

IF Bancorp, Inc.  
Form 10-K  
September 12, 2018  
Table of Contents

**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, 2018**

**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)**

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

**(Registrant's telephone number, including area code)**

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

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

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, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Edgar Filing: IF Bancorp, Inc. - Form 10-K

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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

The aggregate market value of the voting and non-voting common equity held by nonaffiliates as of December 31, 2017 was \$60,233,522.

The number of shares outstanding of the registrant's common stock as of September 4, 2018 was 3,871,408.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the Proxy Statement for the Registrant's Annual Meeting of Stockholders to be held on November 19, 2018 are incorporated by reference in Part III of this Form 10-K.

**Table of Contents****INDEX**

	Page
<b><u>PART I</u></b>	<b>1</b>
ITEM 1. <u>BUSINESS</u>	1
ITEM 1A. <u>RISK FACTORS</u>	36
ITEM 1B. <u>UNRESOLVED STAFF COMMENTS</u>	41
ITEM 2. <u>PROPERTIES</u>	42
ITEM 3. <u>LEGAL PROCEEDINGS</u>	42
ITEM 4. <u>MINE SAFETY DISCLOSURES</u>	43
<b><u>PART II</u></b>	<b>43</b>
ITEM 5. <u>MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	43
ITEM 6. <u>SELECTED FINANCIAL DATA</u>	45
ITEM 7. <u>MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION</u>	47
ITEM 7A. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	59
ITEM 8. <u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	59
ITEM 9. <u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	59
ITEM 9A. <u>CONTROLS AND PROCEDURES</u>	59
ITEM 9B. <u>OTHER INFORMATION</u>	60
<b><u>PART III</u></b>	<b>61</b>
ITEM 10. <u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	61
ITEM 11. <u>EXECUTIVE COMPENSATION</u>	61
ITEM 12. <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS</u>	61
ITEM 13. <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	62
ITEM 14. <u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	62
<b><u>PART IV</u></b>	<b>63</b>
ITEM 15. <u>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	63
ITEM 16. <u>FORM 10-K SUMMARY</u>	64
<b><u>SIGNATURES</u></b>	<b>65</b>

*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 the results, 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.*

**Table of Contents**

**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 ).

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, 2018 and 2017, we had consolidated assets of \$638.9 million and \$585.5 million, consolidated deposits of \$480.4 million and \$439.1 million and consolidated equity of \$81.7 million and \$84.0 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 savings accounts, certificates of deposit, money market accounts, commercial and personal checking accounts, individual retirement accounts and health savings accounts. We also offer alternative delivery channels, including ATMs, online banking and bill pay, mobile banking with mobile deposit and bill pay, ACH origination, remote deposit capture and telephone banking.

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.

**Available Information**

IF Bancorp, Inc. 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 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>).

Edgar Filing: IF Bancorp, Inc. - Form 10-K

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](http://www.iroquoisfed.com). Information on our website should not be considered a part of this annual report.

---

## **Table of Contents**

### **Market Area**

We conduct our operations from our six full-service banking offices located in the municipalities of Watseka, Danville, Clifton, Hoopston, Savoy and Bourbonnais, Illinois and our loan production and wealth management office in Osage Beach, Missouri. In August 2018, we opened a new branch at 2411 Village Green Place, Champaign, Illinois. Our primary lending market includes the Illinois counties of Vermilion, Iroquois, Champaign and Kankakee, as well as the adjacent counties in Illinois and Indiana within 30 miles of a branch or loan production office. 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 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 28,000 in July 2017, a decrease of 6.1% since April 2010, Vermilion County had an estimated population of 78,000 in July 2017, a decrease of 4.6% since April 2010, and Kankakee County had an estimated population of 110,000 in July 2017, a decrease of 3.4% since April 2010, while Champaign County had an estimated population of 209,000 in July 2017, an increase of 3.9% since April 2010. Unemployment rates in our primary market have decreased over the last year. According to the Illinois Department of Employment Security, unemployment, on a non-seasonally adjusted basis, decreased from 4.1% to 3.8% in Iroquois County, from 6.8% to 6.0% in Vermilion County, from 4.8% to 4.7% in Champaign County, and from 5.4% to 4.9% in Kankakee 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, Champaign County and Kankakee economies. Manufacturing jobs, which tend to be higher paying jobs, are also a large source of employment in Vermilion, Champaign and Kankakee 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, 2017, the latest date for which FDIC data is available, we ranked first of 12 bank and thrift institutions with offices in Iroquois County with a 25.32% deposit market share. As of the same date, we ranked first of 16 bank and thrift institutions with offices in Vermilion County with a 17.82% deposit market share, we ranked 22<sup>nd</sup> of 29 bank and thrift institutions with offices in Champaign County, with a 0.52% deposit market share and we ranked 18<sup>th</sup> of 18 bank and thrift institutions with offices in Kankakee County, with a 0.06%



deposit market share.

## **Table of Contents**

### **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, 2018 and 2017, the amount of such loans equaled \$5.9 million and \$7.6 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, 2018 and 2017, the amount of such loans equaled \$32.9 million and \$38.5 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, small business loans, small farm loans or unsecured loans in the state where the main office of the savings association is located. For our association this additional limit (or supplemental limit(s)) for one- to four-family residential real estate, small business, or small farm loans is 10% of our Association'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 \$95.8 million and \$88.7 million as of June 30, 2018 and 2017, 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.

**Table of Contents**

**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 \$206,000, \$186,000, \$0, \$93,000 and \$313,000 at June 30, 2018, 2017, 2016, 2015 and 2014, respectively.

	2018		2017		At June 30, 2016		2015		2014	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)										
Real estate loans:										
One- to four-family										
(1)	\$ 134,977	27.99%	\$ 140,647	31.47%	\$ 149,538	33.29%	\$ 144,887	40.18%	\$ 149,548	44.75%
Multi-family	107,436	22.28	87,228	19.52	84,200	18.15	58,399	16.20	61,603	18.45
Commercial	140,944	29.22	133,841	29.94	119,643	26.64	103,614	28.74	83,134	24.89
Home equity lines of credit	9,058	1.88	7,520	1.68	8,138	1.81	7,713	2.14	7,824	2.34
Construction	13,763	2.85	7,421	1.66	19,698	4.39	471	0.13	338	0.10
Commercial	68,720	14.25	62,392	13.96	57,826	12.87	37,151	10.30	23,120	6.92
Consumer	7,366	1.53	7,905	1.77	10,086	2.25	8,325	2.31	8,509	2.55
<b>Total loans</b>	<b>482,264</b>	<b>100.00%</b>	<b>446,954</b>	<b>100.00%</b>	<b>449,129</b>	<b>100.00%</b>	<b>360,560</b>	<b>100.00%</b>	<b>333,986</b>	<b>100.00%</b>
Less:										
Unearned fees and discounts, net	(161)		(203)		30		155		104	
Allowance for loan losses	5,945		6,835		5,351		4,211		3,958	
<b>Total loans, net</b>	<b>\$ 476,480</b>		<b>\$ 440,322</b>		<b>\$ 443,748</b>		<b>\$ 356,194</b>		<b>\$ 329,924</b>	

(1) Includes home equity loans.

**Table of Contents**

**Loan Portfolio Maturities and Yields.** The following table summarizes the scheduled repayments of our loan portfolio at June 30, 2018. We had no demand loans or loans having no stated repayment schedule or maturity at June 30, 2018.

	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)							
<b>Due During the Years</b>								
<b>Ending June 30,</b>								
2019	\$ 3,665	4.81%	\$ 5,000	4.61%	\$ 16,533	4.49%	\$ 661	5.19%
2020	7,748	6.37	5,982	3.99	22,175	3.83	370	4.84
2021 to 2022	11,878	4.80	34,705	3.92	44,203	4.28	1,655	4.62
2023 to 2027	23,002	4.79	52,072	4.28	44,302	4.51	1,606	4.97
2028 to 2032	10,128	4.46	3,327	4.42	8,528	4.23	2,938	4.50
2033 and beyond	78,556	4.11	6,350	4.45	5,203	4.50	1,828	4.35
Total	\$ 134,977	4.46%	\$ 107,436	4.18%	\$ 140,944	4.31%	\$ 9,058	4.64%

	Construction		Commercial		Consumer		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)							
<b>Due During the Years</b>								
<b>Ending June 30,</b>								
2019	\$ 1,476	4.72%	\$ 40,327	5.42%	\$ 1,255	4.52%	\$ 68,917	5.07%
2020			2,946	4.61	892	6.57	40,113	4.47
2021 to 2022	8,284	4.90	13,745	4.71	3,148	5.52	117,618	4.36
2023 to 2027	3,741	4.90	7,835	4.96	2,071	4.07	134,629	4.51
2028 to 2032			3,258	4.22			28,179	4.36
2033 and beyond	262	4.95	609	3.75			92,808	4.16
Total	\$ 13,763	4.88%	\$ 68,720	5.12%	\$ 7,366	5.07%	\$ 482,264	4.47%

(1) Includes home equity loans.

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at June 30, 2018 that are contractually due after June 30, 2019.

	<b>Due After June 30, 2019</b>		
	<b>Fixed</b>	<b>Adjustable</b>	<b>Total</b>
	<b>(In thousands)</b>		
<b>Real estate loans:</b>			
One- to four-family (1)	\$ 45,938	\$ 85,374	\$ 131,312
Multi-family	92,696	9,740	102,436
Commercial	107,759	16,652	124,411
Home equity lines of credit	3,198	5,199	8,397
Construction	3,324	8,963	12,287
Commercial	27,783	610	28,393
Consumer	6,111		6,111
		&nbsp;	