UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2012

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	**45-1834449**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**
201 East Cherry Street, Watseka, Illinois	**60970**
(Address of principal executive offices)	**(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 x

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 x

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 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 (§ 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 x 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. x

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	x

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

The aggregate market value of the voting and non-voting common equity held by nonaffiliates as of December 31, 2011 was $46,923,386.

The number of shares outstanding of the registrant s common stock as of September 18, 2012 was 4,811,255.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the Registrant s Annual Meeting of Stockholders to be held on November 19, 2012 are incorporated by reference in Part III of this Form 10-K.

Table of Contents

INDEX

Table of Contents

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.

PART I

ITEM 1. BUSINESS

General

IF Bancorp, Inc. (IF Bancorp or the Company) is a Maryland corporation that owns 100% of the common stock of Iroquois Federal Savings and Loan Association (Iroquois Federal or the Association). IF Bancorp was incorporated in March, 2011 to become the holding company of Iroquois Federal in connection with Iroquois Federal s mutual to stock conversion. On July 7, 2011 we completed our initial public 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, and raising approximately $45.0 million of gross proceeds. In addition, we issued 314,755 shares of our common stock to the Iroquois Federal Foundation. At June 30, 2012 and 2011, we had consolidated assets of $511.3 million and $510.8 million, consolidated deposits of $344.5 million and $444.1 million and consolidated equity of $86.6 million and $39.4 million, respectively. Other than holding the common stock of Iroquois Federal, IF Bancorp has not engaged in any significant business to date.

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, 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 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 recently relocated our IT Department to a modernized, secure facility in Kankakee, Illinois which will allow us to improve efficiency, security, and our ability to expand our mobile banking platform in the near future.

Table of Contents

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 450 Fifth Street, NW, 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).

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 annual report.

Market Area

We conduct our operations from our four full-service banking offices located in the municipalities of Watseka, Danville, Clifton and Hoopeston, Illinois and our loan production and wealth management office in Osage Beach, Missouri. Our primary lending market includes the Illinois counties of Vermilion and Iroquois, 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 our primary market area has experienced negative growth, reflecting in part, the economic downturn. 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 and Vermilion Counties had estimated populations of 29,000 and 82,000, respectively, in July 2011. According to data from SNL Financial, Iroquois and Vermilion Counties are projected to continue to experience population reductions during the next three years. According to U.S. Bureau of Labor Statistics, the May 2012 unemployment rates for Iroquois County and Vermilion County were 7.5% and 8.9%, respectively. According to data from SNL Financial, unemployment rates for Vermilion and Iroquois Counties are projected to decrease over the next five years.

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 and Vermilion County economies. Manufacturing jobs, which tend to be higher paying jobs, are also a large source of employment in Vermilion County, while Iroquois County is heavily influenced by agriculture and agriculture related businesses such as Incobrasa Industries Ltd., Bunge, ConAgra and Big R Stores. 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, 2011, 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 31.6% deposit market share. As of the same date, we ranked second of 16 bank and thrift institutions with offices in Vermilion County with a 16.0% deposit market share. Our deposit balances were inflated on June 30, 2011, due to our mutual-to-stock conversion which closed on July 7, 2011, for which we held approximately $113 million in escrow deposit balances at June 30, 2011. This temporary inflation of our deposit balances at June 30, 2011 did impact our market share percentage in Iroquois County, but had little impact on our rankings in Iroquois or Vermillion Counties.

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 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, 2012 and 2011, the amount of such loans equaled $17.2 million and $21.0 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, 2012 and 2011, the amount of such loans equaled $16.2 million and $10.5 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 (OCC) 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 $66.7 million and $64.5 million as of June 30, 2012 and 2011, 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.

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 $179,000, $0, $460,000, $156,000 and $0 at June 30, 2012, 2011, 2010, 2009, and 2008, respectively.

	At June 30,									
	2012		2011		2010		2009		2008	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Real estate loans:										
One- to four-family (1)	$ 147,686	55.93%	$ 148,448	60.82%	$ 153,774	64.56%	$ 157,109	69.48%	$ 162,552	74.60%
Multi-family	38,547	14.60	26,299	10.77	19,232	8.07	14,818	6.55	10,710	4.92
Commercial	32,925	12.47	27,402	11.23	24,956	10.48	23,815	10.53	21,186	9.72
Home equity lines of credit	8,994	3.41	10,043	4.11	7,853	3.30	4,581	2.03	1,812	0.83
Construction	8,396	3.18	4,039	1.65	2,112	0.89	1,915	0.85	1,567	0.72
Commercial	13,917	5.27	12,068	4.94	13,410	5.63	9,252	4.09	6,390	2.93
Consumer	13,578	5.14	15,779	6.46	16,875	7.08	14,627	6.47	13,685	6.28
Total loans	264,043	100.00%	244,078	100.00%	238,212	100.00%	226,117	100.00%	217,902	100.00%
Other items:										
Unearned fees and discounts, net	63		19		(35)		(44)		(61)	
Loans in process	1,539		890		(1,197)		(896)		(1,614)	
Allowance for loan losses	3,531		3,149		(2,767)		(1,365)		(1,047)	
Total loans, net	$ 258,910		$ 240,020		$ 234,213		$ 223,812		$ 215,180	

(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, 2012. We had no demand loans or loans having no stated repayment schedule or maturity at June 30, 2012.

	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,								
2013	$ 1,140	6.18%	$ 274	6.25%	$ 5,927	6.37%	$ 513	5.02%
2014	1,848	5.56	2,180	5.25	5,898	5.85	1,226	4.48
2015 to 2016	2,388	5.69	9,013	5.03	5,553	4.96	2,392	4.29
2017 to 2021	12,671	5.07	24,702	4.39	9,068	4.91	1,103	3.96
2022 to 2026	14,451	4.56	508	4.53	3,188	4.89	3,289	4.02
2027 and beyond	115,188	4.44	1,870	6.01	3,291	5.95	471	4.03
Total	$ 147,686	4.55%	$ 38,547	4.68%	$ 32,925	5.45%	$ 8,994	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,								
2013	$	%	$ 5,579	5.33%	$ 3,795	3.40%	$ 17,228	5.32%
2014	1,040	3.75	1,093	5.20	1,720	8.02	15,005	5.67
2015 to 2016			2,246	5.86	4,989	8.05	26,581	5.65
2017 to 2021	5,299	4.75	2,665	5.57	2,756	5.89	58,264	4.77
2022 to 2026			1,410	4.89	62	7.08	22,908	4.55
2027 and beyond	2,057	3.23	924	3.26	256	3.50	124,057	4.47
Total	$ 8,396	4.25%	$ 13,917	5.27%	$ 13,578	6.22%	$ 264,043	4.79%

(1) Includes home equity loans.

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at June 30, 2012 that are contractually due after June 30, 2013.

	Due After June 30, 2013		
	Fixed	Adjustable	Total
	(In thousands)		
Real estate loans:			
One- to four-family (1)	$ 50,984	$ 95,562	$ 146,546
Multi-family	28,835	9,438	38,273
Commercial	21,560	5,437	26,997
Home equity lines of credit	4,861	3,620	8,481
Construction	140	8,256	8,396

Commercial	6,901	1,437	8,338
Consumer	9,783		9,783
Total loans	$ 123,064	$ 123,750	$ 246,814

(1) Includes home equity loans.

***One- to Four-Family Residential Mortgage Loans*.** At June 30, 2012, $147.7 million, or 55.9% 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 residential mortgage loans based on the applicant s employment and credit history and the appraised value of the subject property. We also offer loans through various agency programs, such as the Mortgage Partnership Finance Program of the Federal Home Loan Bank of Chicago, which are originated for sale.

We currently offer fixed-rate conventional mortgage loans with terms of up to 30 years that are fully amortizing with monthly loan payments. We also offer adjustable-rate mortgage loans that generally provide an initial fixed interest rate of one to seven years and annual interest rate adjustments thereafter, that amortize over a period up to 30 years. We offer one- to four-family residential mortgage loans with loan-to-value ratios up to 100%. Private mortgage insurance is required for all one- to four-family residential mortgage loans with loan-to-value ratios exceeding 90%. One- to four-family residential mortgage loans with loan-to-value ratios above 80%, but below 90%, require private mortgage insurance unless waived by management. At June 30, 2012, fixed-rate one- to four-family residential mortgage loans totaled $52.1 million, or 35.3% of our one- to four-family residential mortgage loans, and adjustable-rate one- to four-family residential mortgage loans totaled $95.6 million, or 64.7% of our one- to four-family residential mortgage loans.

Our one- to four-family residential mortgage loans are generally conforming loans. We generally originate both fixed- and adjustable-rate mortgage loans in amounts up to the maximum conforming loan limits as established by the Federal Housing Finance Agency for Fannie Mae and Freddie Mac, which for our primary market area is currently $417,000 for single-family homes. At June 30, 2012, our average one- to four-family residential mortgage loan had a principal balance of $75,000. We also originate loans above the lending limit for conforming loans, which we refer to as jumbo loans. At June 30, 2012, $26.7 million, or 18.1%, of our total one-to four-family residential loans had principal balances in excess of $417,000. Most of our jumbo loans are originated with a seven-year fixed-rate term and a balloon payment, with up to a 30 year amortization schedule. Occasionally we will originate fixed-rate jumbo loans with terms of up to 15 years.

We actively monitor our interest rate risk position to determine the desirable level of investment in fixed-rate mortgage loans. In recent years there has been increased demand for long-term fixed-rate loans, as market rates have dropped and remained near historic lows. As a result, we have sold a substantial majority of our fixed-rate one- to four-family residential mortgage loans with terms of 15 years or greater. We sell fixed-rate residential mortgages to the Federal Home Loan Bank of Chicago, with servicing retained, under its Mortgage Partnership Finance Program. Since December 2008, we have sold loans to the Federal Home Loan Bank of Chicago under its Mortgage Partnership Finance Xtra Program. Total mortgages sold under this program were approximately $16.8 million and $23.8 million for the years ended June 30, 2012 and 2011, respectively. Generally, however, we retain in our portfolio 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 that we have originated in recent years due to the favorable long-term rates for borrowers.

We currently offer several types of adjustable-rate mortgage loans secured by residential properties with interest rates that are fixed for an initial period of one to seven years. We offer adjustable-rate mortgage loans that are fully amortizing. After the initial fixed period, the interest rate on adjustable-rate mortgage loans generally resets every year based upon the weekly average of a one-year U.S. Treasury Securities rate plus an applicable margin, subject to periodic and lifetime limitations on interest rate changes. Our adjustable rate mortgage loans with initial rate periods lasting five or seven years have a 2% maximum annual rate change up or down, and a 6% lifetime cap up from the initial rate. Our adjustable rate mortgage loans with initial rate periods lasting one or three years have a 1% maximum annual rate change up or down and a 5% lifetime cap up from the initial rate. The floor on all adjustable rate mortgage loans is equal to the initial rate.

Adjustable-rate mortgage loans generally present different credit risks than fixed-rate mortgage loans, primarily because the underlying debt service payments of the borrowers increase as interest rates increase, thereby increasing the potential for default and higher rates of delinquency. At the same time, the marketability of the underlying collateral may be adversely affected by higher interest rates. Since changes in the interest rates on adjustable-rate mortgages may be limited by an initial fixed-rate period or by the contractual limits on periodic interest rate adjustments, adjustable-rate loans may not adjust as quickly to increases in interest rates as our interest-bearing liabilities.

Table of Contents

In addition to traditional one- to four-family residential mortgage loans, we offer 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 that we use to underwrite one- to four-family residential mortgage loans. Home equity loans may be underwritten with a loan-to-value ratio of up to 90% when combined with the principal balance of the existing first mortgage loan. Our home equity loans are primarily originated with fixed rates of interest with terms of up to 10 years, fully amortized. At June 30, 2012, approximately $1.6 million, or 1.1% of our one- to four-family mortgage loans were home equity loans secured by a second mortgage.

Home equity loans secured by second mortgages have greater risk than one- to four-family residential mortgage loans or home equity loans secured by first mortgages. We face the risk that the collateral will be insufficient to compensate us for loan losses and costs of foreclosure. When customers default on their loans, we attempt to foreclose on the property and resell the property as soon as possible to minimize foreclosure and carrying costs. However, the value of the collateral may not be sufficient to compensate us for the amount of the unpaid loan and we may be unsuccessful in recovering the remaining balance from those customers. Particularly with respect to our home equity loans, decreases in real estate values could adversely affect the value of property used as collateral for our loans.

We do not offer or purchase loans that provide for negative amortization of principal, such as Option ARM loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan.

We require title insurance on all of our one- to four-family residential mortgage loans, and we also require that borrowers maintain fire and extended coverage casualty insurance in an amount at least equal to the lesser of the loan balance or the replacement cost of the improvements. We also require flood insurance, as applicable. We do not conduct environmental testing on residential mortgage loans unless specific concerns for hazards are identified by the appraiser used in connection with the origination of the loan.

Commercial Real Estate and Multi-family Real Estate Loans. At June 30, 2012, $32.9 million, or 12.5% of our loan portfolio consisted of commercial real estate loans, and $38.5 million, or 14.6% of our loan portfolio consisted of multi-family (which we consider to be five or more units) residential real estate loans. At June 30, 2012, substantially all of our commercial real estate and multi-family real estate loans were secured by properties located in Illinois and Indiana.

Our commercial real estate mortgage loans are primarily secured by office buildings, owner-occupied businesses, retail rentals, farm loans secured by real estate and churches. At June 30, 2012, loans secured by commercial real estate had an average loan balance of $240,000. We originate commercial real estate loans with balloon and adjustable rates of up to seven years with amortization up to 20 to 25 years. At June 30, 2012, $6.1 million or 18.6% of our commercial real estate loans had adjustable rates. The rates on our adjustable-rate commercial real estate loans are generally based on the prime rate of interest plus an applicable margin, and generally have a specified floor.

We originate multi-family loans with balloon and adjustable rates for terms of up to seven years with amortization up to 20 to 25 years. At June 30, 2012, $9.4 million or 24.5% of our multi-family loans had adjustable rates. The rates on our adjustable-rate multi-family loans are generally tied to the prime rate of interest plus or minus an applicable margin and generally have a specified floor.

In underwriting commercial real estate and multi-family real estate loans, we consider a number of factors, which include the projected net cash flow to the loan s debt service requirement (generally requiring a minimum ratio of 120%), 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. Commercial real estate and multi-family real estate loans are originated in amounts up to 80% of the appraised value or the purchase price of the property securing the loan, whichever is lower. 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.

Commercial real estate and multi-family real estate loans generally carry higher interest rates and have shorter terms than one- to four-family residential mortgage loans. Commercial real estate and multi-family real estate loans, however, entail greater credit risks compared to the one- to four-family residential mortgage loans we originate, as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment of loans secured by income-producing properties typically depends on the successful operation of the property, as repayment of the loan generally is dependent, in large part, on sufficient income from the property to cover operating expenses and debt service. Changes in economic conditions that are not in the control of the borrower or lender could affect the value of the collateral for the loan or the future cash flow of the property. Additionally, any decline in real estate values may be more pronounced for commercial real estate and multi-family real estate than for one- to four-family residential properties.

At June 30, 2012, our largest commercial real estate loan had an outstanding balance of $1.8 million, was secured by farmland, and was performing in accordance with its terms. At that date, our largest multi-family real estate loan had a balance of $5.8 million, was secured by a large apartment complex, and was performing in accordance with its terms.

Home Equity Lines of Credit. In addition to traditional one- to four-family residential mortgage loans and home equity loans, we offer 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 that we use to underwrite one- to four-family residential mortgage loans. Our home equity lines of credit are originated with either fixed or adjustable rates and may be underwritten with a loan-to-value ratio of up to 90% when combined with the principal balance of an existing first mortgage loan. Fixed-rate lines of credit are generally based on the prime rate of interest plus an applicable margin and have monthly payments of 1.5% of the outstanding balance. Adjustable-rate home equity lines of credit are based on the prime rate of interest plus or minus an applicable margin and require interest paid monthly. Both fixed and adjustable rate home equity lines of credit have balloon terms of five years. At June 30, 2012 we had $9.0 million, or 3.4% of our total loan portfolio in home equity lines of credit. At that date we had $5.7 million of undisbursed funds related to home equity lines of credit.

Home equity lines of credit secured by second mortgages have greater risk than one- to four-family residential mortgage loans secured by first mortgages. We face the risk that the collateral will be insufficient to compensate us for loan losses and costs of foreclosure. When customers default on their loans, we attempt to foreclose on the property and resell the property as soon as possible to minimize foreclosure and carrying costs. However, the value of the collateral may not be sufficient to compensate us for the amount of the unpaid loan and we may be unsuccessful in recovering the remaining balance from those customers. Particularly with respect to our home equity lines of credit, decreases in real estate values could adversely affect the value of property securing the loan.

Commercial Business Loans. We also originate commercial non-mortgage business (term) loans and adjustable lines of credit. At June 30, 2012, we had $13.9 million of commercial business loans outstanding, representing 5.3% of our total loan portfolio. At that date, we also had $5.0 million of unfunded commitments on such loans. These loans are generally originated to small- and medium-sized companies in our primary market area. Our 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. We also offer agriculture loans that are not secured by real estate.

In underwriting commercial business loans, we generally lend up to 80% of the appraised value or purchase price of the collateral securing the loan, whichever is lower. The commercial business loans that we offer have fixed interest rates or adjustable-rate indexed to the prime rate of interest plus an applicable margin, and with terms ranging from one to seven years. Our commercial business loan portfolio consists primarily of secured loans. When making commercial business loans, we consider the financial statements, lending history and debt service capabilities of the borrower (generally requiring a minimum ratio of 120%), the projected cash flows of the business and the value of the collateral, if any. Virtually all of our loans are guaranteed by the principals of the borrower.

Table of Contents

Commercial business loans generally have a greater credit risk than one- to four-family residential mortgage loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower s ability to make repayment from his or her employment and other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial business loans are of higher risk and typically are made on the basis of the borrower s ability to make repayment from the cash flow of the borrower s business. As a result, the availability of funds for the repayment of commercial business loans may be substantially dependent on the success of the business itself. Further, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. We seek to minimize these risks through our underwriting standards.

At June 30, 2012, our largest commercial business loan outstanding was for $1.5 million and was secured by all assets of a trucking business. At June 30, 2012, this loan was performing in accordance with its terms.

Construction Loans. We also originate construction loans for one- to four-family residential properties and commercial real estate properties, including multi-family properties. At June 30, 2012, $8.4 million, or 3.2%, of our total loan portfolio, consisted of construction loans, which were secured by one- to four-family residential real estate, multi-family real estate properties and commercial real estate properties. At June 30, 2012, the unadvanced portion of these construction loans totaled $1.8 million.

Construction loans for one- to four-family residential properties are originated with a maximum loan to value ratio of 85% and are generally interest-only loans during the construction period which typically does not exceed 12 months. After this time period, the loan converts to permanent, amortizing financing following the completion of construction. Construction loans for commercial real estate are made in accordance with a schedule reflecting the cost of construction, and are generally limited to an 80% loan-to-completed appraised value ratio. We generally require that a commitment for permanent financing be in place prior to closing the construction loan.

Construction financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost is inaccurate, we may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property.

Moreover, if the estimated value of the completed project is inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the construction loan upon the sale of the property. Construction loans also expose us to the risk that improvements will not be completed on time in accordance with specifications and projected costs. In addition, the ultimate sale or rental of the property may not occur as anticipated.

At June 30, 2012, all of the construction loans that we originated were for one-to four- family residential properties, multi-family real estate properties and commercial real estate properties. The largest of such construction loans at June 30,2012 was for an apartment complex and had a principal balance of $5.3 million. This loan was performing in accordance with its terms at June 30, 2012.

Loan Originations, Purchases, Participations, Sales and Servicing. Lending activities are conducted primarily by our loan personnel operating in each office. All loans that we originate are underwritten pursuant to our standard policies and procedures. In addition, our one- to four-family residential mortgage loans generally incorporate Fannie Mae, Freddie Mac or Federal Home Loan Bank of Chicago underwriting guidelines, as applicable. We originate both adjustable-rate and fixed-rate loans. Our ability to originate fixed- or adjustable-rate loans is dependent upon the relative customer demand for such loans, which is affected by current market interest rates as well as anticipated future market interest rates. Our loan origination and sales activity may be adversely affected by a rising interest rate environment which typically results in decreased loan demand. Most of our commercial real estate and commercial business loans are generated by our internal business development efforts and referrals from professional contacts. Most of our originations of one- to four-family residential mortgage loans, consumer loans and home equity loans and lines of credit are generated by existing customers, referrals from realtors, residential home builders, walk-in business and from our website.

Consistent with our interest rate risk strategy, in the low interest rate environment that has existed in recent years, we have sold on a servicing-released basis a substantial majority of the conforming, fixed-rate one- to four-family residential mortgage loans with maturities of 15 years or greater that we have originated.

From time to time, we purchase loan participations in commercial loans in which we are not the lead lender secured by real estate and other business assets, primarily within 100 miles of our primary lending area. In these circumstances, we follow our customary loan underwriting and approval policies. We have sufficient capital to take advantage of these opportunities to purchase loan participations, as well as strong relationships with other community banks in our primary market area and throughout Illinois that may desire to sell participations, and we may increase our purchases of participations in the future as a growth strategy. At June 30, 2012 and 2011, the amount of commercial loan participations totaled $16.2 million and $10.5 million, respectively, of which $7.3 million and $6.4 million, at June 30, 2012 and 2011 were outside our primary market area.

We sell a portion of our fixed-rate residential mortgage loans to the Federal Home Loan Bank of Chicago under its Mortgage Partnership Finance Xtra Program. We retain servicing on all loans sold under this program. During the years ended June 30, 2012 and 2011, we sold $16.8 million and $23.8 million of loans to the Federal Home Loan Bank of Chicago under the program. Prior to December 2008, we also retained some credit risk associated with loans sold to the Federal Home Loan Bank of Chicago. For additional information regarding retained risk associated with these loans, see Allowance for Loan Losses Other Credit Risk.

Loan Approval Procedures and Authority. Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by our Board of Directors. The loan approval process is intended to assess the borrower s ability to repay the loan and the value of the collateral that will secure the loan. To assess the borrower s ability to repay, we review the borrower s employment and credit history and information on the historical and projected income and expenses of the borrower. We will also evaluate a guarantor when a guarantee is provided as part of the loan.

Iroquois Federal s policies and loan approval limits are established by our Board of Directors. Our 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 and other secured loans up to $300,000, and unsecured loans up to $150,000. 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 $500,000. All loans above these limits must be approved by the Operating Committee, consisting of the Chairman, the President, and up to four other Board members.

We generally require appraisals from certified or licensed third party appraisers of all real property securing loans. When appraisals are ordered, they are done so through an agency independent of the Association or by staff independent of the loan approval process, in order to maintain a process free of any influence or pressure from any party that has an interest in the transaction.

Non-performing and Problem Assets

For all of our loans, once a loan is 15 days delinquent, a past due notice is mailed. Past due notices continue to be mailed monthly in the event the account is not brought current. Prior to the time a loan is 30 days past due, we attempt to contact the borrower by telephone. Thereafter we continue with follow-up calls. Generally, once a loan becomes 90 days delinquent, if no work-out efforts have been pursued, we commence the foreclosure or repossession process. A summary report of all loans 60 days or more past due and all criticized and classified loans is provided monthly to our Board of Directors.

Loans are evaluated for non-accrual status when payment of principal and/or interest is 90 days or more past due. Loans are also placed on non-accrual status when it is determined collection of principal or interest is in doubt or if the collateral is in jeopardy. When loans are placed on non-accrual status, unpaid accrued interest is fully reversed, and further income is recognized only to the extent received and only after the loan is returned to accrual status. The loans are typically returned to accrual status if unpaid principal and interest are repaid so that the loan is current.

Table of Contents

Non-Performing Assets. The table below sets forth the amounts and categories of our non-performing assets at the dates indicated. At June 30, 2012, 2011, 2010, 2009 and 2008, we had troubled debt restructurings of approximately $3.8 million, $1.8 million, $782,000, $951,000 and $128,000, respectively. At the dates presented, we had no loans that were delinquent 120 days or greater and that were still accruing interest.

	At June 30,				
	2012	2011	2010	2009	2008
	(Dollars in thousands)				
Non-accrual loans:					
Real estate loans:					
One- to four-family (1)	$ 3,667	$ 4,881	$ 3,056	$ 3,490	$ 1,096
Multi-family	1,477				
Commercial	95	206			
Home equity lines of credit		73			
Construction					
Commercial	2	4			
Consumer	113	108		14	
Total non-accrual loans	5,354	5,272	3,056	3,504	1,096
Loans delinquent 90 days or greater and still accruing:					
Real estate loans:					
One- to four-family (1)			733	372	138
Multi-family					
Commercial					48
Home equity line of credit			36		
Construction					
Commercial					
Consumer			8	20	3
Total loans delinquent 90 days or greater and still accruing			777	392	189
Total non-performing loans	5,354	5,272	3,833	3,896	1,285
Performing troubled debt restructurings	310				
Total non-performing assets and performing troubled debt restructurings	$ 5,664	$ 5,272	$ 3,833	$ 3,896	$ 1,285
Other real estate owned and foreclosed assets:					
Real estate loans:					
One- to four-family (1)	1,246	690	497	113	56
Multi-family					
Commercial					
Home equity lines of credit	22				
Construction					
Commercial					
Consumer		20		13	16
Total other real estate owned and foreclosed assets	1,268	710	497	126	72
Total non-performing assets	$ 6,622	$ 5,982	$ 4,330	$ 4,022	$ 1,357
Ratios:					
Non-performing loans to total loans	2.03%	2.16%	1.61%	1.72%	0.59%

Non-performing assets to total assets	1.30%	1.17%	1.13%	1.07%	0.40%

(1) Includes home equity loans.

Table of Contents

For the years ended June 30, 2012 and 2011, gross interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms was $270,000 and $284,000, respectively. We recognized interest income of $0 and $114,000 on such loans for the years ended June 30, 2012 and 2011, respectively.

At June 30, 2012, our non-accrual loans totaled $5.4 million. These non-accrual loans consisted primarily of 27 one- to-four family residential loans with aggregate principal balances of $3.7 million and specific allowances of $684,000, 1 commercial real estate relationship with principal balances totaling $95,000 and specific allowances of $49,000, and 1 multi-family loan with principal balance of $1.5 million and specific allowance of $253,000.

Other than as disclosed in the above tables, there are no other loans at June 30, 2012 that management has serious doubts about the ability of the borrowers to comply with the present loan repayment terms.

Troubled Debt Restructurings. Troubled debt restructurings are defined under ASC 310-40 to include loans for which either a portion of interest or principal has been forgiven, or for loans modified at interest rates or on terms materially less favorable than current market rates. We periodically modify loans to extend the term or make other concessions to help borrowers stay current on their loans and to avoid foreclosure. At June 30, 2012 and 2011, we had $3.8 million and 1.8 million, respectively, of troubled debt restructurings. At June 30, 2012 we had troubled debt restructurings of approximately $2.1 million of residential one- to-four family mortgages, $2,000 of commercial loans, $1.5 million of multi-family real estate loans, $95,000 of commercial real estate and $32,000 of consumer loans that were all impaired.

For the years ended June 30, 2012 and 2011, gross interest income that would have been recorded had our troubled debt restructurings been performing in accordance with their original terms was $217,000 and $104,000, respectively. We recognized interest income of $9,000 and $82,000 on such modified loans for the years ended June 30, 2012 and 2011, respectively.

Table of Contents

Delinquent Loans. The following table sets forth certain information with respect to our loan portfolio delinquencies at the dates indicated.

	Loans Delinquent For					
	60 to 89 Days		90 Days or Greater		Total	
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
At June 30, 2012						
Real estate loans:						
One- to four-family (1)	13	$ 1,057	11	$ 1,949	24	$ 3,006
Multi-family						
Commercial						
Home equity lines of credit	2	57	1	7	3	64
Construction						
Commercial	1	11			1	11
Consumer	4	23	3	40	7	63
Total loans	20	$ 1,148	15	$ 1,996	35	$ 3,144
At June 30, 2011						
Real estate loans:						
One- to four-family (1)	10	$ 631	19	$ 3,458	29	$ 4,089
Multi-family						
Commercial			2	104	2	104
Home equity lines of credit	2	67	1	37	3	104
Construction						
Commercial						
Consumer	8	80	4	25	12	105
Total loans	20	$ 778	26	$ 3,624	46	$ 4,402
At June 30, 2010						
Real estate loans:						
One- to four-family (1)	6	$ 325	21	$ 3,789	27	$ 4,114
Multi-family						
Commercial						
Home equity lines of credit			1	36	1	36
Construction						
Commercial business						
Consumer	4	41	1	8	5	49
Total loans	10	$ 366	23	$ 3,833	33	$ 4,199
At June 30, 2009						
Real estate loans:						
One- to four-family (1)	13	$ 938	27	$ 3,862	40	$ 4,800
Multi-family						
Commercial						
Home equity lines of credit	1	14			1	14
Construction						
Commercial						
Consumer	4	23	4	34	8	57
Total loans	18	$ 975	31	$ 3,896	49	$ 4,871

At June 30, 2008						
Real estate loans:						
One- to four-family (1)	17	$ 678	15	$ 1,234	32	$ 1,912
Multi-family						
Commercial	1	46	1	48	2	94
Home equity lines of credit						
Construction						
Commercial	1	9			1	9
Consumer	1	17	2	3	3	20
Total loans	20	$ 750	18	$ 1,285	38	$ 2,035

(1) Includes home equity loans.

Table of Contents

Total delinquent loans decreased by $1.3 million to $3.1 million at June 30, 2012 from $4.4 million at June 30, 2011. The decrease in delinquent loans was due primarily to a decrease of $1.5 million in one-to four-family loans delinquent 90 days or more and a decrease of $104,000 in commercial real estate loans delinquent 90 days or more, offset by an increase of $426,000 in one-to four-family loans delinquent 60 days or more.

Real Estate Owned and Foreclosed Assets. Real estate acquired by us as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned. When property is acquired it is recorded at the lower of cost or estimated fair market value at the date of foreclosure, establishing a new cost basis. Estimated fair value generally represents the sale price a buyer would be willing to pay on the basis of current market conditions, including normal terms from other financial institutions, less the estimated costs to sell the property. Holding costs and declines in estimated fair market value result in charges to expense after acquisition. In addition, we could repossess certain collateral, including automobiles and other titled vehicles, called other repossessed assets. At June 30, 2012, we had $1.3 million in foreclosed assets, which included 11 one-to four-family properties.

Classification of Assets. Our policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or loss assets. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those assets characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted. Assets that do not expose us to risk sufficient to warrant classification in one of the afore-mentioned categories, but which possess potential weaknesses that deserve our close attention, are required to be designated as watch.

When we classify assets as either substandard or doubtful, we undertake an impairment analysis which may result in allocating a portion of our general loss allowances to a specific allowance for such assets as we deem prudent. The allowance for loan losses is the amount estimated by management as necessary to absorb credit losses incurred in the loan portfolio that are both probable and reasonably estimable at the balance sheet date. When we classify a problem asset as loss, we charge the asset off. For other classified assets, we provide a specific allowance for that portion of the asset that is considered uncollectible. Our determination as to the classification of our assets and the amount of our loss allowances are subject to review by our principal federal regulator, the Office of the Comptroller of the Currency, which can require that we establish additional loss allowances. We regularly review our asset portfolio to determine whether any assets require classification in accordance with applicable regulations.

The following table sets forth our amounts of classified assets, assets designated as watch and total criticized assets (classified assets and loans designated as watch) as of the date indicated. Amounts shown at June 30, 2012 and 2011, include approximately $5.4 million and $5.3 million of nonperforming loans, respectfully. The related specific valuation allowance in the allowance for loan losses for such nonperforming loans was $1.0 million and $903,000 at June 30, 2012 and 2011, respectively. Substandard assets shown include foreclosed assets.

	At June 30,	
	2012	2011
	(In thousands)	
Classified assets:		
Substandard	$ 6,858	$ 8,081
Doubtful		
Loss		
Total classified assets	6,858	8,081
Watch	1,788	1,399
Total criticized assets	$ 8,646	$ 9,480

At June 30, 2012, substandard assets consisted of $3.9 million of one- to four-family residential mortgage loans, $1.5 million in multi-family loans, $95,000 of commercial real estate loans, $8,000 of home equity lines of credit, $2,000 of commercial business loans, $113,000 of consumer loans, and $1.3 million of real estate owned. At June 30, 2012, watch assets consisted of $1.2 million of commercial business loans, and $612,000 of one- to four-family residential mortgage loans. At June 30, 2012, no assets were classified as doubtful or loss.

Allowance for Loan Losses

The allowance for loan losses represents one of the most significant estimates within our financial statements and regulatory reporting. Because of this, we have developed, maintained, and documented a comprehensive, systematic, and consistently applied process for determining the allowance for loan losses, in accordance with GAAP, our stated policies and procedures, management s best judgment and relevant supervisory guidance.

Our allowance for loan losses is the amount considered necessary to reflect probable incurred losses in our loan portfolio. We evaluate the need to establish allowances against losses on loans on a quarterly basis, and more frequently if warranted. We analyze the collectability of loans held for investment and maintain an allowance that is appropriate and determined in accordance with GAAP. When additional allowances are necessary, a provision for loan losses is charged to earnings.

Our methodology for assessing the appropriateness of the allowance for loan losses consists of two key elements: (1) specific allowances for estimated credit losses on individual loans that are determined to be impaired through our review for identified problem loans; and (2) a general allowance based on estimated credit losses inherent in the remainder of the loan portfolio.

In performing the allowance for loan loss review, we have divided our credit portfolio into several separate homogeneous and non-homogeneous categories within the following groups:

Mortgage Loans: one- to four-family residential first lien loans originated by Iroquois Federal; one- to four-family residential first lien loans purchased from a separate origination company; one- to four-family residential junior lien loans; home equity lines of credit; multi-family residential loans on properties with five or more units; non-residential real estate loans; and loans on land under current development or for future development.

Consumer Loans (unsecured or secured by other than real estate): loans secured by deposit accounts; loans for home improvement; educational loans; automobile loans; mobile home loans; loans on other security; and unsecured loans.

Commercial Loans (unsecured or secured by other than real estate): secured loans and unsecured loans.

Determination of Specific Allowances for Identified Problem Loans. We establish a specific allowance when loans are determined to be impaired. Loss is measured by determining the present value of expected future cash flows, the loan s observable market value, or, for collateral-dependant loans, the fair value of the collateral adjusted for market conditions and selling expenses. Factors used in identifying a specific problem loan include: (1) the strength of the customer s personal or business cash flows; (2) the availability of other sources of repayment; (3) the amount due or past due; (4) the type and value of collateral; (5) the strength of our collateral position; (6) the estimated cost to sell the collateral; and (7) the borrower s effort to cure the delinquency. In addition, for loans secured by real estate, we consider the extent of any past due and unpaid property taxes applicable to the property serving as collateral on the mortgage.

Determination of General Allowance for Remainder of the Loan Portfolio. We establish a general allowance for loans that are not deemed impaired to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, has not been allocated to particular problem assets. This general valuation allowance is determined by segregating the loans by loan category and assigning allowance percentages based on our historical loss experience, delinquency trends and management s evaluation of the collectability of the loan portfolio. The allowance is then adjusted for significant factors that, in management s judgment, affect the collectability of the portfolio as of the evaluation date. These significant factors may include: (1) Management s

Table of Contents

assumptions regarding the minimal level of risk for a given loan category and includes amounts for anticipated losses which may not be reflected in our current loss history experience; (2) changes in lending policies and procedures, including changes in underwriting standards, and charge-off and recovery practices not considered elsewhere in estimating credit losses; (3) changes in international, national, regional and local economics and business conditions and developments that affect the collectability of the portfolio, including the conditions of various market segments; (4) changes in the nature and volume of the portfolio and in the terms of loans; (5) changes in the experience, ability, and depth of the lending officers and other relevant staff; (6) changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified loans; (7) changes in the quality of the loan review system; (8) changes in the value of the underlying collateral for collateral-dependant loans; (9) the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and (10) the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio. The applied loss factors are re-evaluated quarterly to ensure their relevance in the current environment.

Although our policy allows for a general valuation allowance on certain smaller-balance, homogenous pools of loans classified as substandard, we have historically evaluated every loan classified as substandard, regardless of size, for impairment as part of our review for establishing specific allowances. Our policy also allows for a general valuation allowance on certain smaller-balance, homogenous pools of loans which are loans criticized as special mention or watch. A separate general allowance calculation is made on these loans based on historical measured weakness, and which is no less than twice the amount of general allowances calculated on our non-classified loans.

In addition, as an integral part of their examination process, the Office of the Comptroller of the Currency will periodically review our allowance for loan losses. Such agency may require that we recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

We periodically evaluate the carrying value of loans and the allowance is adjusted accordingly. While we use the best information available to make evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the information used in making the evaluations.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans, including troubled debt restructurings, that are placed on nonaccrual status or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Generally, loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Other Credit Risk. We also have some credit risk associated with fixed-rate residential loans that we sold to the Federal Home Loan Bank of Chicago prior to December 2008 under its Mortgage Partnership Finance Program (MPFP). However, while we retain the servicing of these loans and receive both service fees and credit enhancement fees, they are not our assets. We continue to service approximately $66.7 million of these loans, for which our maximum potential credit risk is approximately $787,000. From June 2000 to June 30, 2012, we experienced only $8,000 in actual losses under the MPFP. Loans that we have sold to the Federal Home Loan Bank of Chicago since December 2008 are sold under its Mortgage Partnership Finance Xtra Program, rather than the MPFP. Unlike loans sold under the MPFP, we do not retain any credit risk with respect to loans sold under the Mortgage Partnership Finance Xtra Program.

Table of Contents

The following table sets forth activity in our allowance for loan losses at and for the periods indicated.

	At or For the Fiscal Years Ended June 30,				
	2012	**2011**	**2010**	**2009**	**2008**
	(Dollars in thousands)				
Balance at beginning of period	$ 3,149	$ 2,767	$ 1,365	$ 1,052	$ 1,021
Charge-offs:					
Real estate loans:					
One- to four-family (1)	(651)	(920)	(474)	(21)	(23)
Multi-family					
Commercial	(48)			(10)	
Home equity lines of credit	(35)				
Construction					
Commercial	(29)	(30)		(6)	
Consumer	(88)	(54)	(35)	(69)	(44)
Total charge-offs	(851)	(1,004)	(509)	(106)	(67)
Recoveries:					
Real estate loans:					
One- to four-family (1)	71	16	18	1	35
Multi-family					
Commercial				1	
Home equity lines of credit					
Construction					
Commercial			1		
Consumer	37	19	17	12	10
Total recoveries	108	35	36	14	45
Net charge-offs	(743)	(969)	(473)	(92)	(22)
Provision for loan losses	1,125	1,351	1,875	405	53
Balance at end of period	$ 3,531	$ 3,149	$ 2,767	$ 1,365	$ 1,052
Ratios:					
Net charge-offs to average loans outstanding	0.30%	0.40%	0.20%	0.04%	0.01%
Allowance for loan losses to non-performing loans at end of period	65.95%	59.73%	72.19%	35.04%	81.48%
Allowance for loan losses to total loans at end of period	1.34%	1.29%	1.16%	0.60%	0.48%

(1) Includes home equity loans.

Table of Contents

Allocation of Allowance for Loan Losses. The following table sets forth the allowance for loan losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At June 30,					
	2012		2011		2010	
	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)					
Real estate loans:						
One- to four-family (1)	$ 1,940	55.9%	$ 1,987	60.8%	$ 1,785	64.5%
Multi-family	679	14.6	250	10.8	202	8.1
Commercial	245	12.5	232	11.2	175	10.5
Home equity lines of credit	81	3.4	120	4.1	71	3.3
Construction	78	3.2	30	1.7		.9
Commercial	347	5.3	352	4.9	400	5.6
Consumer	139	5.1	169	6.5	127	7.1
Total allocated allowance	3,509		3,140		2,760	
Unallocated	22		9		7	
Total	$ 3,531	100.00%	$ 3,149	100.00%	$ 2,767	100.00%

(1) Includes home equity loans.

	At June 30,			
	2009		2008	
	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)			
Real estate loans:				
One- to four-family (1)	$ 938	69.5%	$ 733	74.6%
Multi-family	67	6.6	48	4.9
Commercial	127	10.5	97	9.7
Home equity lines of credit	32	2.0	12	.8
Construction		.8		.7
Commercial	85	4.1	54	2.9
Consumer	113	6.5	84	6.3
Total allocated allowance	1,362		1,028	
Unallocated	3		19	
Total	$ 1,365	100.00%	$ 1,047	100.00%

(1) Includes home equity loans.

Net charge-offs decreased from $969,000 for the year ended June 30, 2011 to $743,000 for the year ended June 30, 2012, with most of the charge-offs during both periods involving one- to four-family residential real estate loans. In addition, non-performing loans increased by $82,000 during the year ended June 30, 2012.

The allowance for loan losses increased $382,000, or 12.1%, to $3.5 million at June 30, 2012 from $3.1 million at June 30, 2011. The increase was based on the amount in charge-offs, non-performing loans, an increase in the loan portfolio and the change in loan portfolio composition. At June 30, 2012, the allowance for loan losses represented 1.34% of total loans compared to 1.29% of total loans at June 30, 2011.

Investments

We conduct investment transactions in accordance with our Board-approved investment policy. The investment policy is reviewed at least annually by the Budget and Investment Committee of the Board, and any changes to the policy are subject to ratification by the full Board of Directors. This policy dictates that investment decisions give consideration to the safety of the investment, liquidity requirements, potential returns, the ability to provide collateral for pledging requirements, minimizing exposure to credit risk, potential returns and consistency with our interest rate risk management strategy. Authority to make investments under approved guidelines is delegated to our Investment Committee, comprised of our President and Chief Executive Officer, our Vice President and Chief Financial Officer, our Vice President and Chief Operating Officer, and our Vice President and Chief Retail Banking Officer. All investments are reported to the Board of Directors for ratification at the next regular Board meeting.

Our current investment policy permits us to invest only in investment quality securities permitted by Office of the Comptroller of the Currency regulations, including U.S. Treasury or Government guaranteed securities, U.S. Government agency securities, securities issued or guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae, bank-qualified municipal securities, bank-qualified money market instruments, and bank-qualified corporate bonds. We do not engage in speculative trading. As of June 30, 2012, we held no asset-backed securities other than mortgage-backed securities. As a federal savings and loan association, Iroquois Federal is generally not permitted to invest in equity securities, although this general restriction will not apply to IF Bancorp, Inc., which may acquire up to 5% of voting securities of any company without regulatory approval.

ASC 320-10, Investment Debt and Equity Securities requires that, at the time of purchase, we designate a security as held to maturity, available-for-sale, or trading, depending on our ability and intent. Securities available for sale are reported at fair value, while securities held to maturity are reported at amortized cost. All of our securities are available for sale. We do not maintain a trading portfolio.

U.S. Government and Agency Debt Securities. While U.S. Government and federal agency securities generally provide lower yields than other investments, including mortgage-backed securities and interest-earning certificates of deposit, we maintain these investments, to the extent appropriate, for liquidity purposes and as collateral for borrowings.

Mortgage-Backed Securities. We invest in mortgage-backed securities insured or guaranteed by the U.S. Government or government sponsored enterprises. Mortgage-backed securities are created by pooling mortgages and issuing a security with an interest rate that is less than the interest rate on the underlying mortgages. Some securities pools are guaranteed as to payment of principal and interest to investors. Mortgage-backed securities generally yield less than the loans that underlie such securities because of the cost of payment guarantees and credit enhancements. However, mortgage-backed securities are more liquid than individual mortgage loans since there is an active trading market for such securities. In addition, mortgage-backed securities may be used to collateralize our specific liabilities and obligations. Finally, mortgage-backed securities are assigned lower risk weightings for purposes of calculating our risk-based capital level. Investments in mortgage-backed securities involve a risk that actual payments will be greater or less than the prepayment rate estimated at the time of purchase, which may require adjustments to the amortization of any premium or acceleration of any discount relating to such interests, thereby affecting the net yield on our securities. We periodically review current prepayment speeds to determine whether prepayment estimates require modification that could cause amortization or accretion adjustments.

Municipal Obligations. Iroquois Federal s investment policy allows it to purchase municipal securities of credit-worthy issuers, and does not permit it to invest more than 10% of Iroquois Federal s capital in the bonds of any single issuer. At June 30, 2012, we held $3.2 million of municipal securities primarily issued by local governments and school districts within our market area.

Federal Home Loan Bank Stock. At June 30, 2012, we held $4.2 million of Federal Home Loan Bank of Chicago common stock in connection with our borrowing activities totaling $75.0 million. The common stock of the Federal Home Loan Bank is carried at cost and classified as a restricted equity security.

Bank-Owned Life Insurance. We invest in bank-owned life insurance to provide us with a funding source for our benefit plan obligations. Bank-owned life insurance also generally provides us noninterest income that is non-taxable. Federal regulations generally limit our investment in bank-owned life insurance to 25% of our Tier 1 capital plus our allowance for loan losses. At June 30, 2012, we had invested $7.5 million in bank-owned life insurance, which was 12.1% of our Tier 1 capital plus our allowance for loan losses.

Table of Contents

Investment Securities Portfolio. The following table sets forth the composition of our investment securities portfolio at the dates indicated, excluding Federal Home Loan Bank of Chicago stock, federally insured interest-earning time deposits and bank-owned life insurance. As of June 30, 2012, 2011, and 2010 all of such securities were classified as available for sale.

	At June 30,					
	2012		2011		2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
Securities available for sale:						
U.S. government, federal agency and government-sponsored enterprises	$ 155,124	$ 160,958	$ 149,791	$ 152,127	$ 103,807	$ 106,817
U.S. government sponsored mortgage-backed securities	56,601	58,867	34,724	35,536	15,122	16,206
State and political subdivisions	3,221	3,481	2,481	2,610	2,576	2,725
Total	$ 214,946	$ 223,306	$ 186,996	$ 190,273	$ 121,505	$ 125,748

Table of Contents

Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio at June 30, 2012 are summarized in the following table. At such date, all of our securities were available for sale. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. The yields on municipal securities have not been adjusted to a tax-equivalent basis.

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total Securities		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
U.S. government, federal agency and government-sponsored enterprises	$	%	$ 50,424	3.19%	$ 104,700	2.07%	$	%	$ 155,124	$ 160,958	2.43%
U.S. government sponsored mortgage-backed securities			435	5.28	3,551	4.94	52,615	2.97	56,601	58,867	4.01
State and political subdivisions	507	1.23	1,180	3.00	1,470	5.49	64	4.83	3,221	3,481	4.47
Total	$ 507	1.23%	$ 52,039	3.67%	$ 109,721	2.21%	$ 52,679	2.97%	$ 214,946	$ 223,306	2.88%

Table of Contents

Sources of Funds

General. Deposits traditionally have been our primary source of funds for our lending and investment activities. We also borrow from the Federal Home Loan Bank of Chicago, to supplement cash flow needs, to lengthen the maturities of liabilities for interest rate risk management purposes and to manage our cost of funds. Our additional sources of funds are the proceeds from the sale of loans originated for sale, scheduled loan payments, maturing investments, loan prepayments, retained earnings and income on other earning assets.

Deposits. We generate deposits primarily from the areas in which our branch offices are located. We rely on our competitive pricing, convenient locations and customer service to attract and retain both retail and commercial deposits.

We offer a variety of deposit accounts with a range of interest rates and terms. Our deposit accounts consist of statement savings accounts, certificates of deposit, money market accounts, commercial and regular checking accounts, individual retirement accounts and health savings accounts. From time to time we utilize brokered certificates of deposit or internet funding. At June 30, 2012, we had $11.5 million in brokered certificates of deposit and $868,000 in internet funding.

Interest rates, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies, including the cost of alternate sources of funds, and market interest rates, liquidity requirements, interest rates paid by competitors and our deposit growth goals.

The following tables set forth the distribution of our average total deposit accounts, by account type, for the periods indicated.

	For the Fiscal Year Ended June 30, 2012			For the Fiscal Year Ended June 30, 2011		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)					
Deposit type:						
Noninterest bearing demand	$ 9,956	2.95%	%	$ 8,476	2.53%	%
Interest-bearing checking or NOW	28,649	8.50	0.20	25,156	7.51	0.22
Savings accounts	27,560	8.17	0.34	23,679	7.06	0.49
Money market accounts	68,619	20.35	0.29	70,682	21.09	0.51
Certificates of deposit	202,466	60.03	1.25	207,167	61.81	1.72
Total deposits	$ 337,250	100.00%	0.85%	$ 335,160	100.00%	1.22%

	For the Fiscal Year Ended June 30, 2010		
	Average Balance	Percent (Dollars in thousands)	Weighted Average Rate
Deposit type:			
Noninterest bearing demand	$ 7,866	2.45%	%
Interest-bearing checking or NOW	23,234	7.24	0.47
Savings accounts	20,363	6.35	0.87
Money market accounts	68,321	21.29	0.90
Certificates of deposit	201,074	62.67	2.37
Total deposits	$ 320,858	100.00%	1.77%

As of June 30, 2012, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $100,000 was approximately $73.2 million. The following table sets forth the maturity of those certificates as of June 30, 2012.

	At June 30, 2012 (In thousands)
Three months or less	$ 16,708
Over three months through six months	15,407
Over six months through one year	24,166
Over one year to three years	14,211
Over three years	2,756
Total	$ 73,248

23

Table of Contents

The following table sets forth the amount of our certificates of deposit classified by interest rate as of the dates indicated.

	At June 30, 2012	2011 (In thousands)	2010
Interest Rate:			
Less than 2.00%	$ 185,377	$ 170,725	$ 90,014
2.00% to 2.99%	11,600	25,143	69,217
3.00% to 3.99%	2,823	8,446	42,023
4.00% to 4.99%	392	918	1,825
5.00% to 5.99%		150	150
Total	$ 200,192	$ 205,382	$ 203,229

The following table sets forth, by interest rate ranges, information concerning our certificates of deposit at June 30, 2012.

	At June 30, 2012 Period to Maturity					
	Less Than or Equal to One Year	More Than One to Two Years	More Than Two to Three Years	More Than Three Years	Total	Percent of Total
	(Dollars in thousands)					
Interest Rate Range:						
Less than 2.00%	$ 144,533	$ 29,619	$ 7,770	$ 3,455	$ 185,377	92.6%
2.00% to 2.99%	3,720	1,344	1,701	4,835	11,600	5.8
3.00% to 3.99%	1,361	1,462			2,823	1.4
4.00% to 4.99%	392				392	0.2
Total	$ 150,006	$ 32,425	$ 9,471	$ 8,290	$ 200,192	100.00%

Borrowings. Our borrowings consist of advances from the Federal Home Loan Bank of Chicago. At June 30, 2012, we had access to additional Federal Home Loan Bank of Chicago advances of up to $28.6 million based on our collateral. The following table sets forth information concerning balances and interest rates on our borrowings at the dates and for the periods indicated.

	At or For the Fiscal Years Ended June 30, 2012	2011 (Dollars in thousands)	2010
Balance at end of period	$ 75,000	$ 22,500	$ 22,500
Average balance during period	65,833	28,799	28,908
Maximum outstanding at any month end	78,000	36,000	36,500
Weighted average interest rate at end of period	1.23%	3.74%	4.34%
Average interest rate during period	1.36%	3.08%	3.53%

Personnel

At June 30, 2012, the Association had 90 full-time employees and 3 part-time employees, none of whom is represented by a collective bargaining unit. Iroquois Federal believes that its relationship with its employees is good.

Subsidiaries

IF Bancorp conducts its principal business activities through its wholly-owned subsidiary, Iroquois Federal Savings and Loan Association. The Iroquois Federal Savings and Loan Association has one wholly-owned subsidiary, L.C.I. Service Corporation, an insurance agency with offices in Watseka and Danville, Illinois.

REGULATION AND SUPERVISION

General

As a federal savings association, Iroquois Federal is subject to examination and regulation by the Office of the Comptroller of the Currency, and is also subject to examination by the Federal Deposit Insurance Corporation (FDIC). Prior to July 21, 2011, the Office of Thrift Supervision was Iroquois Federal s primary federal regulator. However, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), which is discussed further below, eliminated the Office of Thrift Supervision and transferred the Office of Thrift Supervision s functions relating to federal savings associations, including rulemaking authority, to the Office of the Comptroller of the Currency effective July 21, 2011. The federal system of regulation and supervision establishes a comprehensive framework of activities in which Iroquois Federal may engage and is intended primarily for the protection of depositors and the FDIC s Deposit Insurance Fund.

Iroquois Federal also is regulated to a lesser extent by the Board of Governors of the Federal Reserve System, or the Federal Reserve Board , which governs the reserves to be maintained against deposits and other matters. In addition, Iroquois Federal is a member of and owns stock in the Federal Home Loan Bank of Chicago, which is one of the twelve regional banks in the Federal Home Loan Bank System. Iroquois Federal s relationship with its depositors and borrowers also is regulated to a great extent by federal law and, to a lesser extent, state law, including in matters concerning the ownership of deposit accounts and the form and content of Iroquois Federal s loan documents.

As a savings and loan holding company, IF Bancorp is subject to examination and supervision by, and is required to file certain reports with, the Federal Reserve Board. The Office of Thrift Supervision s functions relating to savings and loan holding companies were transferred to the Federal Reserve Board on July 21, 2011 pursuant to the Dodd-Frank Act regulatory restructuring. IF Bancorp is also be subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Set forth below are certain material regulatory requirements that are applicable to Iroquois Federal and IF Bancorp. This description of statutes and regulations is not intended to be a complete description of such statutes and regulations and their effects on Iroquois Federal and IF Bancorp. Any change in these laws or regulations, whether by Congress or the applicable regulatory agencies, could have a material adverse impact on IF Bancorp, Iroquois Federal and their operations.

Dodd-Frank Act

As noted above, the Dodd-Frank Act made significant changes to the regulatory structure for depository institutions and their holding companies. However, the Dodd-Frank Act s changes go well beyond that and affect the lending, investments and other operations of all depository institutions. The Dodd-Frank Act required the Federal Reserve Board to set minimum capital levels for both bank and savings and loan holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital for holding companies were restricted to capital instruments that were then currently considered to be Tier 1 capital for insured depository institutions. Bank holding companies with assets of less than $500 million are exempt from these capital requirements. Proceeds of trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with less than $15 billion of assets. These capital requirements do not apply to savings and loan holding companies until five years after the July 21, 2010 enactment date of the Dodd-Frank Act. The legislation also established a floor for capital of insured depository institutions that cannot be lower than the standards in effect on May 21, 2010, and directed the federal banking regulators to implement new leverage and capital requirements that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions such as Iroquois Federal, including the authority to prohibit unfair, deceptive or abusive acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets are still examined for compliance by their applicable bank regulators. The new legislation also weakened the federal preemption available for national banks and federal savings associations, and gave state attorneys general the ability to enforce applicable federal consumer protection laws.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The legislation also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2008, and noninterest bearing transaction accounts have unlimited deposit insurance through December 31, 2012. The Dodd-Frank Act increased stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called golden parachute payments. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not. Further, the legislation requires that originators of securitized loans retain a percentage of the risk for transferred loans, directs the Federal Reserve Board to regulate pricing of certain debit card interchange fees and contains a number of reforms related to mortgage origination.

Many provisions of the Dodd-Frank Act involve delayed effective dates and/or require implementing regulations. Their impact on operations cannot yet fully be assessed. However, there is a significant possibility that the Dodd-Frank Act will result in an increased regulatory burden and compliance, operating and interest expense for Iroquois Federal and IF Bancorp.

Federal Banking Regulation

Business Activities. A federal savings association derives its lending and investment powers from the Home Owners Loan Act, as amended, and applicable federal regulations. Under these laws and regulations, Iroquois Federal may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. The Dodd-Frank Act authorized, for the first time, the payment of interest on commercial checking accounts, effective July 21, 2011. Iroquois Federal may also establish subsidiaries that may engage in certain activities not otherwise permissible for Iroquois Federal, including real estate investment and securities and insurance brokerage.

Capital Requirements. Federal regulations require savings associations to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% core capital assets leverage ratio (3% for savings associations receiving the highest rating on the CAMELS rating system), and an 8% risk-based capital ratio.

The risk-based capital standard for savings associations requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 200%, assigned by regulation, based on the risks believed inherent in the type of asset. Core capital is defined as common stockholders equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries, less intangibles other than certain mortgage servicing rights and credit card relationships.

The components of supplementary capital include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital. Additionally, a savings association that retains credit risk in connection with an asset sale is required to maintain additional regulatory capital because of the purchaser s recourse against the savings association. In assessing an institution s capital adequacy, the Office of the Comptroller of the Currency takes into consideration, not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual associations where necessary.

At June 30, 2012, Iroquois Federal s capital exceeded all applicable requirements.

Loans-to-One Borrower. Generally, a federal savings association may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate.

On July 30, 2012 Iroquois Federal received approval from the Office of 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 Iroquois Federal, this additional limit (or supplemental limit) for one- to four-family residential real estate, small business, or small farm loans is 10% of the 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 the Association s borrowers under the SLLP may not exceed 100% of the Association s capital and surplus. Iroquois Federal intends to use the supplemental limit for its loans to one borrower infrequently, and all such credit facilities must receive prior approval by the Board of Directors.

As of June 30, 2012, Iroquois Federal was in compliance with its loans-to-one borrower limitations.

Qualified Thrift Lender Test. As a federal savings association, Iroquois Federal must satisfy the qualified thrift lender, or QTL, test. Under the QTL test, Iroquois Federal must maintain at least 65% of its portfolio assets in qualified thrift investments (primarily residential mortgages and related investments, including mortgage-backed securities) in at least nine months of the most recent 12-month period. Portfolio assets generally means total assets of a savings association, less the sum of specified liquid assets up to 20% of total assets, goodwill and other intangible assets, and the value of property used in the conduct of the savings association s business.

Iroquois Federal also may satisfy the QTL test by qualifying as a domestic building and loan association as defined in the Internal Revenue Code of 1986, as amended.

A savings association that fails the qualified thrift lender test must operate under specified restrictions set forth in the Home Owners Loan Act. The Dodd-Frank Act made noncompliance with the QTL test subject to agency enforcement action for a violation of law. At June 30, 2012, Iroquois Federal maintained approximately 88.1% of its portfolio assets in qualified thrift investments and, therefore, satisfied the QTL test.

Capital Distributions. Federal regulations govern capital distributions by a federal savings association, which include cash dividends, stock repurchases and other transactions charged to the savings association s capital account. A federal savings association must file an application for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings association s net income for that year to date plus the savings association s retained net income for the preceding two years;
- the savings association would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or regulatory condition; or
- the savings association is not eligible for expedited treatment of its filings.

Even if an application is not otherwise required, every savings association that is a subsidiary of a savings and loan holding company, such as Iroquois Federal, must still file a notice with the Federal Reserve Board at least 30 days before the Board of Directors declares a dividend or approves a capital distribution.

A notice or application related to a capital distribution may be disapproved if:

- the federal savings association would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution shall not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement. A federal savings association also may not make a capital distribution that would reduce its regulatory capital below the amount required for the liquidation account established in connection with its conversion to stock form.

Community Reinvestment Act and Fair Lending Laws. All federal savings associations have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income borrowers. In connection with its examination of a federal savings association, the Office of the Comptroller of the Currency is required to assess the federal savings association s record of compliance with the Community Reinvestment Act. A savings association s failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the Office of the Comptroller of the Currency, as well as other federal regulatory agencies and the Department of Justice.

The Community Reinvestment Act requires all institutions insured by the FDIC to publicly disclose their rating. Iroquois Federal received a satisfactory Community Reinvestment Act rating in its most recent federal examination.

Transactions with Related Parties. A federal savings association s authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls, or is under common control with an insured depository institution such as Iroquois Federal. IF Bancorp is an affiliate of Iroquois Federal because of its control of Iroquois Federal. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a savings association from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates. Federal regulations require savings associations to maintain detailed records of all transactions with affiliates.

Table of Contents

Iroquois Federal s authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions generally require that extensions of credit to insiders:

- be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and

- not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of Iroquois Federal s capital.

In addition, extensions of credit in excess of certain limits must be approved by Iroquois Federal s Board of Directors. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Enforcement. The Office of the Comptroller of the Currency has primary enforcement responsibility over federal savings associations and has authority to bring enforcement action against all institution-affiliated parties, including directors, officers, stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings association. Formal enforcement action by the Office of the Comptroller of the Currency may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution and the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to $25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $1 million per day. The FDIC also has the authority to terminate deposit insurance or recommend to the Office of the Comptroller of the Currency that enforcement action be taken with respect to a particular savings association. If such action is not taken, the FDIC has authority to take the action under specified circumstances.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation, and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to implement an acceptable compliance plan. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Prompt Corrective Action Regulations. Under the Federal Prompt Corrective Action statute, the Office of the Comptroller of the Currency is required to take supervisory actions against undercapitalized savings institutions under its jurisdiction, the severity of which depends upon the institution s level of capital. A savings institution that has total risk-based capital of less than 8% or a leverage ratio or a Tier 1 risk-based capital ratio that generally is less than 4% is considered to be undercapitalized. A savings institution that has total risk-based capital of less than 6%, a Tier 1 core risk-based capital ratio of less than 3% or a leverage ratio that is less than 3% is considered to be significantly undercapitalized. A savings institution that has a tangible capital to assets ratio equal to or less than 2% is deemed to be critically undercapitalized.

Table of Contents

Generally, the Office of the Comptroller of the Currency is required to appoint a receiver or conservator for a savings association that is critically undercapitalized within specific time frames. The regulations also provide that a capital restoration plan must be filed with the Office of the Comptroller of the Currency within 45 days of the date that a federal savings association is deemed to have received notice that it is undercapitalized, significantly undercapitalized or critically undercapitalized. Any holding company of a federal savings association that is required to submit a capital restoration plan must guarantee performance under the plan in an amount of up to the lesser of 5% of the savings association s assets at the time it was deemed to be undercapitalized by the Office of the Comptroller of the Currency or the amount necessary to restore the savings association to adequately capitalized status. This guarantee remains in place until the Office of the Comptroller of the Currency notifies the savings association that it has maintained adequately capitalized status for each of four consecutive calendar quarters. Institutions that are undercapitalized become subject to certain mandatory measures such as restrictions on capital distributions and asset growth. The Office of the Comptroller of the Currency may also take any one of a number of discretionary supervisory actions against undercapitalized federal savings associations, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At June 30, 2012, Iroquois Federal met the criteria for being considered well-capitalized.

Insurance of Deposit Accounts. The Deposit Insurance Fund of the FDIC insures deposits at FDIC insured financial institutions such as Iroquois Federal. Deposit accounts in Iroquois Federal are insured by the FDIC generally up to a maximum of $250,000 per separately insured depositor and up to a maximum of $250,000 for self-directed retirement accounts. The FDIC charges insured depository institutions premiums to maintain the Deposit Insurance Fund.

Under the FDIC s risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other risk factors. Rates are based on each institution s risk category and certain specified risk adjustments. Stronger institutions pay lower rates while riskier institutions pay higher rates.

In February 2011, the FDIC published a final rule under the Dodd-Frank Act to reform the deposit insurance assessment system. The rule redefined the assessment base used for calculating deposit insurance assessments effective April 1, 2011. Under the new rule, assessments are based on an institution s average consolidated total assets minus average tangible equity instead of total deposits. The proposed rule also revised the assessment rate schedule to establish assessments ranging from 2.5 to 45 basis points.

In addition to the FDIC assessments, the Financing Corporation (FICO) is authorized to impose and collect, with the approval of the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the FICO in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by the FICO are due to mature in 2017 through 2019. For the quarter ended June 30, 2012, the annualized FICO assessment was equal to 0.66 basis points of total assets less tangible capital.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of Iroquois Federal. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

Prohibitions Against Tying Arrangements. Federal savings associations are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

Federal Home Loan Bank System. Iroquois Federal is a member of the Federal Home Loan Bank System, which consists of 12 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the Federal Home Loan Bank of Chicago, Iroquois Federal is required to acquire and hold shares of capital stock in the Federal Home Loan Bank. As of June 30, 2012, Iroquois Federal was in compliance with this requirement.

Table of Contents

Other Regulations

Interest and other charges collected or contracted for by Iroquois Federal are subject to state usury laws and federal laws concerning interest rates. Iroquois Federal s operations are also subject to federal laws applicable to credit transactions, such as the:

Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;

Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;

Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;

Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;

Truth in Savings Act; and

rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of Iroquois Federal also are subject to the:

Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers rights and liabilities arising from the use of automated teller machines and other electronic banking services;

Check Clearing for the 21st Century Act (also known as Check 21), which gives substitute checks, such as digital check images and copies made from that image, the same legal standing as the original paper check;

The USA PATRIOT Act, which requires savings associations to, among other things, establish broadened anti-money laundering compliance programs, and due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements that also apply to financial institutions under the Bank Secrecy Act and the Office of Foreign Assets Control regulations; and

The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution s privacy policy and provide such customers the opportunity to opt out of the sharing of certain personal financial information with unaffiliated third parties.

Table of Contents

Holding Company Regulation

General. IF Bancorp is a non-diversified savings and loan holding company within the meaning of the Home Owners Loan Act. As such, IF Bancorp is registered with the Federal Reserve Board and is subject to regulations, examinations, supervision and reporting requirements applicable to savings and loan holding companies. In addition, the Federal Reserve Board has enforcement authority over IF Bancorp and its subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings institution. The Federal Reserve Board assumed the regulatory authority over savings and loan holding companies previously exercised by the Office of Thrift Supervision on July 21, 2011.

Permissible Activities. Under present law, the business activities of IF Bancorp are generally limited to those activities permissible for financial holding companies under Section 4(k) of the Bank Holding Company Act of 1956, as amended, provided certain conditions are met, or for multiple savings and loan holding companies. A financial holding company may engage in activities that are financial in nature, including underwriting equity securities and insurance as well as activities that are incidental to financial activities or complementary to a financial activity. A multiple savings and loan holding company is generally limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to regulatory approval, and certain additional activities authorized by federal regulations.

Federal law prohibits a savings and loan holding company, including IF Bancorp, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of another savings institution or holding company thereof, without prior regulatory approval. It also prohibits the acquisition or retention of, with certain exceptions, more than 5% of a nonsubsidiary company engaged in activities that are not closely related to banking or financial in nature, or acquiring or retaining control of an institution that is not federally insured. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board must consider the financial and managerial resources, future prospects of the company and institution involved, the effect of the acquisition on the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors.

The Federal Reserve Board is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions:

- the approval of interstate supervisory acquisitions by savings and loan holding companies; and

- the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition.

The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

Capital. Savings and loan holding companies are not currently subject to specific regulatory capital requirements. The Dodd-Frank Act, however, requires the Federal Reserve Board to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. Instruments such as cumulative preferred stock and trust preferred securities will no longer be includable as Tier 1 capital, which is currently permitted for bank holding companies. Instruments that were issued by May 19, 2010 are grandfathered in for companies with consolidated assets of $15 billion or less. There is a five-year transition period (from the July 21, 2010 effective date of the Dodd-Frank Act) before the capital requirements will apply to savings and loan holding companies. The Dodd-Frank Act contains an exception for bank holding companies of less than $500 million in assets, but it is uncertain at this time whether the exception will apply to similarly sized savings and loan holding companies.

Source of Strength. The Dodd-Frank Act extended the source of strength doctrine to savings and loan holding companies. The regulatory agencies must issue regulations requiring that all bank and savings and loan holding companies serve as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Dividends. Iroquois Federal must notify the Federal Reserve Board thirty days before declaring any dividend to the Company. The financial impact of a holding company on its subsidiary institution is a matter that is evaluated by the regulator and the agency has authority to order cessation of activities or divestiture of subsidiaries deemed to pose a threat to the safety and soundness of the institution.

Acquisition. Under the Federal Change in Bank Control Act, a notice must be submitted to the Federal Reserve Board if any person (including a company), or group acting in concert, seeks to acquire direct or indirect control of a savings and loan holding company. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10% or more of the company s outstanding voting stock, unless the Federal Reserve Board has found that the acquisition will not result in control of the company. A change in control definitively occurs upon the acquisition of 25% or more of the company s outstanding voting stock. Under the Change in Bank Control Act, the Federal Reserve Board generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition.

Federal Securities Laws

IF Bancorp s common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934. IF Bancorp is subject to the requirements of the Securities Exchange Act of 1934, as amended. Because IF Bancorp s initial sale of its common stock occurred prior to December 8, 2011, it does not qualify as an emerging growth company under the Jumpstart Our Business Startups Act.

ITEM 1A. RISK FACTORS

Because we intend to continue to originate commercial real estate, multi-family and commercial business loans, our credit risk may increase, and continued downturns in the local real estate market or economy could adversely affect our earnings.

We intend to continue originating commercial real estate, multi-family and commercial business loans. At June 30, 2012, $32.9 million, or 12.5%, of our total loan portfolio consisted of commercial real estate loans, $38.5 million, or 14.6%, of our total loan portfolio consisted of multi-family loans, and $13.9 million, or 5.3%, of our total loan portfolio consisted of commercial business loans. These categories of loans have increased significantly since June 30, 2007, when $21.1 million, or 10.1%, of our total loan portfolio consisted of commercial real estate loans, $1.1 million, or 0.5%, of our total loan portfolio consisted of multi-family loans, and $5.0 million, or 2.4%, of our total loan portfolio consisted of commercial business loans. We expect each of these loan categories to continue to increase as a percentage of our total loan portfolio. Commercial real estate, multi-family and commercial business loans generally have more risk than the one- to four-family residential real estate loans that we originate. Because the repayment of commercial real estate, multi-family and commercial business loans depends on the successful management and operation of the borrower s properties or businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Commercial real estate, multi-family and commercial business loans may also involve relatively large loan balances to individual borrowers or groups of related borrowers. In addition, a downturn in the real estate market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower s business, thereby increasing the risk of nonperforming loans. As our commercial real estate, multi-family and commercial business loan portfolios increase, the corresponding risks and potential for losses from these loans may also increase.

Table of Contents

If our non-performing loans and other non-performing assets increase, our earnings will decrease.

At June 30, 2012, our non-performing assets (which consist of non-accrual loans, loans 90 days or more delinquent, troubled debt restructurings and real estate owned) totaled $6.6 million, which is an increase of $640,000 over our non-performing assets at June 30, 2011, and $2.3 million over our non-performing assets at June 30, 2010. Our non-performing assets adversely affect our net income in various ways. We do not record interest income on non-accrual loans, and we must establish reserves or take charge-offs for probable losses on non-performing loans. Reserves are established through a current period charge to income in the provision for loan losses. There are also legal fees associated with the resolution of problem assets. Additionally, our real estate owned results in carrying costs such as taxes, insurance and maintenance fees. Further, the resolution of non-performing assets requires the active involvement of management, which can distract us from the overall supervision of operations and other income-producing activities of Iroquois Federal. Finally, if our estimate of the allowance for loan losses is inadequate, we will have to increase the allowance accordingly by recording a provision for loan losses.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings will decrease.

Our customers may not repay their loans according to the original terms, and the collateral, if any, securing the payment of these loans may be insufficient to pay any remaining loan balance. We may experience significant loan losses, which may have a material adverse effect on our operating results. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover probable losses in our loan portfolio, requiring us to make additions to our allowance for loan losses. Our allowance for loan losses was 1.34% of total loans at June 30, 2012. Additions to our allowance could materially decrease our net income.

In addition, bank regulators periodically review our allowance for loan losses and may require us to increase our allowance for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities may have a material adverse effect on our financial condition and results of operations.

Future changes in interest rates could reduce our profits.

Our profitability largely depends on our net interest income, which can be negatively affected by changes in interest rates. Net interest income is the difference between:

- the interest income we earn on our interest-earning assets, such as loans and securities; and

- the interest expense we incur on our interest-bearing liabilities, such as deposits and borrowings.

The interest rates on our loans are generally fixed for a longer period of time than the interest rates on our deposits. Like many savings institutions, our focus on deposits as a source of funds, which either have no stated maturity or shorter contractual maturities than mortgage loans, results in our liabilities having a shorter average duration than our assets. For example, as of June 30, 2012, 47.0% of our loans had remaining maturities of, or reprice after, 15 years or longer, while 74.9% of our certificates of deposit had remaining maturities of, or reprice in, one year or less. This imbalance can create significant earnings volatility because market interest rates change over time. In a period of rising interest rates, the interest we earn on our assets, such as loans and investments, may not increase as rapidly as the interest we pay on our liabilities, such as deposits. In a period of declining market interest rates, the interest income we earn on our assets may decrease more rapidly than the interest expense we incur on our liabilities, as borrowers prepay mortgage loans and mortgage-backed securities and callable investment securities are called or prepaid, thereby requiring us to reinvest these cash flows at lower interest rates. See Management s Discussion and Analysis of Financial Condition and Results of Operations Management of Market Risk.

In addition, changes in interest rates can affect the average life of loans and mortgage-backed and related securities. A decline in interest rates generally results in increased prepayments of loans and mortgage-backed and related securities, as borrowers refinance their debt in order to reduce their borrowing costs. This creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities. Additionally, increases in interest rates may decrease loan demand and/or make it more difficult for borrowers to repay adjustable-rate loans.

Table of Contents

We evaluate interest rate sensitivity using a model that estimates the change in our net portfolio value over a range of interest rate scenarios, also known as a rate shock analysis. Net portfolio value is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts. See Management s Discussion and Analysis of Financial Condition and Results of Operations Management of Market Risk.

Historically low interest rates may adversely affect our net interest income and profitability.

During the past three years it has been the policy of the Board of Governors of the Federal Reserve System to maintain interest rates at historically low levels through its targeted federal funds rate and the purchase of mortgage-backed securities. As a result, market rates on the loans we have originated and the yields on securities we have purchased have been at lower levels than as available prior to 2008. Consequently, the average yield on our interest earning assets has decreased to 3.85% for the year ended June 30, 2011 from 5.71% for the year ended June 30, 2008. As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets. This has resulted in increases in net interest income in the short term. However, our ability to lower our interest expense is limited at these interest rate levels while the average yield on our interest-earning assets may continue to decrease. The Board of Governors of the Federal Reserve System has indicated its intention to maintain low interest rates in the near future. Accordingly, our net interest income (the difference between interest income earned on assets and interest expense paid on liabilities) may decrease, which may have an adverse affect on our profitability.

A portion of our loan portfolio consists of loan participations secured by properties outside of our primary market area. Loan participations may have a higher risk of loss than loans we originate because we are not the lead lender and we have limited control over credit monitoring.

We occasionally purchase loan participations secured by properties outside of our primary market area in which we are not the lead lender. Although we underwrite these loan participations consistent with our general underwriting criteria, loan participations may have a higher risk of loss than loans we originate because we rely on the lead lender to monitor the performance of the loan. Moreover, our decision regarding the classification of a loan participation and loan loss provisions associated with a loan participation is made in part based upon information provided by the lead lender. A lead lender also may not monitor a participation loan in the same manner as we would for loans that we originate. At June 30, 2012, our loan participations totaled $16.2 million, or 6.1% of our gross loans, most of which are within 100 miles of our primary lending market and consist primarily of multi-family, commercial real estate and commercial loans.

Additionally, we expect to continue to use loan participations following completion of the stock offering as a way to effectively deploy our net proceeds. If our underwriting of these participation loans is not sufficient, our non-performing loans may increase and our earnings may decrease.

We have in the past purchased loans originated by other banks and mortgage companies, some of which have experienced a higher rate of losses than loans that we originate. If we continue to experience losses on these loans, our earnings will decrease.

In addition to loans that we originate, at June 30, 2012, our loan portfolio included $17.2 million of purchased loans. These loans were primarily purchased from three vendors: Irwin Mortgage Corporation (now serviced by Everhome Mortgage Company); Mid America Bank (now serviced by PNC Bank); and Countrywide Financial (now serviced by Bank of America). Of these loans, $4.2 million were purchased from Countrywide and have experienced a significantly higher rate of losses than loans that we originate. As of June 30, 2012, the loans purchased from Countrywide consisted of 7 loans secured by one- to four-family residential loans, primarily in the Chicago market area. Of these 7 loans, 2 are classified as substandard and have specific allowances of $67,000. The other 5 loans are performing in accordance with their original terms. If we experience additional losses on these loans, our earnings will decrease.

Government responses to economic conditions may adversely affect our operations, financial condition and earnings.

The Dodd-Frank Wall Street Reform and Consumer Protection Act has changed the bank regulatory framework, created an independent consumer protection bureau that has assumed the consumer protection responsibilities of the various federal banking agencies, and established more stringent capital standards for savings associations and savings and loan holding companies, subject to a transition period and an exemption for savings and loan holding companies under $500 million in assets. Bank regulatory agencies also have been responding aggressively to concerns and adverse trends identified in examinations. Ongoing uncertainty and adverse developments in the financial services industry and the domestic and international credit markets, and the effect of the Dodd-Frank Act and regulatory actions, may adversely affect our operations by restricting our business activities, including our ability to originate or sell loans, modify loan terms, or foreclose on property securing loans. These risks could affect the performance and value of our loan and investment securities portfolios, which also would negatively affect our financial performance.

We operate in a highly regulated environment and may be adversely affected by changes in laws and regulations.

We are subject to extensive regulation, supervision, and examination by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Federal regulations govern the activities in which we may engage, and are primarily for the protection of depositors and the Deposit Insurance Fund. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operations of a savings association, the classification of assets by a savings association, and the adequacy of a savings association s allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations or legislation, could have a material impact on our results of operations. Because our business is highly regulated, the laws, rules and applicable regulations are subject to regular modification and change. Any legislative, regulatory or policy changes adopted in the future could make compliance more difficult or expensive or otherwise adversely affect our business, financial condition or prospects. Further, we expect any such new laws, rules or regulations will add to our compliance costs and place additional demands on our management team.

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market areas, we compete with commercial banks, savings institutions, credit unions, mortgage brokerage firms, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Some of our competitors have greater name recognition and market presence that benefit them in attracting business, and offer certain services that we do not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we do, which could affect our ability to grow and remain profitable on a long-term basis. Our profitability depends upon our continued ability to successfully compete in our market areas. If we must raise interest rates paid on deposits or lower interest rates charged on our loans, our net interest margin and profitability could be adversely affected.

Our earnings have been negatively affected by the reduction in dividends paid by the Federal Home Loan Bank of Chicago.

The Federal Home Loan Bank (FHLB) of Chicago ceased paying dividends in the third quarter of 2007, and resumed paying a dividend in the fourth quarter of 2010. The dividend paid for the second quarter of 2012 was equal to an annualized rate of 30 basis points per share, far below the dividend paid by the FHLB of Chicago prior to 2007. The failure of the FHLB of Chicago to pay full dividends for any quarter will reduce our earnings during that quarter. At June 30, 2012, the carrying value of our FHLB of Chicago stock was $4.2 million.

Table of Contents

Our information systems may experience an interruption or breach in security.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption, or breach in security or operational integrity of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan, and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption, or security breach of our information systems, we cannot assure you that any such failures, interruptions, or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions, or security breaches of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We operate from our main office, three branch offices, an administrative office, and a data center located in Iroquois, Vermilion and Kankakee Counties, Illinois, and our loan production and wealth management office in Osage Beach, Missouri. The net book value of our premises, land and equipment was $4.4 million at June 30, 2012. The following tables set forth information with respect to our banking offices, including the expiration date of leases with respect to leased facilities.

Location	Year Opened	Owned/ Leased
Main Office:		
201 East Cherry Street	1964	Owned
Watseka, Illinois 60970		
Branches:		
619 North Gilbert Street	1973	Owned
Danville, Illinois 61832		
175 East Fourth Street	1977	Owned
Clifton, Illinois 60927		
511 South Chicago Road	1979	Owned
Hoopeston, Illinois 60942		
Loan Production Office:		
3535 Highway 54	2006	Owned
Osage Beach, Missouri 65065		
Administrative Office:		
204 East Cherry Street	2001	Owned

Watseka, Illinois 60970		
Data Center:		
819 East 4000 South Road	2012	Leased
Kankakee, Illinois 60901		(expires May 30, 2015)

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market and Dividend Information.

The Company s common stock is listed on the Nasdaq Capital Market (NASDAQ) under the trading symbol IROQ. The Company completed its initial public offering on July 7, 2011 and commenced trading on July 8, 2011. The Company has not paid any dividends to stockholders to date. See Dividends below.

	High	Low
Fiscal 2012:		
First Quarter	$ 11.79	$ 10.70
Second Quarter	$ 11.43	$ 10.95
Third Quarter	$ 12.37	$ 11.16
Fourth Quarter	$ 13.49	$ 12.05

Holders.

As of September 19, 2012, there were 486 holders of record of the Company s common stock.

Dividends.

The Company has not paid any dividends to its stockholders to date. The payment of dividends in the future will depend upon a number of factors, including capital requirements, the Company s financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. In addition, the Company s ability to pay dividends is dependent on dividends received from Iroquois Federal. For more information regarding restrictions on the payment of cash dividends by the Company and by Iroquois Federal, see Business Regulation and Supervision Holding Company Regulation Dividends and Regulation and Supervision Federal Savings Institution Regulation Capital Distributions. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in the future.

Securities Authorized for Issuance under Equity Compensation Plans.

Not applicable.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities.

Not applicable.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

38

Table of Contents

The Company did not repurchase any of its outstanding shares of common stock during the three-month period ended June 30, 2012. On September 12, 2012, the Company announced a stock repurchase program to repurchase up to 240,563 shares, or approximately 5%, of its outstanding common stock.

ITEM 6. SELECTED FINANCIAL DATA

	2012	2011	At June 30, 2010 (In thousands)	2009	2008
Selected Financial Condition Data:					
Total assets	$ 511,330	$ 510,816	$ 384,782	$ 377,158	$ 338,959
Cash and cash equivalents	8,193	60,506	6,836	11,902	3,658
Investment securities available for sale	223,306	190,273	125,747	99,423	69,932
Investment securities held to maturity				25,447	33,101
Federal Home Loan Bank of Chicago stock	4,175	3,121	3,121	3,121	3,121
Loans held for sale	179		460	156	
Loans receivable, net	258,731	240,020	233,753	223,656	215,180
Real estate owned	1,268	710	497	126	72
Bank-owned life insurance	7,495	7,235	6,978	6,723	6,469
Deposits	344,485	444,065	320,557	313,352	269,944
Federal Home Loan Bank of Chicago advances	75,000	22,500	22,500	26,500	36,000
Total equity	86,649	39,441	37,288	33,256	28,912

	2012	2011	For the Fiscal Year Ended June 30, 2010 (In thousands)	2009	2008
Selected Operating Data:					
Interest income	$ 18,001	$ 16,941	$ 17,761	$ 18,118	$ 18,142
Interest expense	3,784	4,988	6,714	8,663	11,033
Net interest income	14,217	11,953	11,047	9,455	7,109
Provision for loan losses	1,125	1,351	1,875	405	47
Net interest income after provision for loan losses	13,092	10,602	9,172	9,050	7,062
Noninterest income	3,705	3,811	4,040	3,098	2,497
Noninterest expense	14,838	10,185	9,146	8,379	7,247
Income before income tax expense	1,959	4,228	4,066	3,769	2,312
Income tax expense	559	1,398	1,389	1,362	742
Net income	$ 1,400	$ 2,830	$ 2,677	$ 2,407	$ 1,570

Table of Contents

	At or For the Fiscal Years Ended June 30,				
	2012	**2011**	**2010**	**2009**	**2008**
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on average assets (net income as a percentage of average total assets)	0.28%	0.68%	0.69%	0.67%	0.47%
Return on average equity (net income as a percentage of average equity)	1.66%	7.88%	8.10%	7.85%	5.50%
Interest rate spread (1)	2.89%	2.93%	2.92%	2.53%	1.95%
Net interest margin (2)	3.04%	3.05%	3.01%	2.74%	2.20%
Efficiency ratio (3)	82.79%	64.61%	65.42%	67.12%	76.69%
Noninterest expense to average total assets	3.01%	2.45%	2.36%	2.32%	2.17%
Average interest-earning assets to average interest-bearing liabilities	118.82%	110.28%	107.13%	108.37%	107.37%
Average equity to average total assets	17.09%	8.65%	8.52%	8.50%	8.53%
Asset Quality Ratios:					
Non-performing assets to total assets	1.30%	1.17%	1.13%	1.07%	0.40%
Non-performing loans to total loans	2.03%	2.16%	1.64%	1.74%	0.60%
Allowance for loan losses to non-performing loans	65.95%	59.73%	72.19%	35.04%	81.48%
Allowance for loan losses to total loans	1.34%	1.29%	1.17%	0.61%	0.49%
Net charge-offs (recoveries) to average loans	0.30%	0.40%	0.20%	0.04%	0.01%
Capital Ratios:					
Total capital (to risk-weighted assets)					
Company	33.3%				
Association	24.3%	16.6%	17.3%	16.7%	16.7%
Tier 1 capital (to risk-weighted assets)					
Company	32.1%				
Association	23.0%	15.7%	16.4%	16.1%	16.1%
Tier 1 capital (to adjusted total assets)					
Company	16.1%				
Association	11.6%	7.3%	9.0%	8.4%	8.6%
Tangible capital (to adjusted total assets)					
Company	16.1%				
Association	11.6%	7.3%	9.0%	8.4%	8.6%
Other Data:					
Number of full service offices	4	4	4	4	4
Full time equivalent employees	92	87	82	80	74

(1) The interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the period.
(2) The net interest margin represents net interest income as a percent of average interest-earning assets for the period.
(3) The efficiency ratio represents noninterest expense as a percentage of the sum of net interest income and noninterest income.

Table of Contents

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION
Overview

We have grown our organization to $511.3 million in assets at June 30, 2012 from $326.4 million in assets at June 30, 2007. We have increased our assets primarily through increased investment securities and loan growth.

Historically, we have operated as a traditional thrift institution. As recently as June 30, 2007, $165.0 million, or approximately 78.8% of our loan portfolio, consisted of longer-term, one- to four-family residential real estate loans. However, in recent years, we have increased our focus on the origination of commercial real estate loans, multi-family real estate loans and commercial business loans, which generally provide higher returns than one- to four-family residential mortgage loans, have shorter durations and are often originated with adjustable rates of interest. As a result, our net interest rate spread (the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities) increased to 2.89% for the year ended June 30, 2012 from 1.88% for the year ended June 30, 2007. This contributed to a corresponding increase in net interest income (the difference between interest income and interest expense) to $14.2 million for the fiscal year ended June 30, 2012 from $6.2 million for the fiscal year ended June 30, 2007.

Our emphasis on conservative loan underwriting has resulted in relatively low levels of non-performing assets at a time when many financial institutions are experiencing significant asset quality issues. Our non-performing assets totaled $6.6 million or 1.30% of total assets at June 30, 2012.

Other than our loans for the construction of one- to four-family residential properties and the draw portion of our home equity lines of credit, we do not offer interest only mortgage loans on one- to four-family residential properties (where the borrower pays interest but no principal for an initial period, after which the loan converts to a fully amortizing loan). We also do not offer loans that provide for negative amortization of principal, such as Option ARM loans, where the borrower can pay less than the interest owed on their loan, resulting in an increased principal balance during the life of the loan. We do not offer subprime loans (loans that generally target borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (traditionally defined as loans having less than full documentation). We also do not own any private label mortgage-backed securities that are collateralized by Alt-A, low or no documentation or subprime mortgage loans.

The Association s legal lending limit to any one borrower is 15% of unimpaired capital and surplus. On July 30, 2012 our Association received approval from the Office of the Comptroller of the Currency (OCC) 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. 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.

All of our mortgage-backed securities have been issued by Freddie Mac, Fannie Mae or Ginnie Mae, U.S. government-sponsored enterprises. These entities guarantee the payment of principal and interest on our mortgage-backed securities.

On July 7, 2011 we completed our initial public 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, and raising approximately $45.0 million of gross proceeds. In addition, we issued 314,755 shares of our common stock to the Iroquois Federal Foundation.

Table of Contents

Critical Accounting Policies

We consider accounting policies that require management to exercise significant judgment or discretion or make significant assumptions that have, or could have, a material impact on the carrying value of certain assets or on income, to be critical accounting policies. We consider the following to be our critical accounting policies.

Allowance for Loan Losses. We believe that the allowance for loan losses and related provision for loan losses are particularly susceptible to change in the near term, due to changes in credit quality which are evidenced by trends in charge-offs and in the volume and severity of past due loans. In addition, our portfolio is comprised of a substantial amount of commercial real estate loans which generally have greater credit risk than one- to four-family residential mortgage and consumer loans because these loans generally have larger principal balances and are non-homogenous.

The allowance for loan losses is maintained at a level to cover probable credit losses inherent in the loan portfolio at the balance sheet date. Based on our estimate of the level of allowance for loan losses required, we record a provision for loan losses as a charge to earnings to maintain the allowance for loan losses at an appropriate level. The estimate of our credit losses is applied to two general categories of loans:

- loans that we evaluate individually for impairment under ASC 310-10, Receivables; and

- groups of loans with similar risk characteristics that we evaluate collectively for impairment under ASC 450-20, Loss Contingencies.

The allowance for loan losses is evaluated on a regular basis by management and reflects consideration of all significant factors that affect the collectability of the loan portfolio. The factors used to evaluate the collectability of the loan portfolio include, but are not limited to, current economic conditions, our historical loss experience, the nature and volume of the loan portfolio, the financial strength of the borrower, and estimated value of any underlying collateral. This evaluation is inherently subjective as it requires estimates that are subject to significant revision as more information becomes available. Actual loan losses may be significantly more than the allowance for loan losses we have established which could have a material negative effect on our financial results. See also Business Allowance for Loan Losses.

Income Tax Accounting. The provision for income taxes is based upon income in our consolidated financial statements, rather than amounts reported on our income tax return. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on our deferred tax assets and liabilities is recognized as income or expense in the period that includes the enactment date. Under GAAP, a valuation allowance is required to be recognized if it is more likely than not that a deferred tax asset will not be realized. The determination as to whether we will be able to realize the deferred tax assets is highly subjective and dependent upon judgment concerning our evaluation of both positive and negative evidence, our forecasts of future income, applicable tax planning strategies, and assessments of current and future economic and business conditions. Positive evidence includes the existence of taxes paid in available carryback years as well as the probability that taxable income will be generated in future periods, while negative evidence includes any cumulative losses in the current year and prior two years and general business and economic trends. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. Any required valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings. Positions taken in our tax returns may be subject to challenge by the taxing authorities upon examination. The benefit of an uncertain tax position is initially recognized in the financial statements only when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are both initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with the tax authority, assuming full knowledge of the position and all relevant facts. Differences between our position and the position of tax authorities could result in a reduction of a tax benefit or an increase to a tax liability, which could adversely affect our future income tax expense.

Table of Contents

We believe our tax policies and practices are critical accounting policies because the determination of our tax provision and current and deferred tax assets and liabilities have a material impact on our net income and the carrying value of our assets. We believe our tax liabilities and assets are properly recorded in the consolidated financial statements at June 30, 2012 and no valuation allowance was necessary.

Comparison of Financial Condition at June 30, 2012 and June 30, 2011

Total assets increased $514,000, or 0.1%, to $511.3 million at June 30, 2012 from $510.8 million at June 30, 2011. The increase was primarily due to a $33.0 million increase in investment securities and a $18.9 increase in net loans, partially offset by an decrease of $52.3 million in cash and cash equivalents. The large change in cash and cash equivalents was a result of our mutual-to-stock conversion that closed on July 7, 2011. The stock offering in connection with the conversion was oversubscribed which resulted in $68.9 million in over subscriptions being refunded to subscribers shortly after the closing of the conversion.

Net loans receivable, including loans held for sale, increased by $18.9 million, or 7.9%, to $258.9 million at June 30, 2012 from $240.0 million at June 30, 2011. The increase in net loans receivable during this period was due primarily to a $12.2 million, or 46.6%, increase in multi-family loans, a $5.5 million, or 20.2% increase in commercial real estate loans, a $4.4 million, or 107.9%, increase in construction loans, and a $1.8 million, or 15.3% increase in commercial loans. These increases were partially offset by a $2.2 million, or 13.9%, decrease in consumer loans, a $1.0 million, or 10.4% decrease in in home equity lines of credit, and a $762,000, or 0.51% decrease in one-to four-family residential loans (due primarily to increased sales of loans originated).

Investment securities, consisting entirely of securities available for sale, increased $33.0 million, or 17.4%, to $223.3 million at June 30, 2012 from $190.3 million at June 30, 2011. Purchased investment securities, consisted primarily of agency debt obligations with terms of four to seven years and fixed-rate mortgage backed securities with terms of 15 years. We had no securities held to maturity at June 30, 2012 or June 30, 2011.

As of June 30, 2012, other assets decreased $988,000 to $1.2 million, Federal Home Loan Bank stock increased $1.1 million to $4.2 million, and other real estate owned increased $558,000 to $1.3 million from the respective balances as of June 30, 2011. The decrease in other assets was mostly attributable to prepaid conversion costs which were $766,000 at June 30, 2011 and reduced to zero at June 30, 2012. Federal Home Loan Bank stock increased as a result of stock purchases to support an increase in Federal Home Loan Bank advances. Other real estate owned increased due to new foreclosures as of June 30, 2012.

At June 30, 2012, our investment in bank-owned life insurance was $7.5 million, an increase of $260,000 from $7.2 million at June 30, 2011. We invest in bank-owned life insurance to provide us with a funding source for our benefit plan obligations. Bank-owned life insurance also generally provides us noninterest income that is non-taxable. Federal regulations generally limit our investment in bank-owned life insurance to 25% of the Association s Tier 1 capital plus our allowance for loan losses, which totaled $15.5 million at June 30, 2012.

Deposits decreased $99.6 million, or 22.4%, to $344.5 million at June 30, 2012 from $444.1 million at June 30, 2011. Certificates of deposit decreased $10.7 million, or 5.4%, to $188.7 million, savings, NOW, and money market accounts decreased $96.6 million, or 41.9%, to $133.7 million, brokered certificates of deposit increased $5.5 million, or 91.6%, to $11.5 million, and noninterest bearing demand accounts increased $2.2 million, or 26.3%, to $10.6 million. The large decrease in deposits was due to our mutual-to-stock conversion which closed on July 7, 2011, for which we held approximately $113 million in escrow deposit balances at June 30, 2011.

Borrowings, which consisted solely of advances from the Federal Home Loan Bank of Chicago, increased $52.5 million, or 233.3%, to $75.0 million at June 30, 2012 from $22.5 million at June 30, 2011. We increased our borrowings to fund loans, replace deposit outflow, and purchase investment securities as we reposition our portfolio in anticipation of securities being called over the next several months. Current interest rates on borrowings are more favorable than rates paid on deposits.

Other liabilities remained consistent at $1.9 million at June 30, 2012 and June 30, 2011

Total equity increased $47.2 million, or 119.7%, to $86.6 million at June 30, 2012 from $39.4 million at June 30, 2011. The increase was primarily the result of our mutual-to-stock conversion which increased capital $46.4 million net of conversion costs of $1.7 million. Equity was also increased due to an increase in unrealized gains on securities available for sale of $3.0 million and net income of $1.4 million. These increases to equity were partially offset by the purchase of employee stock ownership plan (ESOP) shares of $3.8 million. The increase in unrealized gains on securities available-for-sale was due to higher market values of available-for-sale securities. The ESOP was established at the time of the conversion. The net income was impacted by a contribution to our newly established charitable foundation, Iroquois Federal Foundation, Inc., of 314,755 shares of IF Bancorp, Inc. stock (valued at $3,147,550 at the time of the conversion) and $450,000 in cash.

Comparison of Operating Results for the Years Ended June 30, 2012 and 2011

General. Net income decreased $1.4 million, or 50.5%, to $1.4 million net income for the year ended June 30, 2012 from $2.8 million net income for the year ended June 30, 2011. The decrease was primarily due to a $4.7 million increase in noninterest expense and a $106,000 decrease in noninterest income, partially offset by a $2.3 million increase in net interest income, a $226,000 decrease in provision for loan losses, and a $839,000 reduction in income tax expense. The increase in noninterest expense was primarily due to contributions to the charitable foundation that was established at the time of our mutual-to-stock conversion. IF Bancorp, Inc. donated 314,755 shares of its stock (valued at $3,147,550 at the time of the conversion) and the Association made a cash donation of $450,000.

Net Interest Income. Net interest income increased by $2.3 million, or 18.9%, to $14.2 million for the year ended June 30, 2012 from $12.0 million for the year ended June 30, 2011. The increase was due to a decrease of $1.2 million in interest expense and an increase of $1.1 million in interest income. The increase in net interest income was primarily the result of a $75.1 million, or 19.2% increase in the average balance of interest earning assets, partially offset by a $37.6 million, or 10.6% increase in average balance of interest bearing liabilities. Our net interest margin decreased 1 basis point to 3.04% for the year ended June 30, 2012 compared to 3.05% for the year ended June 30, 2011, and our net interest rate spread decreased 3 basis points to 2.89% for the year ended June 30, 2012 compared to 2.92% for the year ended June 30, 2011.

Interest Income. Interest income increased $1.1 million, or 6.3%, to $18.0 million for the year ended June 30, 2012 from $16.9 million for the year ended June 30, 2011. The increase in interest income was primarily due to a $1.5 million increase in interest income on securities, which resulted from an increase in the average balance of securities of $63.0 million, or 43.5%, to $207.7 million for the year ended June 30, 2012 from $144.7 million for the year ended June 30, 2011. The average balance of securities increased due to the investment of the proceeds received in the mutual-to-stock conversion. This increased average balance of securities was partially offset by a 17 basis point, or 5.7% decrease in the average yield on securities from 2.96% to 2.79%. The decrease in the average yield was primarily due to lower market interest rates during the period.

Interest income on loans decreased $468,000 as a $10.8 million increase in the average balance of loans to $250.8 million at June 30, 2012 was more than offset by a 41 basis point decrease in the average yield on loans from 5.27% to 4.86%. The decrease in the average yield on loans reflected both a reduction in the current interest rates charged on loans originated during the period versus the average rates on existing loans in the portfolio, and the adjustment of a portion of our adjustable rate one-to four-family residential loans to a lower rate at the contractual adjustment term.

Interest Expense. Interest expense decreased $1.2 million, or 24.1%, to $3.8 million for the year ended June 30, 2012 from $5.0 million for the year ended June 30, 2011. The decrease occurred due to lower market interest rates partially offset by and increase in the average balance of borrowings.

Interest expense on interest-bearing deposits decreased by $1.2 million, or 29.7%, to $2.9 million for the year ended June 30, 2012 from $4.1 million for the year ended June 30, 2011. This decrease was primarily due to a decrease of 37 basis points in the average cost of interest-bearing deposits to 0.88% for the year ended June 30, 2012 from 1.25% for the year ended June 30, 2011. We experienced decreases in the average cost across all categories of interest-bearing deposits for the year ended June 30, 2012, reflecting lower market interest rates as compared to the prior period. The decrease in average cost was partially offset due to a $610,000, or 0.2%, increase in the average balance of interest-bearing deposits to $327.3 million for the year ended June 30, 2012 from $326.7 million for the year ended June 30, 2011.

Interest expense on borrowings increased $13,000, or 1.5%, to $908,000 for the year ended June 30, 2012 from $895,000 for the year ended June 30, 2011. This increase was due to an increase in the average balance of borrowings to $65.8 million for the year ended June 30, 2012 from $28.8 million for the year ended June 30, 2011, partially offset by a 173 basis point decrease in the average cost of such borrowings to 1.38% for the year ended June 30, 2012 from 3.11% for the year ended June 30, 2011.

Table of Contents

Provision for Loan Losses. We establish provisions for loan losses, which are charged to operations in order to maintain the allowance for loan losses at a level we consider necessary to absorb probable credit losses inherent in our loan portfolio. We recorded a provision for loan losses of $1.1 million for the year ended June 30, 2012, compared to a provision for loan losses of $1.4 million for the year ended June 30, 2011. The allowance for loan losses was $3.5 million, or 1.34% of total loans, at June 30, 2012, compared to $3.1 million, or 1.29% of total loans, at June 30, 2011. Non-performing loans increased during the year ended June 30, 2012 due to the addition of one loan relationship totaling $2.1 million that is classified as a troubled debt restructuring. The loans were substantially collateralized, thus the impact to the allowance for loan losses was minimal. During the year ended June 30, 2012 and 2011, $743,000 and $969,000 in net charge-offs were recorded.

The following table sets forth information regarding the allowance for loan losses and nonperforming assets at the dates indicated:

	Year Ended June 30, 2012	Year Ended June 30, 2011
Allowance to non-performing loans	65.95%	59.73%
Allowance to total loans outstanding at the end of the period	1.34%	1.29%
Net charge-offs to average total loans outstanding during the period, annualized	.30%	.40%
Total non-performing loans to total loans	2.03%	2.16%
Total non-performing assets to total assets	1.30%	1.17%

Noninterest Income. Noninterest income decreased $106,000, or 2.8%, to $3.7 million for the year ended June 30, 2012 compared to $3.8 million for the year ended June 30, 2011. The decrease was primarily due to decreases in mortgage banking income and brokerage commissions, partially offset by increased insurance commissions. For the year ended June 30, 2012, mortgage banking income decreased $376,000 to $317,000 and brokerage commissions decreased $91,000 to $521,000. The decrease in mortgage banking income was due primarily to a reduction in the fair value of mortgage servicing rights as a result of decreased market interest rates and a slow down of mortgage refinancing, and the decrease in brokerage commissions was a result of less activity due to decreased market interest rates. These decreases were partially offset by an increase of $132,000 in insurance commissions due to an increase in insurance sales and an increase of $264,000 in net realized gains on the sale of available-for-sale securities which was due to the interest rate environment in the year ended June 30, 2012, that allowed for profits to be gained when repositioning the investment portfolio that were not available in the year ended June 30, 2011.

Noninterest Expense. Noninterest expense increased $4.7 million, or 45.7%, to $14.8 million for the year ended June 30, 2012 from $10.2 million for the year ended June 30, 2011. The largest components of this increase were charitable contributions, which increased $3.6 million, compensation and benefits, which increased $639,000, or 9.8%, professional services expense, which increased $132,000, or 68.4%, and audit and examinations, which increased $183,000, or 100.0%. The increase in charitable contributions was primarily due to a contribution to our newly established charitable foundation, Iroquois Federal Foundation, Inc., of 314,755 shares of IF Bancorp, Inc. stock (valued at $3,147,550 at time of conversion) as well as a cash donation of $450,000. Increased staffing, normal salary increases and increases in payroll taxes primarily accounted for the increase in compensation and benefits expense. Increases in professional services and audit and examinations expense were a result of increased costs associated with transitioning to a public company. These increases were partially offset by a decrease of $128,000 in deposit insurance premium resulting from the new FDIC formula used to calculate this premium.

Income Tax Expense. We recorded a provision for income tax of $559,000 for the year ended June 30, 2012, compared to a provision for income tax of $1.4 million for the year ended June 30, 2011, reflecting effective tax rates of 28.5% and 33.1%, respectively. The decreased tax rate for the year ended June 30, 2012 was a result of a lower taxable income due to a contribution to our newly established charitable foundation, Iroquois Federal Foundation, Inc., of 314,755 shares of IF Bancorp, Inc. stock (valued at $3,147,550 at time of conversion) as well as a cash donation of $450,000.

Table of Contents

Asset Quality

At June 30, 2012, our non-accrual loans totaled $5.4 million, including $3.7 million in one-to four-family loans, $1.5 million in multi-family loans, $95,000 in commercial real estate loans, $2,000 in commercial business loans and $113,000 in consumer loans. The commercial real estate loans are secured by commercial rental properties. At June 30, 2012, we had no loans delinquent 90 days or greater and still accruing interest.

At June 30, 2012, loans classified as substandard equaled $5.6 million. Loans classified as substandard consisted of $3.9 million in one- to four-family loans, $1.5 million in multi-family loans, $95,000 in commercial real estate loans, $8,000 in home equity lines of credit, $2,000 in commercial business loans and $113,000 in consumer loans. At June 30, 2012, no loans were classified as doubtful or loss. At June 30, 2012 there were also $1.3 million in real estate owned assets.

At June 30, 2012, watch assets consisted of $1.2 million in commercial business loans and $612,000 in one-to four-family loans.

Troubled Debt Restructuring. Troubled debt restructurings include loans for which economic concessions have been granted to borrowers with financial difficulties. We periodically modify loans to extend the term or make other concessions to help borrowers stay current on their loans and to avoid foreclosure. At June 30, 2012 and June 30, 2011, we had $3.8 million and $1.8 million, respectively, of troubled debt restructurings. At June 30, 2012 our troubled debt restructurings consisted of $2.1 million in one-to four-family loans, $1.5 million in multi-family loans, $95,000 in commercial real estate loans, $2,000 in commercial business loans and $32,000 in consumer loans.

Of the increase in troubled debt restructurings, an increase of $949,000 in one-to four-family and $1.5 million in multi-family real estate loans were the result of the Company modifying loans by advancing funds for real estate taxes, in exchange for the taxes being capitalized into the loan and all future loan payments to include real estate tax escrow in addition to principal and interest payments. Prior to such troubled debt restructurings, only principal and interest payments were being made by the customers.

At June 30, 2012, we had $1.3 million in foreclosed assets compared to $710,000 as of June 30, 2011. Foreclosed assets at June 30, 2012, consisted of $1.3 million in residential real estate properties while foreclosed assets at June 30, 2011, consisted of $690,000 in residential real estate and $20,000 in other repossessed assets.

Table of Contents

Allowance for Loan Loss Activity

The Company regularly reviews its allowance for loan losses and makes adjustments to its balance based on management s analysis of the loan portfolio, the amount of non-performing and classified loans, as well as general economic conditions. Although the Company maintains its allowance for loan losses at a level that it considers sufficient to provide for losses, there can be no assurance that future losses will not exceed internal estimates. In addition, the amount of the allowance for loan losses is subject to review by regulatory agencies, which can order the establishment of additional loss provisions. The following table summarizes changes in the allowance for loan losses over the twelve-month periods ended June 30, 2012 and 2011:

	Year ended June 30,	
	2012	**2011**
Balance, beginning of period	$ 3,149	$ 2,767
Loans charged off		
Real estate loans		
One-to four-family	(651)	(920)
Multi-family		
Commercial	(48)	
HELOC	(35)	
Construction		
Commercial	(29)	(30)
Consumer	(88)	(54)
Gross charged off loans	(851)	(1,004)
Recoveries of loans previously charged off		
Real estate loans		
One-to four-family	71	16
Multi-family		
Commercial		
HELOC		
Construction		
Commercial		
Consumer	37	19
Gross recoveries of charged off loans	108	35
Net charge offs	(743)	(969)
Provision charged to expense	1,125	1,351
Balance, end of period	$ 3,531	$ 3,149

The allowance for loan losses has been calculated based upon an evaluation of pertinent factors underlying the various types and quality of the Company s loans. Management considers such factors as the repayment status of a loan, the estimated net fair value of the underlying collateral, the borrower s intent and ability to repay the loan, local economic conditions, and the Company s historical loss ratios. We maintain the allowance for loan losses through the provisions for loan losses that we charge to income. We charge losses on loans against the allowance for loan losses when we believe the collection of loan principal is unlikely. The allowance for loan losses increased $382,000 to $3.5 million at June 30, 2012, from $3.1 million at June 30, 2011. The increase was a result of an increase in outstanding loans and was necessary in order to bring the allowance for loan losses to a level that reflects management s estimate of the probable loss in the Company s loan portfolio at June 30, 2012.

In its quarterly evaluation of the adequacy of its allowance for loan losses, the Company employs historical data including past due percentages, charge offs, and recoveries. The Company s allowance methodology weights the most recent twelve-quarter period s net charge offs and uses this information as one of the primary factors for evaluation of allowance adequacy. The most recent four-quarter net charge offs are given a higher weight of 50%,

Table of Contents

while quarters 5-8 are given a 30% weight and quarters 9-12 are given only a 20% weight. The average net charge offs in each period are calculated as net charge offs by portfolio type for the period as a percentage of the quarter end balance of respective portfolio type over the same period. As the Company and the industry have seen increases in loan defaults in the past several years, the Company believes that it is prudent to emphasize more recent historical factors in the allowance evaluation.

The following table sets forth the Company s weighted average historical net charge offs as of June 30, 2012, and June 30, 2011:

Portfolio segment	June 30, 2012 Net charge offs 12 quarter weighted historical	June 30, 2011 Net charge offs 12 quarter weighted historical
Real Estate		
One-to four-family	.48%	.52%
Multi-family	.33%	%
Commercial	.13%	.12%
HELOC	.12%	.14%
Construction	%	%
Commercial business	.16%	.09%
Consumer	.16%	.35%
Entire portfolio total	.39%	.38%

Additionally, in its quarterly evaluation of the adequacy of the allowance for loan losses, the Company evaluates changes in financial conditions of individual borrowers; changes in local, regional, and national economic conditions; the Company s historical loss experience; and changes in market conditions for property pledged to the Company as collateral. The Company has identified specific qualitative factors that address these issues and assigns a percentage to each factor based on management s judgement. At June 30, 2012, these qualitative factors included: (1) management s assumptions regarding the minimal level of risk for a given loan category and includes amounts for anticipated losses which may not be reflected in our current loss history experience; (2) changes in lending policies and procedures, including changes in underwriting standards, and charge-off and recovery practices not considered elsewhere in estimating credit losses; (3) changes in international, national, regional and local economics and business conditions and developments that affect the collectability of the portfolio, including the conditions of various market segments; (4) changes in the nature and volume of the portfolio and in the terms of loans; (5) changes in the experience, ability, and depth of the lending officers and other relevant staff; (6) changes in the volume and severity of past due loans, the volume of non-accrual loans, the volume of troubled debt restructured and other loan modifications, and the volume and severity of adversely classified loans; (7) changes in the quality of the loan review system; (8) changes in the value of the underlying collateral for collateral-dependent loans; (9) the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and (10) the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio. The applied loss factors are re-evaluated quarterly to ensure their relevance in the current environment.

Table of Contents

The qualitative factors are applied to the allowance for loan losses based upon the following percentages by loan type:

Portfolio segment	Qualitative factor applied at June 30, 2012	Qualitative factor applied at June 30, 2011
Real Estate		
One-to four-family	.39%	.31%
Multi-family	.82%	.95%
Commercial	.46%	.53%
HELOC	.78%	.76%
Construction	.94%	.75%
Commercial business	2.33%	2.83%
Consumer	.54%	.32%
Entire portfolio total	.57%	.54%

At June 30, 2012, the amount of our allowance for loan losses attributable to these qualitative factors was approximately $1.5 million, as compared to $1.3 million at June 30, 2011. The general increase in qualitative factors was attributable primarily to the increase in non-accrual loans as a result of higher troubled debt restructurings.

While management believes that our asset quality remains strong, it recognizes that, due to the continued growth in the loan portfolio, the increase in troubled debt restructurings and the potential changes in market conditions, our level of nonperforming assets and resulting charges offs may fluctuate. Higher levels of net charge offs requiring additional provisions for loan losses could result. Although management uses the best information available, the level of the allowance for loan losses remains an estimate that is subject to significant judgment and short-term change.

Table of Contents

Average Balances and Yields

The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated. Tax-equivalent yield adjustments have not been made for tax-exempt securities. All average balances are based on month-end balances, which management deems to be representative of the operations of Iroquois Federal. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

	For the Fiscal Years Ended June 30,								
	2012			2011			2010		
	Average Outstanding Balance	Interest	Yield/ Rate	Average Outstanding Balance	Interest	Yield/ Rate	Average Outstanding Balance	Interest	Yield/ Rate
	(Dollars in thousands)								
Interest-earning assets:									
Loans:									
Real estate loans:									
One- to four-family (1)	$ 147,438	$ 6,668	4.52%	$ 149,203	$ 7,417	4.97%	$ 154,532	$ 8,184	5.30%
Multi-family	30,857	1,524	4.94	23,623	1,248	5.28	17,992	988	5.49
Commercial	30,667	1,723	5.62	26,195	1,586	6.05	23,990	1,478	6.16
Home equity lines of credit	9,408	400	4.25	9,616	409	4.25	6,408	281	4.39
Construction loans	5,240	231	4.41	1,990	91	4.57	2,034	98	4.81
Commercial business loans	12,679	688	5.43	12,941	752	5.81	12,128	736	6.07
Consumer loans	14,513	943	6.50	16,389	1,142	6.97	15,240	1,135	7.45
Total loans	250,802	12,177	4.86	239,957	12,645	5.27	232,324	12,900	5.55
Securities:									
U.S. government, federal agency and government-sponsored enterprises	160,472	4,179	2.60	123,379	3,518	2.85	98,984	3,494	3.53
U.S. government sponsored mortgage-backed securities	44,407	1,562	3.52	15,504	713	4.60	28,390	1,297	4.56
State and political subdivisions	2,776	52	1.87	5,809	56	0.96	2,120	65	3.07
Total securities	207,655	5,793	2.79	144,692	4,287	2.96	129,494	4,856	3.75
Other	8,665	31	0.36	7,363	9	0.12	4,460	5	0.11
Total interest-earning assets	467,122	18,001	3.85	392,012	16,941	4.32	366,278	17,761	4.84
Noninterest-earning assets	26,412			23,046			21,973		
Total assets	$ 493,534			$ 415,058			$ 388,251		
Interest-bearing liabilities:									
Interest-bearing checking or NOW	$ 28,649	58	0.20	$ 25,156	55	0.22	$ 23,234	109	0.47
Savings accounts	27,560	94	0.34	23,679	117	0.49	20,363	179	0.87
Money market accounts	68,619	202	0.29	70,682	357	0.51	68,321	616	0.90
Certificates of deposit	202,466	2,522	1.25	207,167	3,564	1.72	201,074	4,775	2.37
Total interest-bearing deposits	327,294	2,876	0.88	326,684	4,093	1.25	312,992	5,679	1.77
Federal Home Loan Bank advances	65,830	908	1.38	28,799	895	3.11	28,908	1,035	3.58
Total interest-bearing liabilities	393,124	3,784	0.96	355,483	4,988	1.40	341,900	6,714	1.92
Noninterest-bearing liabilities	16,088			23,654			13,289		
Total liabilities	409,212			379,137			355,189		

Equity	84,322			35,923			33,062		
Total liabilities and equity	$ 493,534			$ 415,058			$ 388,251		
Net interest income		$ 14,217			$ 11,953			$ 11,047	
Net interest rate spread (2)			2.89%			2.92%			2.92%
Net interest-earning assets (3)	$ 73,998			$ 36,529			$ 24,378		
Net interest margin (4)			3.04%			3.05%			3.01%
Average interest-earning assets to interest-bearing liabilities	119%			110%			105%		

(1) Includes home equity loans.

(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by average total interest-earning assets.

Table of Contents

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated to the changes due to rate and the changes due to volume in proportion to the relationship of the absolute dollar amounts of change in each.

	Fiscal Years Ended June 30, 2012 vs. 2011			Fiscal Years Ended June 30, 2011 vs. 2010		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
	(In thousands)					
Interest-earning assets:						
Loans	$ 551	$ (1,019)	$ (468)	$ 413	$ (668)	$ (255)
Securities	1,807	(301)	1,506	514	(1,081)	(567)
Other	2	20	22	2		2
Total interest-earning assets	$ 2,360	$ (1,300)	$ 1,060	$ 929	$ (1,749)	$ (820)
Interest-bearing liabilities:						
Interest-bearing checking or NOW	$ 8	$ (5)	$ 3	$ 8	$ (62)	$ (54)
Savings accounts	17	(40)	(23)	25	(87)	(62)
Certificates of deposit	(82)	(960)	(1,042)	139	(1,350)	(1,211)
Money market accounts	(12)	(143)	(155)	20	(279)	(259)
Total interest-bearing deposits	(69)	(1,148)	(1,217)	193	(1,779)	(1,586)
Federal Home Loan Bank advances	704	(691)	13	(4)	(136)	(140)
Total interest-bearing liabilities	$ 635	$ (1,839)	$ (1,204)	$ 189	$ (1,915)	$ (1,726)
Change in net interest income	$ 1,725	$ 539	$ 2,264	$ 740	$ 166	$ 906

Table of Contents

Management of Market Risk

General. Because the majority of our assets and liabilities are sensitive to changes in interest rates, our most significant form of market risk is interest rate risk. We are vulnerable to an increase in interest rates to the extent that our interest-bearing liabilities mature or reprice more quickly than our interest-earning assets. As a result, a principal part of our business strategy is to manage interest rate risk and limit the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has established an Asset/Liability Management Committee pursuant to our Interest Rate Risk Management Policy that is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors.

As part of our ongoing asset-liability management, we currently use the following strategies to manage our interest rate risk:

(i) sell the majority of our long-term, fixed-rate one- to four-family residential mortgage loans that we originate;

(ii) lengthen the weighted average maturity of our liabilities through retail deposit pricing strategies and through longer-term wholesale funding sources such as fixed-rate advances from the Federal Home Loan Bank of Chicago;

(iii) invest in shorter- to medium-term investment securities and interest-earning time deposits;

(iv) originate commercial mortgage loans, including multi-family loans and land loans, commercial loans and consumer loans, which tend to have shorter terms and higher interest rates than one- to four-family residential mortgage loans, and which generate customer relationships that can result in larger noninterest-bearing demand deposit accounts; and

(v) maintain adequate levels of capital.

We currently do not engage in hedging activities, such as futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligations, residual interests, real estate mortgage investment conduit residual interests or stripped mortgage backed securities.

In addition, changes in interest rates can affect the fair values of our financial instruments. For additional information regarding the fair values of our assets and liabilities, see Note 15 to the Notes to our Consolidated Financial Statements.

Interest Rate Risk Analysis

We also perform our own internal interest rate risk analysis that assesses risk to our Net Portfolio Value, Earnings and Capital. As a result of regulatory guidance issued in January 2010, we have updated and enhanced our internal interest rate risk model. Our analysis now involves increasing interest rates 400 basis points using a dynamic and realistic yield curve as well as real world simulation and timing. In addition to measuring Net Portfolio Value, our model also analyzes Earnings at Risk for both Net Interest Income and Net Income, and Capital at Risk for Tangible Equity Capital, Tier 1 Risk Based Capital, and Total Risk Based Capital in rate shock scenarios up to 400 basis points over a three-year period. Due to the current low interest rate environment, we do not analyze rate shock scenarios involving decreasing interest rates. When interest rates increase, we will also analyze scenarios involving decreasing rates. Details of our general ledger along with key data from each deposit, loan, investment, and borrowing are downloaded into our forecasting model, which takes into account both market and internal trends. Historical testing is done internally on a regular basis to confirm the validity of the model, while third-party testing is done periodically. Details of our interest rate risk analysis are reviewed by the Asset/Liability Management Committee and presented to the Board on a quarterly basis.

Table of Contents

The tables below illustrate the simulated impact of rate shock scenarios up to 400 basis points over a three-year period on our Earnings at Risk (for both net interest income and net income) and our Capital at Risk (for tangible equity capital, tier 1 risk-based capital, and total risk-based capital). The Earnings at Risk tables show Net Interest Income and Net Income decreasing in a rising rate environment. The Capital at Risk tables show tangible equity capital, tier 1 risk-based capital, and total risk-based capital all remain well capitalized when shocked 400 basis points over a three year period. The Net Portfolio Value at Risk table below sets forth our calculation of the estimated changes in our net portfolio value at June 30, 2012 resulting from immediate rate shocks up to 400 basis points.

Earnings at Risk

Change in Interest	% Change in Net Interest Income			% Change in Net Income		
Rates (basis points)	6/30/13	6/30/14	6/30/15	6/30/13	6/30/14	6/30/15
+400	(5.6%)	(17.9%)	(26.1%)	(31.1%)	(58.1%)	(84.7%)
+300	(5.6%)	(13.5%)	(18.2%)	(31.0%)	(47.3%)	(65.0%)
+200	(5.8%)	(11.6%)	(8.6%)	(31.6%)	(42.4%)	(40.9%)
+100	(2.9%)	(2.5%)	0.9%	(23.7%)	(19.6%)	(16.9%)
0	0.6%	3.7%	6.5%	(15.2%)	(4.0%)	(3.0%)

Capital at Risk

Change in Interest	Tangible Equity Capital			Tier 1 Risk-Based Capital			Total Risk-Based Capital		
Rates (basis points)	6/30/13	6/30/14	6/30/15	6/30/13	6/30/14	6/30/15	6/30/13	6/30/14	6/30/15
+400	11.8%	11.5%	11.3%	23.5%	23.2%	22.5%	24.7%	24.5%	23.8%
+300	11.8	11.6	11.5	23.5	23.3	22.8	24.7	24.6	24.1
+200	11.8	11.6	11.6	23.5	23.3	23.1	24.7	24.6	24.3
+100	11.8	11.8	12.0	23.5	23.7	23.7	24.8	25.0	25.0
0	11.9	12.0	12.3	23.6	24.0	24.2	24.9	25.2	25.5

Net Portfolio Value at Risk

Change in Interest	At June 30, 2012			Increase/
Rates (basis points)	Estimated NPV	% Change NPV	NPV Ratio	(Decrease) (in basis points)
+400	$ 49,335	(28.8)	9.7%	390
+300	$ 55,924	(19.1)	11.0	260
+200	$ 61,743	(10.9)	12.1	150
+100	$ 66,452	(4.1)	13.0	60
0	$ 69,309		13.6	

Liquidity and Capital Resources

Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, loan sales and repayments, advances from the Federal Home Loan Bank of Chicago, and maturities of securities. We also utilize brokered certificates of deposit, internet funding, borrowings from the Federal Reserve, and sales of securities, when appropriate. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. Our Asset/Liability Management Committee is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. For the years ended June 30, 2012 and 2011, our liquidity ratio averaged 42.6% and 35.3% of our total assets, respectively. We believe that we have enough sources of liquidity to satisfy our short- and long-term liquidity needs as of June 30, 2012.

We regularly monitor and adjust our investments in liquid assets based upon our assessment of: (i) expected loan demand; (ii) expected deposit flows; (iii) yields available on interest-earning deposits and securities; and (iv) the objectives of our asset/liability management program. Excess liquid assets are invested generally in interest-earning deposits and short- and medium-term securities.

Table of Contents

Our most liquid assets are cash and cash equivalents. The levels of these assets are affected by our operating, financing, lending and investing activities during any given period. At June 30, 2012, cash and cash equivalents totaled $8.2 million.

Our cash flows are derived from operating activities, investing activities and financing activities as reported in our Statements of Cash Flows included in our financial statements.

At June 30, 2012, we had $7.2 million in loan commitments outstanding, and $15.5 million in unused lines of credit to borrowers. Certificates of deposit due within one year of June 30, 2012 totaled $150.0 million, or 43.5% of total deposits. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before June 30, 2013. Additionally, we believe that the additional capital that we raised in the offering will provide additional liquidity. Moreover, it is our intention as we continue to grow our commercial real estate portfolio, to emphasize lower cost deposit relationships with these commercial loan customers and thereby replace the higher cost certificates with lower cost deposits. We have the ability to attract and retain deposits by adjusting the interest rates offered.

Our primary investing activity is originating loans. During the years ended June 30, 2012 and 2011, we originated $71.6 million and $86.7 million of loans, respectively.

Financing activities consist primarily of activity in deposit accounts and Federal Home Loan Bank advances. We had a net decrease in total deposits of $99.6 million for the year ended June 30, 2012, and a net increase in total deposits of $123.5 million for the year ended June 30, 2011. The increase of $123.5 million for the year ended June 30, 2011 included $105.8 million held in escrow accounts for the subscription offering that was closed on July 7, 2011. The oversubscribed amount of $68.9 million was returned to subscribers once the offering was closed. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors, and by other factors.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of Chicago, which provides an additional source of funds. Federal Home Loan Bank advances were $75 million at June 30, 2012. At June 30, 2012, we had the ability to borrow up to an additional $28.6 million from the Federal Home Loan Bank of Chicago based on our collateral and had the ability to borrow an additional $11.5 million from the Federal Reserve based upon current collateral pledged.

Iroquois Federal is subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At June 30, 2012, Iroquois Federal exceeded all regulatory capital requirements. Iroquois Federal is considered well capitalized under regulatory guidelines. See Supervision and Regulation Federal Banking Regulation Capital Requirements and Note 11 Regulatory Matters of the notes to the financial statements included in this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. For additional information, see Note 17 Commitments and Credit Risk of the notes to the financial statements included in this Annual Report on Form 10-K.

Table of Contents

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Recent Accounting Pronouncements

For a discussion of the impact of recent accounting pronouncements, see Note 1 of the notes to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Impact of Inflation and Changing Prices

Our financial statements and related notes have been prepared in accordance with U.S. GAAP, which generally requires the measurement of financial position and operating results in terms of historical dollars without consideration of changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on our performance than the effects of inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated herein by reference to Part II, Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operation*.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements, including supplemental data, of IF Bancorp, Inc. begin on page F-1 of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

The Company s President and Chief Executive Officer, its Chief Financial Officer, and other members of its senior management team have evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) or 15d-15(e)), as of June 30, 2012. Based on such evaluation, the President and Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures, as of the end of the period covered by this report, were adequate and effective to provide reasonable assurance that information required to be disclosed by the Company, including Iroquois Federal, in reports that are filed or submitted under the Exchange Act, is (1) recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms and (2) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate to allow timely discussions regarding required disclosures.

Changes in Internal Controls Over Financial Reporting.

There have been no changes in the Company s internal control over financial reporting during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Management s Report on Internal Control Over Financial Reporting.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control process has been designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Management conducted an assessment of the effectiveness of the Company s internal control over financial reporting as of June 30, 2012, utilizing the framework established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company s internal control over financial reporting as of June 30, 2012 is effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, transactions and dispositions of assets; and provide reasonable assurances that: (1) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America; (2) receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the Company s financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ITEM 9B. OTHER INFORMATION
Not applicable.

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information relating to the directors and officers of the Company, information regarding compliance with Section 16(a) of the Exchange Act and information regarding the audit committee and audit committee financial expert is incorporated herein by reference to the Company s Proxy Statement for the Registrant s Annual Meeting of Stockholders, to be held on November 19, 2012 (the Proxy Statement) under the captions Proposal 1 Election of Directors, Executive Officers, Section 16(a) Beneficial Ownership Reporting Compliance, Nominating Committee Procedures Procedures to be Followed by Stockholders, Corporate Governance Committees of the Board of Directors and Audit Committee is incorporated herein by reference.

The Company has adopted a code of ethics that applies to its principal executive officer, the principal financial officer and principal accounting officer. The Code of Ethics is posted on the Company s Internet Web site.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding executive compensation, compensation committee interlocks and insider participation is incorporated herein by reference to the Proxy Statement under the captions Executive Officers Executive Compensation and Director Compensation.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

(a) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the section captioned Stock Ownership in the Proxy Statement.

(b) Security Ownership of Management

Information required by this item is incorporated herein by reference to the section captioned Stock Ownership in the Proxy Statement.

(c) Changes in Control

Management of the Company knows of no arrangements, including any pledge by any person or securities of the Company, the operation of which may at a subsequent date result in a change in control of the registrant.

(d) Equity Compensation Plan Information

Not applicable.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information relating to certain relationships and related transactions and director independence is incorporated herein by reference to the Proxy Statement under the captions Transactions with Related Persons and Proposal 1 Election of Directors.

Table of Contents

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES
The information relating to the principal accounting fees and expenses is incorporated herein by reference to the Proxy Statement under the captions Proposal III Ratification of Independent Registered Public Accounting Firm Audit Fees and Pre-Approval of Services by the Independent Registered Public Accounting Firm.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The financial statements required in response to this item are incorporated by reference from Item 8 of this report.

(2) All financial statement schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

(3) Exhibits

3.1 Articles of Incorporation of IF Bancorp, Inc. (1)

3.2 Bylaws of IF Bancorp, Inc. (1)

4.1 Specimen Stock Certificate of IF Bancorp, Inc. (1)

10.1 Employment Agreement between Iroquois Federal Savings and Loan Association and Alan D. Martin (2)

10.2 Employment Agreement between IF Bancorp, Inc. and Alan D. Martin (2)

10.3 Change in Control Agreement of Pamela J. Verkler (2)

10.4 Change in Control Agreement of Walter H. Hasselbring, III (2)

10.5 Directors Non Qualified Retirement Plan (1)

21.0 List of Subsidiaries (1)

23.0 Consent of BKD, LLP

31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer [3]
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer [3]
32.0	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer [3]
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of June 30, 2012 and 2011, (ii) the Consolidated Statements of Income for the years ended June 30, 2012 and 2011, (iii) the Consolidated Statements of Comprehensive Income for the years ended June 30, 2012 and 2011, (iv) the Consolidated Statements of Stockholders Equity for the years ended June 30, 2012 and 2011, (v) the Consolidated Statements of Cash Flows for the years ended June 30, 2012 and 2011, and (vi) the notes to the Consolidated Financial Statements. (3)

(1) Incorporated by reference to the Company s Registration Statement on Form S-1 (333-172842), as amended, initially filed with the SEC on March 16, 2011.
(2) Incorporated by reference to the Company s Current Report on Form 8-K filed with the SEC on July 14, 2011.
(3) This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IF BANCORP, INC.

Date: September 19, 2012

By: /s/ Alan D. Martin
Alan D. Martin
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Alan D. Martin	President, Chief Executive Officer and Director (Principal Executive Officer)	
Alan D. Martin		September 19, 2012
/s/ Pamela J. Verkler	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	
Pamela J. Verkler		September 19, 2012
/s/ Gary Martin	Chairman of the Board	
Gary Martin		September 19, 2012
/s/ Joseph A. Cowan	Director	
Joseph A. Cowan		September 19, 2012
/s/ Ardith Heuton	Director	
Ardith Heuton		September 19, 2012
/s/ Wayne A. Lehmann	Director	
Wayne A. Lehmann		September 19, 2012
/s/ John D. Martin	Director	
John D. Martin		September 19, 2012
/s/ Frank J. Simutis	Director	
Frank J. Simutis		September 19, 2012
/s/ Dennis C. Wittenborn	Director	
Dennis C. Wittenborn		September 19, 2012
/s/ Rodney E. Yergler	Director	
Rodney E. Yergler		September 19, 2012

Table of Contents

IF Bancorp, Inc.

Consolidated Financial Statements

Years Ended June 30, 2012 and 2011

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Report of Independent Registered Public Accounting Firm

Audit Committee and Board of Directors

IF Bancorp, Inc.

Watseka, Illinois

We have audited the accompanying consolidated balance sheets of IF Bancorp, Inc. (Company) as of June 30, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows for the years then ended. The Company s management is responsible for these financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IF Bancorp, Inc. as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP

Decatur, Illinois

September 19, 2012

Table of Contents

IF Bancorp, Inc.

Consolidated Balance Sheets

June 30, 2012 and 2011

(in thousands)

Assets

	2012	2011
Cash and due from banks	$ 7,623	$ 53,811
Interest-bearing demand deposits	570	6,695
Cash and cash equivalents	8,193	60,506
Interest-bearing time deposits in banks	250	250
Available-for-sale securities	223,306	190,273
Loans, net of allowance for loan losses of $3,531 and $3,149 at June 30, 2012 and 2011	258,910	240,020
Premises and equipment, net of accumulated depreciation of $5,230 and $4,800 at June 30, 2012 and 2011	4,355	4,096
Federal Home Loan Bank stock, at cost	4,175	3,121
Foreclosed assets held for sale	1,268	710
Accrued interest receivable	1,861	1,684
Bank-owned life insurance	7,495	7,235
Mortgage servicing rights	329	408
Deferred income taxes		