
Provision for Income Tax		466		440		1,355		1,292
Net Income	$	890	$	834	$	2,484	$	2,473
Earnings Per Share:								
Basic and diluted (Note 4)	$	.23	$	.21	$	.63	$	.60
Dividends declared per common share	$	.05	$	.05	$	.10	$	.10

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(Dollars in thousands)

	Three Months Ended March 31, 2015	2014
Net Income	$ 890	$ 834
Other Comprehensive Income		
Unrealized appreciation on available-for-sale securities, net of taxes of $467 and $1,115, for 2015 and 2014, respectively	689	1,652
Less: reclassification adjustment for realized gains (losses) included in net income, net of taxes of $0 and $38 for 2015 and 2014, respectively	1	(57)
	690	1,709
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of $0 and $(6) for 2015 and 2014, respectively	(1)	(8)
Other comprehensive income, net of tax	689	1,701
Comprehensive Income	$ 1,579	$ 2,535

	Nine Months Ended March 31, 2015	2014
Net Income	$ 2,484	$ 2,473
Other Comprehensive Income		
Unrealized appreciation on available-for-sale securities, net of taxes of $863 and $322, for 2015 and 2014, respectively	1,280	478
Less: reclassification adjustment for realized losses included in net income, net of taxes of $17 and $80, for 2015 and 2014, respectively	(24)	(119)
	1,304	597
Postretirement health plan amortization of transition obligation and prior service cost and change in net loss, net of taxes of $1 and $(19) for 2015 and 2014, respectively	2	(26)

Other comprehensive income, net of tax		1,306		571
Comprehensive Income	$	3,790	$	3,044

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statements 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, 2015						
Balance, July 1, 2014	$ 44	$ 46,689	$ (3,272)	$ 37,544	$ 1,081	$ 82,086
Net income				2,484		2,484
Other comprehensive income					1,306	1,306
Dividends on common stock, $0.10 per share				(420)		(420)
Stock equity plan		152				152
Stock repurchase, 38,600 shares, average price $16.50 each	(1)			(636)		(637)
ESOP shares earned, 14,434 shares		99	145			244
Balance, March 31, 2015	$ 43	$ 46,940	$ (3,127)	$ 38,972	$ 2,387	$ 85,215
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

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	Nine Months Ended March 31, 2015	2014
Operating Activities		
Net income	$ 2,484	$ 2,473
Items not requiring (providing) cash		
Depreciation	325	304
Provision for loan losses	259	366
Amortization of premiums and discounts on securities	429	759
Deferred income taxes	(59)	51
Net realized gains on loan sales	(186)	(236)
Net realized losses on sales of available-for-sale securities	41	199
Loss on foreclosed assets held for sale	62	209
Bank-owned life insurance income, net	(198)	(202)
Originations of loans held for sale	(5,828)	(6,683)
Proceeds from sales of loans held for sale	6,222	6,905
ESOP compensation expense	244	234
Stock equity plan expense	152	69
Changes in		
Accrued interest receivable	119	(336)
Other assets	229	463
Accrued interest payable	(8)	37
Post-retirement benefit obligation	47	106
Other liabilities	(409)	(246)
Net cash provided by operating activities	3,925	4,472
Investing Activities		
Purchases of available-for-sale securities	(39,017)	(63,299)
Proceeds from the sales of available-for-sale securities	41,732	42,676
Proceeds from maturities and pay-downs of available-for-sale securities	7,462	7,398
Net change in loans	(9,149)	(12,390)
Purchase of premises and equipment	(59)	(911)
Proceeds from sale of foreclosed assets	274	414
Net cash provided by (used in) investing activities	1,243	(26,112)
Financing Activities		
Net increase in demand deposits, money market, NOW and savings accounts	1,540	4,301
Net increase in certificates of deposit, including brokered certificates	7,551	28,810

Net increase in advances from borrowers for taxes and insurance		232		356
Proceeds from Federal Home Loan Bank advances		120,000		309,000
Repayments of Federal Home Loan Bank advances		(135,750)		(312,000)
Net increase in repurchase agreements		2,079		1,063
Dividends paid		(420)		(211)
Stock purchase per stock repurchase plan		(637)		(3,798)
Net cash provided by (used in) financing activities		(5,405)		27,521
Net Increase (Decrease) in Cash and Cash Equivalents		(237)		5,881
Cash and Cash Equivalents, Beginning of Period		12,731		6,580
Cash and Cash Equivalents, End of Period	$	12,494	$	12,461
Supplemental Cash Flows Information				
Interest paid	$	2,441	$	2,313
Income taxes paid, net of refunds	$	1,438	$	1,391
Foreclosed assets acquired in settlement of loans	$	271	$	586
Dividends payable	$	217	$	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 .

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 March 31, 2015 and June 30, 2014, and the results of its operations for the three month and nine month periods ended March 31, 2015 and 2014. 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, 2014. The results of operations for the three month and nine month periods ended March 31, 2015 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

In January 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-04 which affects all creditors who obtain physical possession (resulting from an in substance repossession or foreclosure) of residential real estate property collateralizing a consumer mortgage loan in satisfaction of a receivable. The ASU is effective for annual periods and interim periods within annual periods beginning after December 15, 2014. The adoption of this guidance did not have a material impact on the Company s Consolidated Financial Statements.

In May, 2014, the FASB issued 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. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and must be applied either retrospectively or using the modified retrospective approach. Early adoption is not permitted. In April 2015, the

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Financial Accounting Standards Board voted for a one year deferral of the effective date of ASU 2014-09 and is expected to issue an exposure draft during the second quarter of 2015. Management is evaluating the new guidance, but does not expect the adoption of this guidance to have a material 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 March 31, 2015 and June 30, 2014 are as follows (dollars in thousands):

	March 31, 2015	June 30, 2014
Allocated shares	55,771	37,571
Shares committed for release	14,434	19,245
Unearned shares	312,731	327,165
Total ESOP shares	382,936	383,981
Fair value of unearned ESOP shares (1)	$ 5,238	$ 5,395

(1) Based on closing price of $16.75 and $16.49 per share on March 31, 2015, and June 30, 2014, respectively. During the nine months ended March 31, 2015, 1,045 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, 2015, 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, 2015 (dollars in thousands):

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, June 30, 2014	167,000	$ 16.63		
Granted				
Exercised				
Forfeited				
Outstanding, March 31, 2015	167,000	$ 16.63	8.7	$ 20(1)
Exercisable, March 31, 2015	23,857	$ 16.63	8.7	$ 3(1)

(1) Based on closing price of $16.75 per share on March 31, 2015.
Intrinsic value for stock options is defined as the difference between the current market value and the exercise price.

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 23,857 options that vested during the nine months ended March 31, 2015. Stock-based compensation expense and related tax benefit was considered nominal for stock options for the nine months ended March 31, 2015. Total unrecognized compensation cost related to non-vested stock options was $343,384 at March 31, 2015 and is expected to be recognized over the remaining weighted-average period of 5.7 years.

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The following table summarizes non-vested restricted stock activity for the nine months ended March 31, 2015:

	Shares	Weighted-Average Grant-Date Fair Value	
Balance, June 30, 2014	85,500	$	16.63
Granted			
Forfeited			
Earned and issued	8,550		16.63
Balance, March 31, 2015	76,950	$	16.63

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 nominal and was recognized in non-interest expense for the nine months ended March 31, 2015. Unrecognized compensation expense for non-vested restricted stock awards was $1.2 million and is expected to be recognized over 8.7 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, 2015 and 2014. The factors used in the earnings per common share computation are as follows:

		Three Months Ended March 31, 2015		Three Months Ended March 31, 2014		Nine Months Ended March 31, 2015		Nine Months Ended March 31, 2014
Net income	$	890	$	834	$	2,484	$	2,473
Basic weighted average shares outstanding		4,253,557		4,347,860		4,277,647		4,474,147
Less: Average unallocated ESOP shares		(315,137)		(334,382)		(319,948)		(339,193)
Basic average shares outstanding		3,938,420		4,013,478		3,957,699		4,134,954
Diluted effect of restricted stock awards and stock options								
Diluted average shares outstanding		3,938,420		4,013,478		3,957,699		4,134,954
Basic earnings per common share	$	.23	$	.21	$	.63	$	.60

Diluted earnings per common share	$	.23	$	.21	$	.63	$	.60

The Company announced a stock repurchase plan on May 14, 2014, whereby the Company could repurchase up to 221,383 shares of its common stock, or approximately 5% of its then current outstanding shares. As of March 31, 2015, 88,600 shares were repurchased at an average price of $16.50 per share.

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 76,950 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, 2015.

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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, 2015:				
U.S. Government and federal agency and Government sponsored enterprises (GSE s)	$ 106,839	$ 2,990	$ (6)	$ 109,823
Mortgage-backed:				
GSE residential	61,521	878	(215)	62,184
State and political subdivisions	3,558	558		4,116
	$ 171,918	$ 4,426	$ (221)	$ 176,123
June 30, 2014:				
U.S. Government and federal agency and Government sponsored enterprises (GSE s)	$ 112,511	$ 2,773	$ (622)	$ 114,662
Mortgage-backed:				
GSE residential	67,033	721	(1,022)	66,732
State and political subdivisions	3,022	185	(15)	3,192
	$ 182,566	$ 3,679	$ (1,659)	$ 184,586

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 $106,839,000 and $61,521,000, respectively, and a market value of approximately $109,823,000 and $62,184,000, respectively, at March 31, 2015, the Company held no securities at March 31, 2015 with a book value that exceeded 10% of total equity.

All mortgage-backed securities at March 31, 2015, and June 30, 2014 were issued by GSEs.

The amortized cost and fair value of available-for-sale securities at March 31, 2015, 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	$ 7,080	$ 7,192
One to five years	24,991	26,179

Five to ten years	76,368	78,205
After ten years	1,958	2,363
	110,397	113,939
Mortgage-backed securities	61,521	62,184
Totals	$ 171,918	$ 176,123

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The carrying value of securities pledged as collateral to secure public deposits and for other purposes was $55,461,000 and $50,144,000 as of March 31, 2015 and June 30, 2014, respectively.

Gross gains of $459,000 and $596,000, and gross losses of $500,000 and $795,000, resulting from sales of available-for-sale securities were realized for the nine month periods ended March 31, 2015 and 2014, respectively. The tax provision applicable to these net realized gains (losses) amounted to approximately $(17,000) and $(80,000), respectively. Gross gains of $1,000 and $406,000, and gross losses of $0 and $501,000, resulting from the sale of available-for-sale securities were realized for the three month periods ended March 31, 2015, and 2014, respectively. The tax provision applicable to these net gains amounted to approximately $0 and $(38,000), 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, 2015 and June 30, 2014 was $34,531,000 and $69,616,000, respectively, which is approximately 19.6% and 37.7% 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, 2015 and June 30, 2014:

	March 31, 2015					
	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)	$ 3,993	$ (6)	$	$	$ 3,993	$ (6)
Mortgage-backed:						
GSE residential	10,786	(29)	19,752	(186)	30,538	(215)
Total temporarily impaired securities	$ 14,779	$ (35)	$ 19,752	$ (186)	$ 34,531	$ (221)

	June 30, 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)	$ 6,616	$ (148)	$ 17,370	$ (474)	$ 23,986	$ (622)
Mortgage-backed:						
GSE residential			44,585	(1,022)	44,585	(1,022)

State and political subdivisions			1,045	(15)	1,045	(15)
Total temporarily impaired securities	$ 6,616	$ (148)	$ 63,000	$ (1,511)	$ 69,616	$ (1,659)

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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, 2015.

Note 6: Loans and Allowance for Loan Losses

Classes of loans include:

	March 31, 2015	June 30, 2014
Real estate loans:		
One-to four-family, including home equity loans	$ 145,355	$ 149,549
Multi-family	56,147	61,603
Commercial	92,479	83,134
Home equity lines of credit	7,825	7,824
Construction	1,159	1,572
Commercial	32,125	23,120
Consumer	8,600	8,509
Total loans	343,690	335,311
Less:		
Unearned fees and discounts, net	154	104
Loans in process	1,060	1,325
Allowance for loan losses	4,111	3,958
Loans, net	$ 338,365	$ 329,924

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.

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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 borrowers.

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 Concentrations

The loan portfolio includes a concentration of loans secured by commercial real estate properties amounting to $148,626,000 and $144,737,000 as of March 31, 2015 and June 30, 2014, 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 $11,745,000 and $13,688,000 at March 31, 2015 and June 30, 2014, 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 s loans receivable also include commercial loan participations of $28,534,000 and $24,772,000 at March 31, 2015 and June 30, 2014, respectively, of which $9,177,000 and $7,893,000, at March 31, 2015 and June 30, 2014 were outside our primary market area. The Company purchased one new commercial participation during the quarter ended March 31, 2015. This participation loan was secured by business assets and life insurance.

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, 2015 and 2014 and the year ended June 30, 2014:

	Three Months Ended March 31, 2015 Real Estate Loans			
	One-to Four-Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for loan losses:				
Balance, beginning of period	$ 1,408	$ 772	$ 1,078	$ 89
Provision charged to expense	13	22	26	(9)
Losses charged off	(82)			
Recoveries	18			13
Balance, end of period	$ 1,357	$ 794	$ 1,104	$ 93
Ending balance: individually evaluated for impairment	$ 174	$	$ 27	$ 7
Ending balance: collectively evaluated for impairment	$ 1,183	$ 794	$ 1,077	$ 86
Loans:				
Ending balance	$ 145,355	$ 56,147	$ 92,479	$ 7,825
Ending balance: individually evaluated for impairment	$ 3,353	$ 1,557	$ 48	$ 7
Ending balance: collectively evaluated for impairment	$ 142,002	$ 54,590	$ 92,431	$ 7,818

	Three Months Ended March 31, 2015 (Continued)				
	Construction	Commercial	Consumer	Unallocated	Total

Allowance for loan losses:										
Balance, beginning of period	$	6	$	691	$	94	$		$	4,138
Provision charged to expense		1		(22)		(14)				17
Losses charged off						(2)				(84)
Recoveries						9				40
Balance, end of period	$	7	$	669	$	87	$		$	4,111
Ending balance: individually evaluated for impairment	$		$		$	11	$		$	219
Ending balance: collectively evaluated for impairment	$	7	$	669	$	76	$		$	3,892
Loans:										
Ending balance	$	1,159	$	32,125	$	8,600	$		$	343,690
Ending balance: individually evaluated for impairment	$		$	116	$	21	$		$	5,102
Ending balance: collectively evaluated for impairment	$	1,159	$	32,009	$	8,579	$		$	338,588

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	Nine Months Ended March 31, 2015 Real Estate Loans			
	One-to Four-Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for loan losses:				
Balance, beginning of period	$ 1,391	$ 842	$ 968	$ 111
Provision charged to expense	74	(48)	136	(3)
Losses charged off	(136)			(28)
Recoveries	28			13
Balance, end of period	$ 1,357	$ 794	$ 1,104	$ 93
Ending balance: individually evaluated for impairment	$ 174	$	$ 27	$ 7
Ending balance: collectively evaluated for impairment	$ 1,183	$ 794	$ 1,077	$ 86
Loans:				
Ending balance	$ 145,355	$ 56,147	$ 92,479	$ 7,825
Ending balance: individually evaluated for impairment	$ 3,353	$ 1,557	$ 48	$ 7
Ending balance: collectively evaluated for impairment	$ 142,002	$ 54,590	$ 92,431	$ 7,818

	Nine Months Ended March 31, 2015 (Continued)				
	Construction	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:					
Balance, beginning of period	$ 10	$ 543	$ 93	$	$ 3,958
Provision charged to expense	(3)	126	(23)		259
Losses charged off			(11)		(175)
Recoveries			28		69
Balance, end of period	$ 7	$ 669	$ 87	$	$ 4,111
Ending balance: individually evaluated for impairment	$	$	$ 11	$	$ 219
Ending balance: collectively evaluated for impairment	$ 7	$ 669	$ 76	$	$ 3,892