

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2024

OR

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

For the transition period from _____ to _____

Commission File Number: 001-35226

IF BANCORP, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

201 East Cherry Street, Watseka, Illinois
(Address of principal executive offices)

45-1834449
(I.R.S. Employer
Identification No.)

60970
(Zip Code)

(815) 432-2476
(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	IROQ	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by nonaffiliates as of December 31, 2023 was \$38,977,000.

The number of shares outstanding of the registrant's common stock as of September 5, 2024 was 3,353,026.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the Registrant's Annual Meeting of Stockholders to be held on November 25, 2024 are incorporated by reference in Part III of this Form 10-K.

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Cautionary Note Regarding Forward-Looking Statements

This report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “assume,” “plan,” “seek,” “expect,” “will,” “may,” “should,” “indicate,” “would,” “contemplate,” “continue,” “target” and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this report. For a discussion of factors that may affect our results of operations and financial condition, and the accuracy of our forward-looking statements, see “Item 1A. Risk Factors” in this Annual Report on 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 formed in March 2011 to become the holding company for Iroquois Federal Savings and Loan Association (“Iroquois Federal” or the “Association”).

The Company is primarily engaged in the business of directing, planning, and coordinating the business activities of Iroquois Federal. The Company’s most significant asset is its investment in Iroquois Federal. At June 30, 2024 and 2023, we had consolidated assets of \$887.7 million and \$849.0 million, consolidated deposits of \$727.2 million and \$735.3 million and consolidated equity of \$73.9 million and \$71.8 million, respectively.

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

We offer a variety of deposit accounts, including savings accounts, certificates of deposit, money market accounts, commercial and personal checking accounts, individual retirement accounts and health savings accounts. We also offer alternative delivery channels, including ATMs, online banking and bill pay, mobile banking with mobile deposit and bill pay, ACH origination, remote deposit capture and telephone banking.

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

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Available Information

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.

IF Bancorp, Inc. is a public company, and files interim, quarterly and annual reports with the Securities and Exchange Commission ("SEC"). The SEC 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>).

We make available free of charge through the investor relations section of our website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Market Area

We conduct our operations from our seven full-service banking offices located in the municipalities of Watseka, Danville, Clifton, Hoopeston, Savoy, Bourbonnais and Champaign, Illinois and our loan production office in Osage Beach, Missouri. Our primary lending market includes the Illinois counties of Vermilion, Iroquois, Champaign and Kankakee, as well as the adjacent counties in Illinois and Indiana within 30 miles of a branch or loan production office. Our loan production office in Osage Beach, Missouri, serves the Missouri counties of Camden, Miller and Morgan.

In recent years, Iroquois, Vermilion and Kankakee Counties have experienced negative growth, reflecting in part, the economic downturn. However, Champaign County, where our Savoy and Champaign branches are located, has experienced population growth. Future business and growth opportunities will be influenced by economic and demographic characteristics of our primary market area and of east central Illinois. According to data from the U.S. Census Bureau, Iroquois County had an estimated population of 26,000 in July 2023, a decrease of 12.1% since April 2010, Vermilion County had an estimated population of 72,000 in July 2023, a decrease of 12.2% since April 2010, and Kankakee County had an estimated population of 106,000 in July 2023, a decrease of 6.6% since April 2010, while Champaign County had an estimated population of 206,000 in July 2023, an increase of 2.3% since April 2010. Unemployment rates in our primary market have increased slightly over the last year. According to the Illinois Department of Employment Security, unemployment, on a non-seasonally adjusted basis, increased from 4.5% to 5.2% in Iroquois County, from 5.9% to 7.5% in Vermilion County, from 4.7% to 5.4% in Champaign County, and from 5.7% to 6.5% in Kankakee County.

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

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

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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 competitors in our newer markets have the natural advantage of greater name recognition and market presence, while we work to increase our market share in those markets.

Our deposit sources are primarily concentrated in the communities surrounding our banking offices located in Iroquois and Vermilion Counties, Illinois. As of June 30, 2023, the latest date for which FDIC data is available, we ranked second of 12 bank and thrift institutions with offices in Iroquois County with a 20.55% deposit market share. As of the same date, we ranked first of 15 bank and thrift institutions with offices in Vermilion County with a 26.96% deposit market share, we ranked 17th of 29 bank and thrift institutions with offices in Champaign County, with a 0.83% deposit market share and we ranked 11th of 13 bank and thrift institutions with offices in Kankakee County, with a 2.27% deposit market share.

Lending Activities

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

In addition to loans originated by Iroquois Federal, our loan portfolio includes loan purchases which are secured by single family homes located primarily in the Midwest. As of June 30, 2024 and 2023, the amount of such loans equaled \$253,000 and \$652,000, 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, 2024 and 2023, the amount of such loans equaled \$51.8 million and \$46.1 million, respectively. See “—Loan Originations, Purchases, Sales, Participations and Servicing.”

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

We originate a substantial portion of our fixed-rate one- to four-family residential mortgage loans for sale to the Federal Home Loan Bank of Chicago with servicing retained. The balance of loans sold under this program equaled approximately \$133.8 million and \$133.2 million as of June 30, 2024 and 2023, respectively. See “—One- to Four-Family Residential Real Estate Lending” below for more information regarding the origination of loans for sale to the Federal Home Loan Bank of Chicago.

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Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio, including loans held for sale, by type of loan at the dates indicated. Amounts shown for one- to four-family loans include no loans held for sale at June 30, 2024 and 2023, respectively.

	At June 30,			
	2024		2023	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Real estate loans:				
One- to four-family (1)	\$177,263	27.42%	\$163,854	27.57%
Multi-family	126,031	19.50	89,649	15.08
Commercial	200,017	30.94	193,707	32.59
Home equity lines of credit	9,859	1.53	8,066	1.36
Construction	33,708	5.21	50,973	8.58
Commercial	91,784	14.20	79,693	13.41
Consumer	7,727	1.20	8,382	1.41
Total loans	<u>\$646,389</u>	<u>100.00%</u>	<u>\$594,324</u>	<u>100.00%</u>
Less:				
Unearned fees and discounts, net	(407)		(272)	
Allowance for loan losses	7,499		7,139	
Total loans, net	<u>\$639,297</u>		<u>\$587,457</u>	

(1) Includes home equity loans.

Loan Portfolio Maturities and Yields. The following table summarizes the scheduled repayments of our loan portfolio at June 30, 2024. We had no demand loans or loans having no stated repayment schedule or maturity at June 30, 2024.

	One- to four- family residential real estate (1)	Multi- family real estate	Commercial real estate	Home equity lines of credit (In thousands)	Construction	Commercial	Consumer	Total
Due During the Years Ending June 30,								
2025	\$ 11,079	\$ 8,302	\$ 43,333	\$ 910	\$ 10,980	\$ 69,090	\$ 1,413	\$145,107
2026	13,770	41,152	69,765	836	292	5,007	884	131,706
2027 to 2028	57,856	63,448	62,519	2,045	5,849	8,567	3,533	203,817
2029 to 2033	28,922	13,077	13,282	1,118	16,032	8,188	1,897	82,516
2034 to 2038	6,511	52	4,286	3,448	—	182	—	14,479
2039 and beyond	59,125	—	6,832	1,502	555	750	—	68,764
Total	<u>\$ 177,263</u>	<u>\$126,031</u>	<u>\$ 200,017</u>	<u>\$ 9,859</u>	<u>\$ 33,708</u>	<u>\$ 91,784</u>	<u>\$ 7,727</u>	<u>\$646,389</u>

(1) Includes home equity loans.

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The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at June 30, 2024 that are contractually due after June 30, 2025.

	Due After June 30, 2025		
	Fixed	Adjustable (In thousands)	Total
Real estate loans:			
One- to four-family (1)	\$ 92,032	\$ 74,152	\$166,184
Multi-family	91,348	26,381	117,729
Commercial	128,138	28,546	156,684
Home equity lines of credit	3,869	5,080	8,949
Construction	18,125	4,603	22,728
Commercial	18,775	3,919	22,694
Consumer	6,265	49	6,314
Total loans	<u>\$358,552</u>	<u>\$142,730</u>	<u>\$501,282</u>

(1) Includes home equity loans.

One- to Four-Family Residential Mortgage Loans. At June 30, 2024, \$177.3 million, or 27.4% 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 five to seven years and annual interest rate adjustments thereafter. Our adjustable rate mortgage loans amortize over a period of up to 30 years. We offer one- to four-family residential mortgage loans with loan-to-value ratios up to 102%. Private mortgage insurance or participation in a government sponsored program 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, 2024, fixed-rate one- to four-family residential mortgage loans totaled \$99.4 million, or 56.1% of our one- to four-family residential mortgage loans, and adjustable-rate one- to four-family residential mortgage loans totaled \$77.9 million, or 43.9% 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 \$766,550 for single-family homes. At June 30, 2024, our average one- to four-family residential mortgage loan had a principal balance of \$66,000. We also originate loans above the lending limit for conforming loans, which we refer to as "jumbo loans." At June 30, 2024, \$27.8 million, or 15.7%, of our total one- to four-family residential loans had principal balances in excess of \$766,550. Most of our jumbo loans are originated with a seven-year fixed-rate term and an annual adjustable rate thereafter, 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. 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 \$782,000 and \$542,000 for the years ended June 30, 2024 and 2023, respectively. In October 2015, we began to also sell loans to FHLBC under its Mortgage Partnership

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Finance Original Program. Total loans sold under this program were approximately \$12.7 million and \$7.4 million for the years ended June 30, 2024 and 2023, 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 five 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. The adjustable rate mortgage loans we are currently offering have a 2% maximum annual rate change up or down, and a 6% lifetime cap. Our portfolio also has adjustable rate mortgage loans with a 1% maximum annual rate change up or down, and a 5% lifetime cap up from the initial rate. Interest rate changes are further limited by floors. After the initial fixed period, the interest rate will generally have a floor that is equal to the initial rate, but no less than 4.0% on our five and seven year adjustable-rate mortgage loans.

Adjustable-rate mortgage loans generally present different credit risks than fixed-rate mortgage loans. This is 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 in a rising interest rate environment. 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.

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, 2024, approximately \$3.4 million, or 1.9% 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, 2024, \$200.0 million, or 30.9% of our loan portfolio consisted of commercial real estate loans, and \$126.0 million, or 19.5% of our loan portfolio consisted of multi-family (which we consider to be five or more units) residential real estate loans. At June 30, 2024, substantially all of our commercial real estate and multi-family real estate loans were secured by properties located in Illinois, Indiana and Missouri.

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Our commercial real estate mortgage loans are primarily secured by owner-occupied businesses, student housing, retail rentals, churches, office buildings, and farm loans secured by real estate. At June 30, 2024, loans secured by commercial real estate had an average loan balance of \$633,000. We originate commercial real estate loans with balloon and adjustable rates of up to seven years with amortization up to 25 years. At June 30, 2024, \$29.9 million or 14.9% 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 25 years. At June 30, 2024, \$26.9 million or 21.4% 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, 2024, our largest commercial real estate loan had an outstanding balance of \$9.5 million, was secured by an industrial warehouse, and was performing in accordance with its terms. At that date, our largest multi-family real estate loan had a balance of \$11.9 million, was secured by an apartment building with a first floor retail space, 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, 2024, we had \$9.9 million, or 1.5% of our total loan portfolio in home equity lines of credit. At that date we had \$11.0 million of undisbursed funds related to home equity lines of credit.

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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, 2024, we had \$91.8 million of commercial business loans outstanding, representing 14.2% of our total loan portfolio. At that date, we also had \$40.1 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 rates 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.

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, 2024, our largest commercial business loan outstanding was for \$4.5 million and was a commercial line of credit secured by business assets. At June 30, 2024, 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, 2024, \$33.7 million, or 5.2%, 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.

Construction loans for one- to four-family residential properties are originated with a maximum loan to value ratio of the lesser of 85% of cost or 80% of appraised value, 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.

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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, 2024, 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, 2024 was for multi-family apartment buildings and had a principal balance of \$12.2 million. This loan was performing in accordance with its terms at June 30, 2024.

Consumer Loans. We also originate consumer loans consisting of loans to individuals. These loans are underwritten utilizing the borrower's financial history, including the Fair Isaac Corporation ("FICO") credit scoring and information as to the underlying collateral. Repayment is expected from the cash flow of the borrower. These loans are generally secured by vehicles, deposit accounts, and other consumer assets. Consumer loans may be underwritten with terms up to seven years, fully amortized. Unsecured loans are limited to twelve months. Loan-to-value ratios vary based on the type of collateral. The Company has established minimum standards and underwriting guidelines for all consumer loan collateral types. These also include consumer overdraft protection loans. At June 30, 2024, \$7.7 million, or 1.2%, of our total loan portfolio, consisted of consumer loans.

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, 2024 and 2023, the amount of commercial loan participations totaled \$51.8 million and \$46.1 million, respectively, of which \$34.9 million and \$29.0 million, at June 30, 2024 and 2023 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 and its Mortgage Partnership Finance Original Program. We retain servicing on all loans sold under these programs. During the years ended June 30, 2024 and 2023, we sold \$13.5 million and \$7.9 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 Credit Losses—Other Credit Risk."

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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 \$375,000, and unsecured loans up to \$100,000. In addition, any two individual officers may combine their loan authority limits to approve a loan. Our Loan Committee may approve one- to four-family residential mortgage loans, commercial real estate loans, multi-family real estate loans and land loans up to \$2,000,000 and unsecured loans up to \$500,000. All loans above these limits must be approved by the Operating Committee, consisting of the Chairman, and at least 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 90-120 days delinquent, if no work-out efforts have been pursued, we commence the foreclosure or repossession process. A summary report of all loans 90 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.

Non-Performing Assets. The table below sets forth the amounts and categories of our non-performing assets at the dates indicated. At June 30, 2024, after adopting ASU 2022-02 effective July 1, 2023, the Company had two loan modifications for borrowers with financial difficulties totaling \$385,000. At June 30, 2023, prior to the adoption of ASU 2022-02, the Company had troubled debt restructurings of approximately \$215,000. We had one loan that was delinquent 90 days or greater and still accruing interest at June 30, 2024, and we had no loans that were delinquent 90 days or greater and still accruing interest at June 30, 2023.

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	At June 30,	
	2024	2023
	(Dollars in thousands)	
Non-accrual loans:		
Real estate loans:		
One- to four-family (1)	\$ —	\$ —
Multi-family	—	—
Commercial	150	—
Home equity lines of credit	—	—
Construction	—	—
Commercial	—	115
Consumer	—	2
Total non-accrual loans	<u>150</u>	<u>117</u>
Loans delinquent 90 days or greater and still accruing:		
Real estate loans:		
One- to four-family (1)	—	—
Multi-family	—	—
Commercial	—	—
Home equity line of credit	—	—
Construction	—	—
Commercial	—	—
Consumer	23	—
Total loans delinquent 90 days or greater and still accruing	<u>23</u>	<u>—</u>
Total non-performing loans	<u>173</u>	<u>117</u>
Performing troubled debt restructurings	n/a	215
Performing loan modifications for borrowers with financial difficulties	<u>385</u>	<u>n/a</u>
Total non-performing loans and performing troubled debt restructurings or loan modifications for borrowers with financial difficulties	<u>\$ 558</u>	<u>\$ 332</u>
Other real estate owned and foreclosed assets:		
Real estate loans:		
One- to four-family (1)	—	25
Multi-family	—	—
Commercial	—	—
Home equity lines of credit	—	—
Construction	—	—
Commercial	—	—
Consumer	—	6
Total other real estate owned and foreclosed assets	<u>—</u>	<u>31</u>
Total non-performing assets	<u>\$ 173</u>	<u>\$ 148</u>
Ratios:		
Non-performing loans to total loans	0.03%	0.02%
Non-performing assets to total assets	0.02%	0.02%

(1) Includes home equity loans.

At June 30, 2024, our non-accrual loans totaled \$150,000. These non-accrual loan balance consisted of one commercial real estate loan for \$150,000 with no specific allowance.

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Loan Modifications and Troubled Debt Restructurings. As per ASU 2022-02, which the Company adopted effective July 1, 2023, loan modifications for borrowers experiencing financial difficulties can include one or a combination of the following: principal forgiveness, payment delay, term extension or interest rate reduction. Two such modifications utilizing a payment delay were made in the year ended June 30, 2024. At June 30, 2024, the Company had two loan modifications for borrowers experiencing financial difficulties totaling \$385,000, which consisted of \$252,000 in commercial real estate loans and \$133,000 in commercial business loans.

Prior to the adoption of ASU 2022-02, the Company had a number of loans that were modified in troubled debt restructurings, with the modification of such loans including one or a combination of the following: an extension of maturity, a reduction of the stated interest rate or a permanent reduction of the recorded investment in the loan. At June 30, 2023, we had troubled debt restructurings of approximately \$215,000.

For the year ended June 30, 2024, gross interest income that would have been recorded had our loan modifications for borrowers experiencing financial difficulties been performing in accordance with their original terms was \$29,000, while for the year ended June 30, 2023, gross interest income that would have been recorded had our troubled debt restructurings been performing in accordance with their original terms was \$19,000. We recognized interest income of \$29,000 and \$19,000 on such modified loans for the years ended June 30, 2024 and 2023, respectively.

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

	Loans Delinquent For				Total	
	60 to 89 Days		90 Days or Greater			
	Number	Amount	Number	Amount	Number	Amount
(Dollars in thousands)						
<u>At June 30, 2024</u>						
Real estate loans:						
One- to four-family (1)	4	\$ 192	—	—	4	192
Multi-family	—	—	—	—	—	—
Commercial	—	—	1	150	1	150
Home equity lines of credit	1	25	—	—	1	25
Construction	—	—	—	—	—	—
Commercial	1	20	—	—	1	20
Consumer	1	1	1	23	2	24
Total loans	7	\$ 238	2	\$ 173	9	\$ 411
<u>At June 30, 2023</u>						
Real estate loans:						
One- to four-family (1)	5	116	—	—	5	116
Multi-family	—	—	—	—	—	—
Commercial	—	—	—	—	—	—
Home equity lines of credit	1	20	—	—	1	20
Construction	—	—	—	—	—	—
Commercial	—	—	2	58	2	58
Consumer	2	6	1	2	3	8
Total loans	8	\$ 142	3	\$ 60	11	\$ 202

(1) Includes home equity loans.

Total delinquent loans increased by \$209,000 to \$411,000 at June 30, 2024 from \$202,000 million at June 30, 2023. The increase in delinquent loans was due primarily to a \$76,000 increase in one- to four-family loans, a \$150,000 increase in commercial real estate loans, a \$5,000 increase in home equity lines of credit, and a \$16,000 increase in consumer loans, partially offset by a \$38,000 decrease in commercial business loans.

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 fair value less cost to sell 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 fair 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, 2024, we had no foreclosed assets compared to \$31,000 as of June 30, 2023. Foreclosed assets at June 30, 2023, consisted of of \$25,000 in residential real estate and \$6,000 in other repossessed assets.

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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 aforementioned 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 credit 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 off the asset. 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, 2024 and 2023, include approximately \$173,000 and \$117,000 of nonperforming loans, respectfully. The related specific valuation allowance in the allowance for credit losses for such nonperforming loans was \$0 at both June 30, 2024 and 2023. Substandard assets shown include foreclosed assets.

	At June 30,	
	2024	2023
	(In thousands)	
Classified assets:		
Substandard	\$3,165	\$5,880
Doubtful	—	—
Loss	—	—
Total classified assets	3,165	5,880
Watch	72	335
Total criticized assets	<u>\$3,237</u>	<u>\$6,215</u>

At June 30, 2024, substandard assets consisted of \$194,000 of one- to four-family residential mortgage loans, \$234,000 in multi-family loans, \$1.2 million of commercial real estate loans, and \$1.5 million of commercial business loans. At June 30, 2024, watch assets consisted of \$72,000 of one- to four-family loans. At June 30, 2024, no assets were classified as doubtful or loss.

Other Loans of Concern. At June 30, 2024, there were no other loans or other assets that are not disclosed in the text or tables above where known information about the possible credit problems of borrowers caused us to have serious doubts as to the ability of the borrowers to comply with present loan repayment terms and which may result in disclosure of such loans in the future.

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 between 2000 and December 2008, and again starting in October 2015, under its Mortgage Partnership Finance (MPF) Original Program. However, while we retain the servicing of these loans and receive both service fees and credit enhancement fees, they are not our assets. We sold \$12.7 million in

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loans under this program in the year ended June 30, 2024, and we continue to service approximately \$93.6 million of these loans, for which our maximum potential credit risk is approximately \$2.0 million. From June 2000 to June 30, 2024, we experienced only \$176,000 in actual losses under the MPF Original Program. We have also sold loans to the Federal Home Loan Bank of Chicago since December 2008 under its Mortgage Partnership Finance Xtra Program. Unlike loans sold under the MPF Original Program, we do not retain any credit risk with respect to loans sold under the MPF Xtra Program.

Allowance for Credit Losses

Management's opinion as to the ultimate collectability of loans is subject to estimates regarding future cash flows from operations and the value of property, real and personal, pledged as collateral. These estimates are affected by changing economic conditions and the economic prospects of borrowers.

The allowance for credit losses ("ACL") represents the Company's best estimate of the reserve necessary to adequately account for probable losses expected over the remaining contractual life of the assets. The provision for credit losses is the charge against current earnings that is determined by the Company as the amount needed to maintain an adequate allowance for credit losses. In determining the adequacy of the allowance for credit losses, and therefore the provision to be charged to current earnings, the Company relies on a sound credit review and approval process. The review process is directed by the overall lending policy and is intended to identify, at the earliest possible stage, borrowers who might be facing financial difficulty.

The Company utilizes the CECL cohort methodology analysis which relies on segmenting the loan portfolio into pools with similar risks, tracking the performance of the pools over time, and using the data to determine pool loss experience.

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans and is established through provision for credit losses charged to current earnings. The ACL is increased by the provision for losses on loans charged to expense and reduced by loans charged off, net of recoveries. Loans are charged off in the period deemed uncollectible, based on management's analysis of expected cash flows (for non-collateral dependent loans) or collateral value (for collateral-dependent loans). Subsequent recoveries of loans previously charged off, if any, are credited to the allowance when received.

Management estimates the ACL balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Adjustments may be made to historical loss information for differences identified in current loan-specific risk characteristics, such as differences in underwriting standards or terms; lending review systems; experience, ability, or depth of lending management and staff; portfolio growth and mix; delinquency levels and trends; as well as for changes in environmental conditions, such as changes in economic activity or employment, industry economic conditions, property values, or other relevant factors.

The allowance for credit losses on most loans is measured on a collective (pool) basis for loans with similar risk characteristics. The Company estimates the appropriate level of allowance for credit losses for collateral-dependent loans by evaluating them individually.

The specific allowance for collateral-dependent loans that are evaluated separately is measured by determining the fair value of the collateral adjusted for market conditions and selling expense. 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 the 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, the Company also considers the extent of any past due and unpaid property taxes applicable to the property serving as collateral on the mortgage.

The Company establishes a general allowance for loans that are not deemed collateral-dependent to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, has not been allocated to particular problem assets. The general valuation allowance is determined by segmenting the loan portfolio into pools with similar risks and collecting data to determine pool loss experience. Factors considered by the Company in evaluating the overall adequacy of the allowance include historical net loan losses, the level and

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composition of nonaccrual, past due and loan modifications to borrowers experiencing financial difficulties, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates. In addition, a forecast, using reasonable and supportable future conditions, is prepared that is used to estimate expected changes to existing and historical conditions in the current period.

In addition, as an integral part of their examination process, the Office of the Comptroller of the Currency will periodically review our allowance for credit 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 past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all instances, loans are placed on non-accrual or are charged-off at an earlier date if collection of principal and interest is considered doubtful.

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

While management believes that our asset quality remains strong, it recognizes that, due to the continued growth in the loan portfolio 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 credit losses could result. Although management uses the best information available, the level of the allowance for credit losses remains an estimate that is subject to significant judgment and short-term change.

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

	At or For the Fiscal Years Ended June 30,	
	2024	2023
	(Dollars in thousands)	
Balance at beginning of period	\$ 7,139	\$ 7,052
Impact of adopting ASU 2016-13	—	47
Charge-offs:		
Real estate loans:		
One- to four-family (1)	—	—
Multi-family	—	—
Commercial	—	—
Home equity lines of credit	—	—
Construction	—	—
Commercial	—	(14)
Consumer	(49)	(37)
Total charge-offs	(49)	(51)
Recoveries:		
Real estate loans:		
One- to four-family (1)	3	1
Multi-family	—	—
Commercial	—	—
Home equity lines of credit	—	—
Construction	—	—
Commercial	242	23
Consumer	14	15
Total recoveries	259	39
Net recoveries (charge-offs)	210	(12)
Provision for credit losses	150	52
Balance at end of period	<u>\$ 7,499</u>	<u>\$ 7,139</u>
Ratios:		
Net charge-offs (recoveries)to average loans outstanding	(0.03)%	0.01%
Allowance for credit losses to non-performing loans at end of period	4329.57%	6101.71%
Allowance for credit losses to total loans at end of period	1.16%	1.20%

(1) Includes home equity loans.

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Allocation of Allowance for Credit Losses. The following table sets forth the allowance for credit losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for credit 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,			
	2024		2023	
	Allowance for Credit 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)	\$ 1,774	27.4%	\$ 1,898	27.5%
Multi-family	1,764	19.5	1,121	15.1
Commercial	2,358	31.0	2,369	32.6
Home equity lines of credit	148	1.5	121	1.4
Construction	337	5.2	765	8.6
Commercial	1,053	14.2	794	13.4
Consumer	65	1.2	71	1.4
Total	<u>\$ 7,499</u>	<u>100.0%</u>	<u>\$ 7,139</u>	<u>100.0%</u>

(1) Includes home equity loans.

The Company had a net recovery of \$210,000 for the year ended June 30, 2024, compared to a net charge-off of \$12,000 for the year ended June 30, 2023. Net recoveries for the year ended June 30, 2024 involved recoveries for commercial business loans and consumers loans, partially offset by a charge-off for consumer loans, while charge-offs during the year ended June 30, 2023, involved commercial business loans and consumer loans. In addition, non-performing loans increased to \$173,000 at June 30, 2024 from \$117,000 at June 30, 2023.

The allowance for credit losses increased \$360,000, or 5.0%, to \$7.5 million at June 30, 2024 from \$7.1 million at June 30, 2023. At June 30, 2024, the allowance for credit losses represented 1.16% of total loans, compared to 1.20% of total loans, at June 30, 2023. The increase in the allowance for credit losses on loans to total loans was a result of loan growth and loan portfolio mix changes.

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 Senior Executive Vice President and Chief Financial Officer, our Senior Executive Vice President and Chief Lending Officer, and our Senior Vice President and Controller. All investments are reported to the Board of Directors 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, 2024, 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, 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.

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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. Also classified as agency mortgage-backed securities, are securities backed by debentures/loans for working capital to small businesses with limited or no access to private venture capital, and regulated by the Small Business Administration (SBA). Like other agency mortgage-backed securities, they are backed by the full faith and credit of the United States Government. They have zero risk weighting for purposes of calculating our risk-based capital level. With ten year maturities, these fixed rate bullet debentures pay interest semi-annually and principal at maturity. Prepayments are required to be in whole on any semi-annual payment date, and there are no prepayments penalties for deals issued since 2007. Therefore, the two sources of prepayment risk are voluntary prepays and defaults. In the event of default, the SBA may accelerate the payment equal to 100% of the outstanding principal balance, or the SBA will make the principal and interest payments.

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, 2024, we held \$3.1 million of municipal securities, all of which were issued by local governments and school districts within our market area.

Federal Home Loan Bank Stock. At June 30, 2024, we held \$4.5 million of Federal Home Loan Bank of Chicago common stock in connection with our borrowing activities totaling \$33.0 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 credit losses. At June 30, 2024, we had \$14.9 million invested in bank-owned life insurance, which was 15.8% of our Tier 1 capital plus our allowance for credit losses.

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Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio at June 30, 2024 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. Treasury	\$ —	— %	\$ 497	1.28%	\$ —	— %	\$ —	— %	\$ 497	\$ 444	1.28%
U.S. government, federal agency and government-sponsored enterprises	4,000	2.63	2,979	1.81	—	—	—	—	6,979	6,609	2.28
U.S. government sponsored mortgage-backed securities	2,404	3.71	31,309	2.95	77,255	2.00	81,588	2.39	192,556	166,236	2.34
Small Business Administration	—	—	327	2.56	6,419	2.49	9,641	1.88	16,387	14,086	2.13
State and political subdivisions	—	—	816	2.97	1,241	3.08	1,047	2.90	3,104	3,100	2.99
Total	<u>\$ 6,404</u>	<u>3.04%</u>	<u>\$ 35,928</u>	<u>2.83%</u>	<u>\$ 84,915</u>	<u>2.05%</u>	<u>\$ 92,276</u>	<u>2.34%</u>	<u>\$219,523</u>	<u>\$190,475</u>	<u>2.33%</u>

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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, the Federal Reserve Discount Window, and the Federal Reserve Bank Term Funding Program (“BTFP”), 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 non-brokered certificates of deposit obtained through an internet listing service. At June 30, 2024, we had \$29.0 million in brokered certificates of deposit and no non-brokered certificates of deposit obtained through an internet listing service.

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, 2024			For the Fiscal Year Ended June 30, 2023		
	Average Balance	Percent	Weighted Average Rate (Dollars in thousands)	Average Balance	Percent	Weighted Average Rate
Deposit type:						
Noninterest bearing demand	\$ 51,894	7.55%	— %	\$ 57,445	8.40%	— %
Interest-bearing checking or NOW	102,926	14.96	0.15	117,672	17.21	0.16
Savings accounts	60,550	8.80	0.61	70,129	10.26	0.39
Money market accounts	161,591	23.49	2.99	171,990	25.16	1.44
Certificates of deposit	310,866	45.20	3.96	266,418	38.97	1.90
Total deposits	<u>\$687,827</u>	<u>100.00%</u>	<u>2.57%</u>	<u>\$683,654</u>	<u>100.00%</u>	<u>1.17%</u>

At June 30, 2024 and June 30, 2023, the aggregate amount of all uninsured deposits (deposits in excess of the Federal Deposit Insurance limit of \$250,000 per account) was \$303.6 million and \$312.3 million, respectively. At June 30, 2024 and June 30, 2023, the aggregate amount of all uninsured certificates of deposit was \$49.9 million and \$46.7 million, respectively. At June 30, 2024 and June 30, 2023, we had no deposits that were uninsured for any reason other than being in excess of the Federal Deposit Insurance Corporation limit.

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The following table sets forth the maturity of our uninsured certificates of deposit at June 30, 2024.

	At June 30, 2024 (In thousands)
Three months or less	\$ 18,446
Over three months through six months	8,989
Over six months through 12 months	22,162
Over 12 months	298
Total	<u>\$ 49,895</u>

Borrowings. Our borrowings at June 30, 2024, consisted of advances from the Federal Home Loan Bank of Chicago, borrowings from the Federal Reserve Bank Term Funding Program, and repurchase agreements. At June 30, 2024, we had the ability to borrow up to an additional \$73.2 million from the Federal Home Loan Bank of Chicago, we had \$14.0 million available from CIBC BANK USA, and we also had the ability to borrow up to \$35.1 million from the Federal Reserve Discount Window based on our current collateral pledged.

Personnel

At June 30, 2024, the Association had 109 full-time employees and 7 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. 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

Iroquois Federal is subject to regulation, examination and supervision by the Office of the Comptroller of the Currency (“OCC”). Iroquois Federal is also regulated, to a lesser extent, by the FDIC with respect to insurance of deposit accounts and the Federal Reserve Board, with respect to reserves to be maintained against deposits, the payment of dividends and other matters. This regulation and supervision establish a comprehensive framework of activities in which an institution may engage and is intended primarily for the protection of the FDIC’s deposit insurance fund and depositors, and not for the protection of stockholders. Iroquois Federal also is a member of and owns stock in the FHLB-Chicago, which is one of the 11 regional banks in the Federal Home Loan Bank System.

Under this system of regulation, the regulatory authorities have extensive discretion in connection with their supervisory, enforcement, rulemaking and examination activities and policies, including rules or policies that: establish minimum capital levels; restrict the timing and amount of dividend payments; govern the classification of assets; determine the adequacy of loan loss reserves for regulatory purposes; and establish the timing and amounts of assessments and fees. Moreover, as part of their examination authority, the banking regulators assign numerical ratings to banks and savings institutions relating to capital, asset quality, management, liquidity, earnings and other factors. The receipt of a less than satisfactory rating in one or more categories may result in enforcement action by the banking regulators against a financial institution. A less than satisfactory rating may also prevent a financial institution, such as Iroquois Federal or its holding company, from obtaining necessary regulatory approvals to access the capital markets, pay dividends, acquire other financial institutions or establish new branches.

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In addition, we must comply with significant anti-money laundering and anti-terrorism laws and regulations, Community Reinvestment Act laws and regulations, and fair lending laws and regulations. Government agencies have the authority to impose monetary penalties and other sanctions on institutions that fail to comply with these laws and regulations, which could significantly affect our business activities, including our ability to acquire other financial institutions or expand our branch network.

As a savings and loan holding company, IF Bancorp is required to comply with the rules and regulations of, must file certain reports with, and is subject to examination by the Federal Reserve Board. IF Bancorp is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Any change in applicable laws or regulations, whether by the OCC, the FDIC, the Federal Reserve Board or Congress, could have a material adverse impact on the operations and financial performance of IF Bancorp and Iroquois Federal.

Set forth below is a brief description of material regulatory requirements that are applicable to Iroquois Federal and IF Bancorp. The description is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on Iroquois Federal and IF Bancorp.

Federal Banking Regulation

Business Activities. A federal savings bank 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. 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.

The OCC permits federal savings associations to elect to exercise national bank powers without converting to a national bank charter. The election is available to any federal savings association that had total consolidated assets of \$20 billion or less as of December 31, 2017. The effect of the so-called "covered savings association" election is that a federal savings association generally has the same rights and privileges, including broad commercial lending authority as a national bank, that has its main office in the same location as the home office of the covered savings association. The covered savings association is also subject to the same duties, restrictions, liabilities and limitations applicable to a national bank. A covered savings association retains its federal savings association charter and continues to be subject to the corporate governance laws and regulations applicable to such associations, including as to its bylaws, board of directors and shareholders, capital distributions and mergers. Iroquois Federal has not made such an election.

Capital Requirements. Federal regulations require federally insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio, a Tier 1 capital to risk-based assets ratio, a total capital to risk-based assets, and a Tier 1 capital to total assets leverage ratio.

The risk-based capital standards for savings associations require the maintenance of common equity Tier 1 capital, Tier 1 capital and total capital to risk-weighted assets of at least 4.5%, 6% 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 assigned by the regulations based on the risks believed inherent in the type of asset. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated other comprehensive income, up to 45% of net unrealized gains

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on available-for-sale equity securities with readily determinable fair market values. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations. In assessing an institution's capital adequacy, the OCC 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.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions, including dividend payments and stock repurchases, and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted asset above the amount necessary to meet all three of its minimum risk-based capital requirements: Common Equity Tier 1, Tier 1 capital and total capital.

Institutions that have less than \$10 billion in total consolidated assets and meet other qualifying criteria may elect to use the optional community bank leverage ratio framework, which requires maintaining a leverage ratio of greater than 9.0%, to satisfy the regulatory capital requirements, including the risk-based requirements. A qualifying institution may opt in and out of the community bank leverage ratio framework on its quarterly call report. Iroquois Federal opted into the community bank leverage ratio framework effective with the quarter ended March 31, 2020.

At June 30, 2024, Iroquois Federal's capital exceeded all applicable requirements.

Loans to One Borrower. Generally, a federal savings bank 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 OCC to participate in the Supplemental Lending Limits Program (SLLP). This program allows an eligible savings association 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 its capital and surplus. In addition, the total outstanding amount of Iroquois Federal's loans or extensions of credit or parts of loans and extensions of credit made to all of Iroquois Federal's borrowers under the SLLP may not exceed 100% of Iroquois Federal's capital and surplus. Iroquois Federal uses 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, 2024, Iroquois Federal was in compliance with its loans-to-one borrower limitations.

Qualified Thrift Lender Test. As a federal savings bank that has not exercised the covered savings association election, Iroquois Federal must either qualify as a "domestic building and loan association" within the meaning of the Internal Revenue Code or satisfy the Home Owners' Loan Act 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" in at least nine months of the most recent 12 months. "Portfolio assets" generally means total assets of a savings institution, 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 institution's business. A savings bank that fails the QTL test must operate under specified restrictions specified in the Home Owners' Loan Act. The Dodd-Frank Act made noncompliance with the QTL Test potentially subject to agency enforcement action for a violation of law. At June 30, 2024, Iroquois Federal held 70.35% of its "portfolio assets" in "qualified thrift investments," and satisfied the QTL Test.

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Capital Distributions. Federal regulations govern capital distributions by a federal savings bank, which include cash dividends, stock repurchases, and other transactions charged to the capital account. A savings bank 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 bank’s net income for that year to date plus the savings bank’s retained net income for the preceding two years;
- the savings bank would not be at least adequately capitalized (as defined in the prompt corrective action regulations discussed below) following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or regulatory condition; or
- the savings bank is not eligible for expedited treatment of its filings.

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

The Federal Reserve Board, upon consultation with OCC, may disapprove a notice or application if:

- the savings bank 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, agreement with a federal banking regulatory agency or condition imposed in connection with an application or notice.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution may not make any capital distribution if, after making such distribution, the institution would fail to satisfy any applicable regulatory capital requirement. A federal savings bank 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. In addition, Iroquois Federal’s ability to pay dividends is now limited if Iroquois Federal does not have the capital conservation buffer required by the new capital rules, which may limit the ability of IF Bancorp to pay dividends to its stockholders. See “— Capital Requirements.”

Community Reinvestment Act and Fair Lending Laws. All federal savings banks 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 bank, the OCC is required to assess the association’s record of compliance with the Community Reinvestment Act. 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. A savings bank’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. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the Department of Justice. Iroquois Federal received a “satisfactory” Community Reinvestment Act rating in its most recent performance evaluation.

On October 24, 2023, the OCC, the FDIC and the Federal Reserve Board issued a final rule to “strengthen and modernize” Community Reinvestment Act regulations and the related regulatory framework. Under the final rule, Iroquois Federal is classified as an intermediate bank and will be evaluated under two performance tests, the Retail Lending Test and either the Intermediate Bank Community Development Test or the Community Development Financing Test. Although the effective date of the final rule is April 1, 2024, the applicability date for most of the provisions is January 1, 2026, with certain other requirements becoming applicable on January 1, 2027.

Transactions with Related Parties. A federal savings bank’s authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and its implementing Regulation W. An affiliate is a company that controls, is controlled by, 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, covered transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a federal savings bank 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.

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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 (subject to an exception for bank-wide lending programs available to all employees); 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 restrictions, including limits on various types of loans.

Enforcement. The OCC has primary enforcement responsibility over federal savings institutions and has the authority to bring enforcement action against all "institution-affiliated parties," including stockholders, and attorneys, appraisers and accountants who knowingly or recklessly participate in violations of law or regulation, breaches of fiduciary duty, or unsafe or unsound practices. Formal enforcement action by the OCC may range from the issuance of a capital directive or cease and desist order, to removal of officers and/or directors of the institution receivership, conservatorship or the termination of deposit insurance. The maximum penalties that can be assessed are generally based on the type and severity of the violation, unsafe and unsound practice or other action, and are adjusted annually for inflation. The FDIC also has the authority to terminate deposit insurance or to recommend to the OCC that enforcement action be taken with respect to a particular savings institution. If action is not taken by the OCC, the FDIC has authority to take 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.

Interstate Banking and Branching. Federal regulations permit federal savings banks to establish branches in any state subject to OCC approval and certain other requirements.

Prompt Corrective Action Regulations. Federal law requires, among other things, that federal bank regulatory authorities take "prompt corrective action" with respect to banks that do not meet minimum capital requirements. For these purposes, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

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The OCC has adopted regulations to implement the prompt corrective action legislation. For this purpose, a savings bank is placed in one of the five categories based on the institution's capital:

- *Well Capitalized* – a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. Qualifying institutions that elect and comply with the community bank leverage ratio framework will be considered to be “well-capitalized.”
- *Adequately Capitalized* – a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater, and a common equity Tier 1 ratio of 4.5% or greater.
- *Undercapitalized* – a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0%, or a common equity Tier 1 ratio of less than 4.5%.
- *Significantly Undercapitalized* – a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0%, or a common equity Tier 1 ratio of less than 3.0%.
- *Critically Undercapitalized* – a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

At June 30, 2024, Iroquois Federal met the criteria for being considered “well-capitalized.”

“Undercapitalized” institutions must adhere to growth, capital distribution (including dividend) and other limitations and are required to submit a capital restoration plan. Compliance with such a plan must be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5% of the institution's total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an “undercapitalized” institution fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.” “Significantly undercapitalized” institutions must comply with one or more of a number of additional measures, including, but not limited to, a required sale of sufficient voting stock to become adequately capitalized, a requirement to reduce total assets, cessation of taking deposits from correspondent banks, the dismissal of directors or officers and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. “Critically undercapitalized” institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status. These actions are in addition to other discretionary supervisory or enforcement actions that the OCC may take.

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.

Assessments for institutions with less than \$10 billion of assets, such as Iroquois Federal, are based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of an institution's failure within three years (along with certain specified adjustments), with institutions deemed less risky paying lower assessments. Effective January 1, 2023, the assessment range (inclusive of possible adjustments) for insured institutions of less than \$10 billion of total assets is 2.5 basis points to 32 basis points.

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.

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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 banks 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 11 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, 2024, Iroquois Federal was in compliance with this requirement.

Federal Reserve System

Federal Reserve Board regulations historically required savings banks to maintain noninterest-earning reserves against their transaction accounts, such as negotiable order of withdrawal and regular checking accounts. Due to a change in its approach to monetary policy, the Federal Reserve Board reduced the reserve requirement to zero, effective March 26, 2020. The Federal Reserve Board has indicated that it has no plans to re-impose reserve requirements, but may do so in the future if conditions warrant.

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;
- Real Estate Settlement Procedures Act, requiring that borrowers for mortgage loans for one- to four-family residential real estate receive various disclosures, including good faith estimates of settlement costs, lender servicing and escrow account practices, and prohibiting certain practices that increase the cost of settlement services;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act of 1978, 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; and
- Truth in Savings Act.

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;

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- 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 banks 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.

Holding Company Regulation

General. IF Bancorp is a unitary savings and loan holding company within the meaning of 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 any future non-savings institution 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.

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 (including electing such status), 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. As of June 30, 2024, IF Bancorp, Inc. has not elected financial holding company status.

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 non-subsidiary 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, and 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. Pursuant to federal legislation, the Federal Reserve Board has established for all depository institution holding companies minimum consolidated capital requirements that are as stringent as those required for the insured depository institution subsidiaries. However, the Federal Reserve Board has provided a “Small Bank Holding Company” exception to its consolidated capital requirements, and bank and savings and loan holding companies with less than \$3.0 billion of consolidated assets are not subject to the consolidated holding company capital requirements unless otherwise directed by the Federal Reserve Board. As a result, the Federal Reserve Board’s consolidated holding company regulatory capital requirements do not presently apply to IF Bancorp.

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Source of Strength. The Dodd-Frank Act extended the “source of strength” doctrine to savings and loan holding companies. The Federal Reserve Board has issued regulations requiring that all bank and savings and loan holding companies serve as a source of managerial and financial strength to their subsidiary savings and loan associations by providing capital, liquidity and other support in times of financial stress.

Dividends. The Federal Reserve Board has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies and savings and loan holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization’s capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the company’s net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company’s overall rate or earnings retention is inconsistent with the company’s capital needs and overall financial condition. The ability of a savings and loan holding company to pay dividends may be restricted if a subsidiary savings and loan association becomes undercapitalized. The regulatory guidance also states that a savings and loan holding company should inform the Federal Reserve Board supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the savings and loan holding company is experiencing financial weaknesses or if the repurchase or redemption would result in a net reduction, as of the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the ability of IF Bancorp to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Change in Control Regulations. Under the Change in Bank Control Act, no person may acquire control of a savings and loan holding company, such as IF Bancorp, unless the FRB has been given 60 days’ prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined under the Change in Bank Control Act, means ownership, control of or the power to vote 25% or more of any class of voting stock. Acquisition of more than 10% of any class of a savings and loan holding company’s voting stock constitutes a rebuttable determination of control under the regulations under certain circumstances including where, as is the case with IF Bancorp, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Federal Securities Laws

IF Bancorp common stock is registered with the SEC under the Exchange Act. IF Bancorp is subject to the information, proxy solicitation, insider trading restrictions, and other requirements under the Exchange Act.

ITEM 1A. RISK FACTORS

Operational Risks

We intend to continue to grow our commercial real estate, multi-family and commercial business loans and increase these loans as a percentage of our total loan portfolio. As a result, our credit risk will continue to increase, and downturns in the local real estate market or economy could have a more severe adverse effect on our earnings.

We intend to continue growing our portfolio of commercial real estate, multi-family and commercial business loans. Since our mutual-to-stock conversion in 2011 we have emphasized the origination of our commercial loans. At June 30, 2024, \$200.0 million, or 30.9%, of our total loan portfolio consisted of commercial real estate loans, \$126.0 million, or 19.5%, of our total loan portfolio consisted of multi-family loans, and \$91.8 million, or 14.2%, 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

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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.

Our funding sources may prove insufficient to replace deposits and support our future growth.

We must maintain sufficient funds to respond to the needs of depositors and borrowers. As a part of our liquidity management, we use a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. These additional sources consist primarily of FHLB advances, certificates of deposit and brokered certificates of deposit and, to a lesser extent, repurchase agreements. As we continue to grow, we are likely to become more dependent on these sources. Adverse operating results or changes in industry conditions could lead to difficulty or an inability to access these additional funding sources. Our financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. If we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, our operating margins and profitability would be adversely affected.

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 credit 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, 2024, our loan participations totaled \$51.8 million, or 8.0% 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 as a way to effectively deploy our capital. If our underwriting of these participation loans is not sufficient, our non-performing loans may increase and our earnings may decrease.

If our non-performing loans and other non-performing assets increase, or the value of our foreclosed assets decreases our earnings will decrease.

At June 30, 2024, our non-performing assets (which consist of non-accrual loans, loans 90 days or more delinquent and still accruing, and real estate owned) totaled \$173,000. 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 credit losses. There are also legal fees associated with the resolution of problem assets.

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 credit losses is inadequate, we will have to increase the allowance accordingly by recording a provision for credit losses.

If our allowance for credit 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 credit losses on loans, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for credit losses may not be sufficient to cover probable losses in our loan portfolio, requiring us to make additions to our allowance for credit losses. Our allowance for credit losses was 1.16% of total loans at June 30, 2024. Additions to our allowance could materially decrease our net income.

The Company adopted ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective July 1, 2023, which replaced the previous “incurred loss” model for measuring credit losses with an “expected life of loan loss” model referred to as the CECL model. Adoption of the CECL methodology has substantially changed how the Company calculates its allowance for credit losses, and the ongoing impact of the adoption is dependent on various factors, including credit quality, macroeconomic forecasts and conditions, composition of our loans and securities portfolios, and other management judgements. There can be no assurance that the Company’s monitoring procedures and policies will reduce certain lending risks or that the Company’s allowance for credit losses will be adequate to cover actual losses.

In addition, bank regulators periodically review our allowance for credit losses and, as a result of such reviews, we may be required to increase our allowance for credit losses or recognize further loan charge-offs. Any increase in our allowance for credit 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.

We are subject to stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or limit our ability to pay dividends or repurchase shares.

Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk-based capital and leverage ratios, and defines “capital” for calculating these ratios. The application of these capital requirements could, among other things, result in lower returns on equity, and result in regulatory actions if we are unable to comply with such requirements. In addition, our ability to pay dividends to could be limited if we do not meet a minimum capital conservation buffer required by the capital rules. See “Regulation and Supervision—Federal Banking Regulation—Capital Requirements.”

Changes in accounting standards could affect reported earnings.

The bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board, the SEC and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively.

We face significant operational risks because the financial services business involves a high volume of transactions.

We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of our internal control systems and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of operational deficiencies or as a result of non compliance with applicable regulatory standards or customer attrition due to potential negative publicity. In the event of a breakdown in our internal control systems, improper operation of systems or improper employee actions, we could suffer financial loss, face regulatory action, and/or suffer damage to our reputation.

Cyber-attacks or other security breaches could adversely affect our operations, net income or reputation.

We regularly collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our own business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf.

Information security risks have generally increased in recent years because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial and other transactions and the increased sophistication and activities of perpetrators of cyber-attacks and mobile phishing. Mobile phishing, a means for identity thieves to obtain sensitive personal information through fraudulent e-mail, text or voice mail, is an emerging threat targeting the customers of popular financial entities. A failure in or breach of our operational or information security systems, or those of our third-party service providers, as a result of cyber-attacks or information security breaches or due to employee error, malfeasance or other disruptions could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and/or cause losses.

If this confidential or proprietary information were to be mishandled, misused or lost, we could be exposed to significant regulatory consequences, reputational damage, civil litigation and financial loss.

Although we employ a variety of physical, procedural and technological safeguards to protect this confidential and proprietary information from mishandling, misuse or loss, these safeguards do not provide absolute assurance that mishandling, misuse or loss of the information will not occur, and that if mishandling, misuse or loss of information does occur, those events will be promptly detected and addressed. Similarly, when confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf, our policies and procedures require that the third party agree to maintain the confidentiality of the information, establish and maintain policies and procedures designed to preserve the confidentiality of the information, and permit us to confirm the third party's compliance with the terms of the agreement. As information security risks and cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities.

Risks associated with system failures, interruptions, or breaches of security could negatively affect our earnings.

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, but such events may still occur and may not be adequately addressed if they do occur. In addition, any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource some of our data processing to certain third-party providers. If these third-party providers encounter difficulties, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any systems failures, interruptions, or breach of security could damage our reputation and result in a loss of customers and business thereby subjecting us to additional regulatory scrutiny, or could expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

While our Board of Directors takes an active role in cybersecurity risk tolerance, we rely to a large degree on management and outside consultants in overseeing cybersecurity risk management.

Our Board of Directors takes an active role in the cybersecurity risk tolerance of the Company and all members receive cybersecurity training annually. The Board reviews the annual risk assessments and approves information technology policies, which include cybersecurity. Furthermore, our Audit Committee is responsible for reviewing all audit findings related to information technology general controls, internal and external vulnerability, and penetration testing. The Board receives an annual information security report from our Information Security Officer as it relates to cybersecurity and related issues. We also engage outside consultants to support our cybersecurity efforts. However, our directors do not have significant experience in cybersecurity risk management outside of the Company and therefore, its ability to fulfill its oversight function remains dependent on the input it receives from management and outside consultants.

Market and Industry Risks

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, 2024, 2.4% of our loans had remaining maturities of, or reprice after, 5 years or longer, while 90.4% 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.”

Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in the level of interest rates also may negatively affect the value of our assets and ultimately affect our earnings.

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.”

Increased interest rates and changes in secondary mortgage market conditions could reduce our earnings from our mortgage banking operations.

Our mortgage banking income varies with movements in interest rates, and increases in interest rates could negatively affect our ability to originate loans in the same volume as we have in past years. In addition to being affected by interest rates, the secondary mortgage markets are also subject to investor demand for residential mortgage loans and increased investor yield requirements for these loans. These conditions may fluctuate or worsen in the future. In light of current conditions, there is greater risk in retaining mortgage loans pending their sale to investors. As a result, a prolonged period of secondary market illiquidity may reduce our loan mortgage production volume and could have a material adverse effect on our financial condition and results of operations.

Declines in the value of securities held in the investment portfolio may negatively affect the Company's earnings, capital and liquidity.

The value of an investment in the portfolio could decrease due to changes in market factors. The market value of certain investment securities is volatile and future increases in unrealized losses on available-for-sale securities could materially adversely affect the Company's future earnings, capital and liquidity. Continued volatility in the market value of certain of the investment securities, whether caused by changes in market perceptions of credit risk, as reflected in the expected market yield of the security, or actual defaults in the portfolio could result in significant fluctuations in the value of the securities. This could have a material adverse impact on the Company's accumulated other comprehensive loss and shareholders' equity depending upon the direction of the fluctuations. It could also negatively impact our ability to sell securities for liquidity needs without taking a loss. For further discussion of the Company's investments, see Note 2 – "Securities".

The State of Illinois has significant financial difficulties, and this could adversely impact certain of our borrowers and the economic vitality of the state, which would have a negative impact on our business.

The State of Illinois has significant financial difficulties, including material pension funding shortfalls. Although the State of Illinois' debt rating has been recently upgraded, it remains the lowest in the country. These issues could impact the economic vitality of the state and the businesses operating there, encourage businesses to leave the State of Illinois, discourage new employers from starting or moving businesses to the state, and could result in an increase in the Illinois state income tax rate. In addition, population outflow from the State of Illinois could affect our ability to attract and retain customers.

Some of the markets we are in include significant university and healthcare presence, which rely heavily on state funding and contracts. Payment delays by the State of Illinois to its vendors and government sponsored entities may have significant, negative effects on our markets, which could in turn adversely affect our financial condition and results of operations. In addition, adverse changes in agribusiness and capital goods exports could materially adversely affect downstate Illinois markets, which are heavily reliant upon these industries. Delays in the payment of accounts receivable owed to borrowers that are employed by or who do business with these industries or the State of Illinois could impair their ability to repay their loans when due and negatively impact our business.

A worsening of economic conditions in our market area could reduce demand for our products and services and/or result in increases in our level of non-performing loans, which could adversely affect our operations, financial condition and earnings.

Local economic conditions have a significant impact on the ability of our borrowers to repay loans and the value of the collateral securing loans. A deterioration in economic conditions, especially local conditions, could have the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations, and could more negatively affect us compare to a financial institution that operates with more geographic diversity:

- demand for our products and services may decline;
- loan delinquencies, problem assets and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value, thereby reducing customers' future borrowing power, and reducing the value of assets and collateral associated with existing loans; and
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

Moreover, a significant decline in general economic conditions caused by inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, an epidemic or pandemic, unemployment or other factors beyond our control could further impact these local economic conditions and could

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further negatively affect the financial results of our banking operations. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

Monetary policies and regulations of the Federal Reserve Board could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve Board to implement these objectives are open market purchases and sales of U.S. government securities, adjustments of the discount rate and changes in banks' reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve Board have had a significant effect on the operating results of financial institutions in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

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

We face intense competition in making loans and attracting deposits. Price competition from other financial institutions, credit unions, money market and mutual funds, insurance companies, and other non-traditional competitors such as financial technology companies for loans and deposits sometimes results in us charging lower interest rates on our loans and paying higher interest rates on our deposits and may reduce our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. Many of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. Our competitors also may price loan and deposit products aggressively when they enter into new lines of business or new market areas. We expect competition to increase in the future as a result of legislative, regulatory, and technological changes and the continuing trend of consolidation in the financial services industry. If we are not able to compete effectively in our market area, our profitability may be negatively affected. The greater resources and broader offering of deposit and loan products of some of our competitors may also limit our ability to increase our interest-earning assets.

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. 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

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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.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are suspected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on pursuing acquisitions or establishing new branches. The policies and procedures we have adopted that are designed to assist in compliance with these laws and regulations may not be effective in preventing violations of these laws and regulations. Furthermore, these rules and regulations continue to evolve and expand. We have not been subject to fines or other penalties, or have suffered business or reputational harm, as a result of money laundering activities in the past.

Legal and regulatory proceedings and related matters could adversely affect us.

We have been and may in the future become involved in legal and regulatory proceedings. We consider most of the proceedings to be in the normal course of our business or typical for the industry; however, it is inherently difficult to assess the outcome of these matters, and we may not prevail in any proceedings or litigation. There could be substantial costs and management diversion in such litigation and proceedings, and any adverse determination could have a materially adverse effect on our business, brand or image, or our financial condition and results of our operations.

Societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions, operating process changes, and the like. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company has established an Information Security Program (ISP) and various related policies, controls and procedures, to assess, identify and mitigate risks from cybersecurity threats. The ISP is based on the National Institute of Standards and Technology Cybersecurity Framework. Critical information assets and processes have been identified, and internal and third-party controls have been implemented to prevent and detect external attacks.

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These controls include computer scanning, intrusion prevention services, firewalls, end-point detection and response, data loss prevention, access controls, internal and external penetration testing, security monitoring, anti-virus, internet content filtering, server event logging, and firewall event management. Publications from FS-ISAC, SANS Institute and US-CERT are reviewed, and alerts are monitored daily. Our Business Continuity Plan includes the documented and tested critical steps required to recover a system or software application in the event of a cybersecurity incident. The ISP is reviewed and modified at least annually, or whenever required to respond to changes in cybersecurity conditions. The Executive Vice President and Information Security Officer, and the Executive Vice President and Chief Operating Officer are primarily responsible for managing the ISP. The Information Technology Committee, whose members include the CEO and senior management from loan operations, deposit operations, and accounting in addition to the EVP Chief Operating Officer and EVP Information Security Officer, provide support and enforcement of the ISP. The Committee meets quarterly to review and approve ISP related policies, procedures, and controls including disaster recovery, incident response, and cybersecurity. The Committee monitors risk management practices and procedures, external vulnerability testing and internal staff information security training and testing. Members are responsible for ensuring compliance with all ISP related policies, controls and procedures within their respective departments or functions.

The Board of Directors reviews and approves the ISP. The EVP and Information Security Officer reports to the Board at least annually. The report includes material matters related to the ISP, addressing issues such as risk assessment and management, implementation of internal controls to detect and protect against cybersecurity threats, third-party cybersecurity controls, test results, staff and board training, security breaches or violations and management responses, and recommendations for changes in the ISP. The EVP and Information Security Officer and EVP Chief Operating Officer each have over 20 years' experience managing information security and cybersecurity programs.

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ITEM 2. PROPERTIES

We operate from our main office, six branch offices, an administrative office, and a data center located in Iroquois, Vermilion, Champaign and Kankakee Counties, Illinois, and a loan production office in Osage Beach, Missouri. The net book value of our premises, land and equipment was \$10.6 million at June 30, 2024. The following tables set forth information with respect to our banking offices, including the expiration date of leases with respect to leased facilities.

<u>Location</u>	<u>Year Opened</u>	<u>Owned/ Leased</u>
Main Office:		
201 East Cherry Street Watseka, Illinois 60970	1964	Owned
Branches:		
619 North Gilbert Street Danville, Illinois 61832	1973	Owned
175 East Fourth Avenue Clifton, Illinois 60927	1977	Owned
655 South Dixie Highway Hoopeston, Illinois 60942	2023	Owned
108 Arbours Drive Savoy, Illinois 61874	2014	Owned
421 Brown Boulevard Bourbonnais, Illinois 60914	2017	Owned
2411 Village Green Place Champaign, Illinois 61822	2018	Owned
Loan Production Office:		
3535 Highway 54 Osage Beach, Missouri 65065	2006	Owned
Administrative Office:		
204 East Cherry Street Watseka, Illinois 60970	2001	Owned
Data Center:		
183 Bethel Drive Bourbonnais, Illinois 60914	2019	Leased (expires March 31, 2025)

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."

Holders.

As of September 1, 2024, there were 322 holders of record of the Company's common stock.

Dividends.

The Company paid dividends of \$0.20 per share in October 2022 and April 2023 and \$0.20 per share in October 2023 and April 2024. 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. No assurances can be given that dividends will continue to be paid, or that, if paid, will not be reduced. 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."

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

Not applicable.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

There were no share repurchases during the year ended June 30, 2024. The Company does not have an active stock repurchase plan in place.

ITEM 6. [RESERVED]

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

Overview

We have grown our organization to \$887.7 million in assets at June 30, 2024 from \$377.2 million in assets at June 30, 2009. 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, 2009, approximately 72.4% 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.

Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets, consisting primarily of loans, investment securities and other interest-earning assets, and the interest paid on our interest-bearing liabilities, consisting primarily of savings and transaction accounts, certificates of deposit, repurchase agreements, and Federal Home Loan Bank of Chicago advances. Our results of operations also are affected by our provision for credit losses, noninterest income and noninterest expense. Noninterest income consists primarily of customer service fees, brokerage commission income, insurance commission income, net realized gains on loan sales, mortgage banking income, and income on bank-owned life insurance. Noninterest expense consists primarily of compensation and benefits, occupancy and equipment, data processing, professional fees, marketing, office supplies, federal deposit insurance premiums, and foreclosed assets. Our results of operations also may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

Our net interest rate spread (the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities) was 1.78% and 2.62% for the years ended June 30, 2024 and 2023, respectively. Net interest income decreased to \$17.7 million for the year ended June 30, 2024, from \$22.0 million for the year ended June 30, 2023.

Our net income for the year ended June 30, 2024 was \$1.8 million, compared to a net income of \$4.7 million for the year ended June 30, 2023.

Our emphasis on conservative loan underwriting has resulted in relatively low levels of non-performing assets. Our non-performing assets totaled \$173,000, or 0.1% of total assets at June 30, 2024, and \$148,000, or 0.1% of assets at June 30, 2023.

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 the Association 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

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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.

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 Credit Losses. The Company believes the allowance for credit losses for loans is the critical accounting policy that requires the most significant judgments and assumptions used in the preparation of the consolidated financial statements. The allowance for credit losses for loans represents the best estimate of losses inherent in the existing loan portfolio. An estimate of potential losses inherent in the loan portfolio are determined and an allowance for those losses is established by factors considered by the Company during the evaluation of the overall adequacy of the allowance which include historical net loan losses, the level and composition of nonaccrual, past due and troubled debt restructurings, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates. In addition, a forecast, using reasonable and supportable future conditions, is prepared that is used to estimate expected changes to existing and historical conditions in the current period.

The Company utilizes a current expected credit loss (“CECL”) methodology which relies on segmenting the loan portfolio into pools with similar risks, tracking the performance of the pools over time, and using the data to determine pool loss experience. Based on our estimate of the level of allowance for credit losses required, we record a provision for credit losses as a charge to earnings to maintain the allowance for credit losses at an appropriate level. The allowance for credit losses on most loans is measured on a collective (pool) basis for loans with similar risk characteristics. The Company estimates the appropriate level of allowance for credit losses for collateral-dependent loans by evaluating them separately. The Company also uses the CECL model to calculate the allowance for credit losses on off-balance sheet credit exposures, such as undrawn amounts on lines of credit. While the allowance for credit losses on loans is reported as a contra-asset asset for loans, the allowance for credit losses on off-balance sheet credit exposures is reported as a liability.

The allowance for credit losses is evaluated on a regular basis by management and reflects consideration of all significant factors that affect the collectability of the loan portfolio. 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 credit losses we have established, which could have a material negative effect on our financial results.

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

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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.

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, 2024 and no valuation allowance was necessary.

Selected Financial Data

The following selected consolidated financial data sets forth certain financial highlights of the Company and should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	2024	At June 30, 2023 (In thousands)	2022
Selected Financial Condition Data:			
Total assets	\$887,745	\$848,976	\$857,558
Cash and cash equivalents	9,571	10,988	75,811
Investment securities available for sale	190,475	201,299	220,906
Federal Home Loan Bank of Chicago stock	4,499	3,127	3,142
Loans held for sale	—	—	227
Loans receivable, net	639,297	587,457	518,704
Foreclosed assets held for sale	—	31	120
Bank-owned life insurance	14,892	14,761	14,373
Deposits	727,177	735,314	752,020
Federal Home Loan Bank of Chicago advances	32,999	19,500	15,000
Federal Reserve Bank Term Funding Program (BTFP)	25,250	—	—
Total equity	73,916	71,753	71,658

	For the Fiscal Year Ended June 30,		
	2024	2023	2022
	(In thousands)		
Selected Operating Data:			
Interest income	\$ 40,984	\$ 32,072	\$ 24,792
Interest expense	23,255	10,075	2,529
Net interest income	17,729	21,997	22,263
Provision for credit losses	32	(228)	492
Net interest income after provision (credit) for credit losses	17,697	22,225	21,771
Noninterest income	4,386	4,069	5,504
Noninterest expense	19,728	20,034	19,448
Income before income tax expense	2,355	6,260	7,827
Income tax expense	565	1,600	2,043
Net income	\$ 1,790	\$ 4,660	\$ 5,784

	At or For the Fiscal Years Ended June 30,		
	2024	2023	2022
Selected Financial Ratios and Other Data:			
Performance Ratios:			
Return on average assets (net income as a percentage of average total assets)	0.20%	0.56%	0.74%
Return on average equity (net income as a percentage of average equity)	2.54%	6.56%	7.07%
Interest rate spread (1)	1.78%	2.62%	2.87%
Net interest margin (2)	2.10%	2.80%	2.93%
Efficiency ratio (3)	89.21%	76.86%	70.04%
Dividend payout ratio	70.18%	26.67%	18.62%
Noninterest expense to average total assets	2.23%	2.42%	2.49%
Average interest-earning assets to average interest-bearing liabilities	111.74%	114.02%	119.13%
Average equity to average total assets	7.99%	8.59%	10.46%
Asset Quality Ratios:			
Non-performing assets to total assets	0.02%	0.02%	0.15%
Non-performing loans to total loans	0.03%	0.02%	0.22%
Allowance for credit losses to non-performing loans	4329.57%	6101.71%	600.68%
Allowance for credit losses to total loans	1.16%	1.20%	1.34%
Net charge-offs (recoveries) to average loans	(0.03)%	0.01%	0.01%
Capital Ratios:			
Community Bank Leverage Ratio:			
Company (4)	10.1%	10.5%	10.7%
Association (4)	9.2%	9.5%	9.8%
Tier 1 capital (to adjusted total assets):			
Company	10.1%	10.5%	10.7%
Association	9.2%	9.5%	9.8%
Tangible capital (to adjusted total assets):			
Company	10.1%	10.5%	10.7%
Association	9.2%	9.5%	9.8%
Other Data:			
Number of full-service offices	7	7	7
Full time equivalent employees	113	107	112

- (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.
- (4) Leverage Ratio (CBLR) is a capital requirement which became effective for the Association for the quarter ended March 31, 2020. The CBLR is the ratio of Tier 1 capital to average assets.

Comparison of Financial Condition at June 30, 2024 and June 30, 2023

Total assets increased \$38.8 million, or 4.6%, to \$887.7 million at June 30, 2024 from \$849.0 million at June 30, 2023. The increase was primarily due to a \$51.8 million increase in net loans, partially offset by a \$10.8 million decrease in investments, and a \$1.4 million decrease in cash and cash equivalents.

Cash and cash equivalents decreased by \$1.4 million to \$9.6 million at June 30, 2024, from \$11.0 million at June 30, 2023.

Investment securities, consisting entirely of securities available for sale, decreased \$10.8 million, or 5.4%, to \$190.5 million at June 30, 2024 from \$201.3 million at June 30, 2023. We had no held-to-maturity securities at June 30, 2024 or June 30, 2023.

Net loans receivable, including loans held for sale, increased by \$51.8 million, or 8.8%, to \$639.3 million at June 30, 2024 from \$587.5 million at June 30, 2023. The increase in net loans receivable during this period was due primarily to a \$36.4 million, or 40.6%, increase in multi-family loans, a \$13.4 million, or 8.2%, increase in one- to four-family loans, a \$12.1 million, or 15.2%, increase in commercial business loans, a \$6.3 million, or 3.3%, increase in commercial real estate loans, and a \$1.8 million, or 22.2%, increase in home equity lines of credit, partially offset by a \$17.3 million, or 33.9%, decrease in construction loans, and a \$655,000, or 7.8%, decrease in consumer loans.

Between June 30, 2023 and June 30, 2024, accrued interest receivable increased \$676,000 to \$3.5 million, and Federal Home Loan Bank (FHLB) stock increased \$1.4 million to \$4.5 million, while premises and equipment decreased \$512,000 to \$10.6 million, deferred income taxes decreased \$554,000 to \$10.5 million, and other assets decreased \$921,000 to \$2.8 million. The increase in accrued interest receivable was primarily the result of an increase in the average balance and the average yield of interest-earning assets, and the increase in FHLB stock was the result of an increased stock requirement due to an increase in FHLB advances. The decrease in premises and equipment was the result of ordinary depreciation, the decrease in deferred income taxes was mostly due to a decrease in unrealized losses on available-for-sale securities, and the decrease in other assets was primarily due to the receipt of a large accounts receivable item in the year ended June 30, 2024.

At June 30, 2024, our investment in bank-owned life insurance was \$14.9 million, an increase of \$131,000 from \$14.8 million at June 30, 2023. 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 credit losses. At June 30, 2024, our investment of \$14.9 million in bank-owned life insurance was 15.8% of our Tier 1 capital plus our allowance for credit losses.

Deposits decreased \$8.1 million, or 1.1%, to \$727.2 million at June 30, 2024 from \$735.3 million at June 30, 2023. Savings, NOW, and money market accounts decreased \$39.9 million, or 11.6%, to \$304.2 million, noninterest bearing demand accounts decreased \$4.3 million, or 4.0%, to \$103.3 million, certificates of deposit, excluding brokered certificates of deposit, increased \$26.6 million, or 10.1%, to \$290.6 million, and brokered certificates of deposit increased \$9.5 million, or 48.4%, to \$29.0 million.

Repurchase agreements increased \$7.0 million, or 64.8%, to \$17.8 million. FHLB advances increased \$13.5 million, or 69.2%, to \$33.0 million at June 30, 2024 from \$19.5 million at June 30, 2023. Borrowings from Federal Reserve BTFP increased \$25.3 million to \$25.3 million at June 30, 2024 from \$0 at June 30, 2023.

Total equity increased \$2.2 million, or 3.0%, to \$73.9 million at June 30, 2024 from \$71.8 million at June 30, 2023. Equity increased primarily due to net income of \$1.8 million, an increase of \$1.1 million in accumulated other comprehensive income (loss), net of tax, and ESOP and stock equity plan activity of \$563,000, partially offset by the accrual of approximately \$1.3 million in dividends to our shareholders. The increase in accumulated other comprehensive income (loss) was primarily due to a decrease in unrealized depreciation on available-for-sale securities, net of tax.

Comparison of Operating Results for the Years Ended June 30, 2024 and 2023

General. Net income decreased \$2.9 million, or 61.6%, to \$1.8 million net income for the year ended June 30, 2024 from \$4.7 million net income for the year ended June 30, 2023. The decrease was due to a decrease in net interest income and an increase in provisions for credit losses, partially offset by an increase in noninterest income, and a decrease in noninterest expense.

Net Interest Income. Net interest income decreased by \$4.3 million, or 19.4%, to \$17.7 million for the year ended June 30, 2024 from \$22.0 million for the year ended June 30, 2023. The decrease was due to an increase of \$13.2 million in interest expense, partially offset by an increase of \$8.9 million in interest and dividend income. A \$65.6 million, or 9.5%, increase in the average balance of interest-bearing liabilities was partially offset by a \$57.6 million, or 7.3%, increase in the average balance of interest earning assets. Our interest rate spread decreased 84 basis points to 1.78% for the year ended June 30, 2024 from 2.62% for the year ended June 30, 2023, and our net interest margin decreased by 70 basis points to 2.10% for the year ended June 30, 2024 from 2.80% for the year ended June 30, 2023.

Interest and Dividend Income. Interest and dividend income increased \$8.9 million, or 27.8%, to \$41.0 million for the year ended June 30, 2024 from \$32.1 million for the year ended June 30, 2023. The increase in interest income was due to a \$8.7 million increase in interest on loans, \$77,000 increase in interest income on securities, and a \$115,000 increase in other interest income. An increase of \$8.7 million, or 33.4%, in interest on loans resulted from an 85 basis point, or 18.5%, increase in the average yield on loans to 5.45% from 4.60%, and a \$71.4 million, or 12.6%, increase in the average balance of loans to \$638.8 million for the year ended June 30, 2024 from \$567.4 million for the year ended June 30, 2023. Interest on securities increased \$77,000, or 1.4%, due to a 23 basis point, or 8.8%, increase in the average yield on securities to 2.86% for the year ended June 30, 2024 from 2.63% for the year ended June 30, 2023, partially offset by a \$14.0 million decrease in the average balance of securities to \$193.9 million at June 30, 2024 from \$207.9 million at June 30, 2023.

Interest Expense. Interest expense increased \$13.2 million, or 130.8%, to \$23.3 million for the year ended June 30, 2024 from \$10.1 million for the year ended June 30, 2023. The increase was due to a 162 basis point increase in the cost of interest-bearing liabilities to 3.08% for the year ended June 30, 2024 from 1.46% for the year ended June 30, 2023, and a \$65.6 million increase in the average balance of interest-bearing liabilities to \$755.0 million for the year ended June 30, 2024 from \$689.4 million for the year ended June 30, 2023.

Interest expense on interest-bearing deposits increased \$9.7 million, or 120.7%, to \$17.7 million for the year ended June 30, 2024, from \$8.0 million for the year ended June 30, 2023. This increase was due to a 150 basis point, or 117.4% increase in the average cost of interest-bearing deposits to 2.78% from 1.28%, and a \$9.7 million increase in the average balance of interest-bearing deposits to \$635.9 million for the year ended June 30, 2024, from \$626.2 million for the year ended June 30, 2023.

Interest expense on borrowings, including FHLB advances, the discount window and the BTFP at the Federal Reserve Bank, and repurchase agreements, increased \$3.5 million, or 169.6%, to \$5.6 million for the year ended June 30, 2024 from \$2.1 million for the year ended June 30, 2023. This increase was due to an increase in the average balance of borrowings to \$119.1 million for the year ended June 30, 2024 from \$63.2 million for the year ended June 30, 2023, and by a 141 basis point increase in the average cost of such borrowings to 4.70% for the year ended June 30, 2024 from 3.29% for the year ended June 30, 2023.

Provision for Credit Losses. We establish provisions for credit losses, which are charged to operations in order to maintain the allowance for credit losses at a level we consider necessary to absorb potential credit losses inherent in our loan portfolio. We recorded a provision for credit losses of \$32,000 for the year ended June 30, 2024, which includes a provision for credit losses on loans of \$150,000 and a credit for credit losses on off-balance sheet credit exposures of \$(118,000), compared to a provision (credit) for credit losses of \$(228,000) for the year ended June 30, 2023. The allowance for credit losses was \$7.5 million, or 1.16% of total loans, at June 30, 2024, compared to \$7.1 million, or 1.20% of total loans, at June 30, 2023. Non-performing loans increased during the year ended June 30, 2024, to \$173,000, from \$117,000 at June 30, 2023. During the year ended June 30, 2024, net recoveries of \$210,000 were recognized, while during the year ended June 30, 2023, \$12,000 in net charge-offs were recognized.

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

	Year Ended June 30, 2024	Year Ended June 30, 2023
Allowance to non-performing loans	4329.57%	6101.71%
Allowance to total loans outstanding at the end of the period	1.16%	1.20%
Net charge-offs (recoveries) to average total loans outstanding during the period, annualized	(0.03)%	0.01%
Total non-performing loans to total loans	0.03%	0.02%
Total non-performing assets to total assets	0.02%	0.02%

Noninterest Income. Noninterest income increased \$317,000, or 7.8%, to \$4.4 million for the year ended June 30, 2024 from \$4.1 million for the year ended June 30, 2023. The increase was primarily due to an increase in gain on sale of loans, an increase in net realized gain (loss) on sale of available-for-sale securities, an increase in insurance commissions, and an increase in bank-owned life insurance, partially offset by a decrease in brokerage commissions. For the year ended June 30, 2024, gains on the sale of loans increased \$94,000 to \$266,000, net realized gain (loss) on sale of available-for-sale securities increased \$171,000 to \$0, insurance commissions increased \$94,000 to \$745,000, and bank-owned life insurance increased \$118,000 to \$506,000, while brokerage commissions decreased \$123,000 to \$650,000. The increase in gain on sale of loans was a result of an increase in loans originated and sold through the FHLBC Mortgage Partnership Finance program in the year ended June 30, 2024. The increase in gain (loss) on sale of available-for-sale securities was the result of securities sold at a larger loss in the year ended June 30, 2023, while the increase in insurance commissions was due to an increase in personal lines commissions, and the increase in bank-owned life insurance income was due to the receipt of death benefit proceeds in the year ended June 30, 2024. The decrease in brokerage commissions was the result of a decrease in the amount of renewal commissions and management fees.

Noninterest Expense. Noninterest expense decreased \$306,000, or 1.5%, to \$19.7 million for the year ended June 30, 2024 from \$20.0 million for the year ended June 30, 2023. The largest components of this decrease were compensation and benefits, which decreased \$700,000, or 5.5%, equipment expense, which decreased \$314,000, or 12.6%, advertising, which decreased \$129,000, or 24.0%, and supervisory examinations, which decreased \$72,000, or 41.6%, and were partially offset by federal deposit insurance premium, which increased \$241,000, or 72.4%, and other expense, which increased \$668,000, or 40.8%. Compensation and benefits decreased due to a decrease in 401(k) profit sharing and annual incentive plan expenses, equipment expense decreased as a result of a decrease in the cost of core processing, advertising decreased as a result of an ad campaign that ran in the year ended June 30, 2023, and supervisory examinations decreased as a result of a reduction in assessments for community banks by the OCC. Our federal deposit insurance premium increased as a result of FDIC increasing the initial base deposit insurance assessment rate and other expenses increased as a result of a large charge-off for HELOC check fraud for which we have filed an insurance claim.

Income Tax Expense. We recorded a provision for income tax of \$565,000 for the year ended June 30, 2024, compared to a provision for income tax of \$1.6 million for the year ended June 30, 2023, reflecting effective tax rates of 24.0% and 25.6%, respectively.

Asset Quality and Allowance for Credit Losses

For information regarding asset quality and allowance for credit loss activity, see “Item 1. Business—Non-performing and Problem Assets” and “Item 1. Business—Allowance for Credit Losses.”

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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 Twelve Months Ended June 30,								
	2024			2023			Difference		
	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)	\$ 173,701	\$ 9,045	5.21%	\$ 150,343	\$ 6,675	4.44%	\$ 23,358	\$ 2,370	0.77%
Multi-family	113,146	5,216	4.61	95,481	3,990	4.18	17,665	1,226	0.43
Commercial	201,306	9,902	4.92	187,519	8,213	4.38	13,787	1,689	0.54
Home equity lines of credit	9,152	633	6.92	7,192	414	5.76	1,960	219	1.16
Construction loans	47,955	3,411	7.11	41,267	2,045	4.96	6,688	1,366	2.15
Commercial business loans	85,424	6,171	7.22	76,538	4,380	5.72	8,886	1,791	1.50
Consumer loans	8,070	448	5.55	9,021	389	4.31	(951)	59	1.24
Total loans	<u>638,754</u>	<u>34,826</u>	5.45	<u>567,361</u>	<u>26,106</u>	4.60	<u>71,393</u>	<u>8,720</u>	0.85
Securities:									
U.S. government, federal agency and government-sponsored enterprises	21,299	558	2.62	25,069	593	2.37	(3,770)	(35)	0.25
U.S. government sponsored mortgage-backed securities	169,375	4,887	2.89	179,326	4,766	2.66	(9,951)	121	0.23
State and political subdivisions	3,222	97	3.01	3,550	106	2.99	(328)	(9)	0.02
Total securities	193,896	5,542	2.86	207,945	5,465	2.63	(14,049)	77	0.23
Other	11,052	616	5.57	10,788	501	4.64	264	115	0.93
Total interest-earning assets	<u>843,702</u>	<u>40,984</u>	4.86	<u>786,094</u>	<u>32,072</u>	4.08	<u>57,608</u>	<u>8,912</u>	0.78
Noninterest-earning assets	39,711			41,149			(1,438)		
Total assets	<u>\$ 883,413</u>			<u>\$ 827,243</u>			<u>\$ 56,170</u>		
Interest-bearing liabilities:									
Interest-bearing checking or NOW	\$ 102,926	153	0.15	\$ 117,672	191	0.16	\$ (14,746)	(38)	(0.01)
Savings accounts	60,550	371	0.61	70,129	275	0.39	(9,579)	96	0.22
Money market accounts	161,591	4,827	2.99	171,990	2,476	1.44	(10,399)	2,351	1.55
Certificates of deposit	310,866	12,302	3.96	266,418	5,055	1.90	44,448	7,247	2.06
Total interest-bearing deposits	635,933	17,653	2.78	626,209	7,997	1.28	9,724	9,656	1.50
Borrowings and repurchase agreements	119,099	5,602	4.70	63,224	2,078	3.29	55,875	3,524	1.41
Total interest-bearing liabilities	755,032	23,255	3.08	689,433	10,075	1.46	65,599	13,180	1.62
Noninterest-bearing deposits	51,894			57,445			(5,551)		
Noninterest-bearing liabilities	5,898			9,284			(3,386)		
Total liabilities	812,824			756,162			56,662		
Equity	70,589			71,081			(492)		
Total liabilities and equity	<u>883,413</u>			<u>827,243</u>			<u>56,170</u>		
Net interest income		<u>\$17,729</u>			<u>\$21,997</u>			<u>\$ (4,268)</u>	
Net interest rate spread (2)			1.78%			2.62%			(0.84)%
Net interest-earning assets (3)	<u>\$ 88,670</u>			<u>\$ 96,661</u>			<u>\$ (7,991)</u>		
Net interest margin (4)			2.10%			2.80%			(0.70)%
Average interest-earning assets to interest-bearing liabilities		1.12%			1.14%			(0.02)%	

(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.

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, and there are no out-of-period items or adjustments.

	Fiscal Years Ended June 30, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(In thousands)		
Interest-earning assets:			
Loans	\$3,532	\$ 5,188	\$ 8,720
Securities	(383)	460	77
Other	12	103	115
Total interest-earning assets	<u>\$3,161</u>	<u>\$ 5,751</u>	<u>\$ 8,912</u>
Interest-bearing liabilities:			
Interest-bearing checking or NOW	\$ (25)	\$ (13)	\$ (38)
Savings accounts	(41)	137	96
Certificates of deposit	967	6,280	7,247
Money market accounts	(159)	2,510	2,351
Total interest-bearing deposits	742	8,914	9,656
Federal Home Loan Bank advances	2,373	1,151	3,524
Total interest-bearing liabilities	<u>\$3,115</u>	<u>\$10,065</u>	<u>\$ 13,180</u>
Change in net interest income	\$ 46	\$ (4,314)	\$ (4,268)

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 brokered certificates of deposit and 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;

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- (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 16 to the Notes to our Consolidated Financial Statements.

Interest Rate Risk Analysis

We also perform an interest rate risk analysis that assesses our earnings at risk and our value at risk (or net economic value of equity at risk). Earnings at risk represents the underlying threat to earnings associated with the continual repricing of a financial institution's various assets and liabilities in differing amounts, at different times, at different interest rate levels, all within the context of a continually changing, global interest rate environment. Our analysis of our earnings at risk is completed monthly on our net interest income for periods extending twelve and twenty-four months forward. Simulations include a base line analysis with no change in the current interest rate environment and alternative interest rate possibilities including rising and falling interest rates of 100, 200, 300, and 400 basis points in interest rates under ramp, shock, static and dynamic rate environments to generate the estimated impact on net interest income. Value at risk represents the threat to the underlying value of a financial institution's various assets and liabilities, and consequently its capital, given the potential for change in the interest rate structure in which these financial instruments might either reprice, or fail to reprice, in an environment of constantly changing interest rates. Our analysis of our value at risk is completed quarterly and the calculation measures the net effect on the market value of the bank's equity position when quantifying the impact when interest rates rise and fall for the range of -400 basis points to +400 basis points. 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. We perform historical backtesting on a regular basis to confirm the validity of the model and assumptions, 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.

The table below illustrates the simulated impact of immediate rate shocks, ranging from -400 basis points to +400 basis points on our earnings at risk for net interest income at June 30, 2024 over one-year and two-year periods. The net economic value of equity at risk table below sets forth our calculation of the estimated changes in our net economic value of equity at June 30, 2024 resulting from immediate rate shocks ranging from -400 basis points to +400 basis points.

Earnings at Risk

Change in Interest Rates (basis points)	% Change in Net Interest Income	
	One Year	Two Years
+400	(4.34)	1.37
+300	(2.73)	1.51
+200	(1.30)	1.55
+100	0.40	1.71
0		
-100	1.26	(0.33)
-200	2.71	(0.18)
-300	4.82	0.45
-400	9.11	3.42

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Net Economic Value of Equity (NEVE) at Risk

Change in Interest Rates (basis points)	Estimated NEVE	% Change NEVE
+400	93,968	(9.96)
+300	96,401	(7.63)
+200	99,017	(5.12)
+100	102,053	(2.22)
0	104,365	
-100	106,482	2.03
-200	108,727	4.18
-300	111,727	6.44
-400	112,716	8.00

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 Discount Window and BTFP, 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, 2024 and 2023, our liquidity ratio averaged 25.9% and 29.3% 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, 2024.

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.

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, 2024, cash and cash equivalents totaled \$9.6 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, 2024, we had \$8.3 million in loan commitments outstanding, and \$71.2 million in unused lines of credit to borrowers. Certificates of deposit due within one year of June 30, 2024 totaled \$289.1 million, or 39.8% 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, 2025. Additionally, 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, 2024 and 2023, we originated \$215.2 million and \$202.2 million of loans, respectively.

Financing activities consist primarily of activity in deposit accounts and Federal Home Loan Bank advances and other borrowings. We had a net decrease in total deposits of \$8.1 million for the year ended June 30, 2024, and a net decrease in total deposits of \$16.7 million for the year ended June 30, 2023. 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.

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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, which provide an additional source of funds, exist with the Federal Home Loan Bank of Chicago, Federal Reserve Discount Window, Federal Reserve BTFP, and CIBC Bank USA. Federal Home Loan Bank advances were \$33.0 million at June 30, 2024, while we had other borrowings of \$25.3 million from the Federal Reserve BTFP. At June 30, 2024, we had the ability to borrow up to an additional \$73.2 million from the Federal Home Loan Bank of Chicago based on our collateral, we had \$14.0 million available from CIBC Bank, and had the ability to borrow an additional \$35.1 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. A community bank leverage ratio was established at 9% Tier 1 capital to total average assets, effective January 1, 2020. A “qualifying community bank” that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered “well capitalized” under Prompt Corrective Action statutes. The Association “opted in” to elect the Community Bank Leverage Ratio, effective with the quarter ended March 31, 2020.

At June 30, 2024, Iroquois Federal exceeded all regulatory capital requirements. Iroquois Federal is considered “well capitalized” under regulatory guidelines. See 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 18 Commitments and Credit Risk of the notes to the financial statements included in this Annual Report on Form 10-K.

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 and future 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 consolidated financial statements and related notes have been prepared in accordance with U.S. GAAP. U.S. GAAP 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 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, 2024. 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, 2024 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, 2024, utilizing the framework established in *Internal Control — Integrated Framework (2013)* 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, 2024 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.

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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

During the three months ended June 30, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as that term is used in SEC regulations.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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 25, 2024 (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.

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Equity Compensation Plan Information

The following table sets forth information as of June 30, 2024 about Company common stock that may be issued upon the exercise of options under the IF Bancorp, Inc. 2022 Equity Incentive Plan. The plan was approved by the Company's stockholders.

<u>Plan Category</u>	<u>Number of securities to be issued upon the exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)</u>
Equity compensation plans approved by security holders	—	\$ —	52,970
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	—	\$ —	52,970

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."

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 [Amended and Restated Bylaws of IF Bancorp, Inc.](#) ⁽²⁾
 - 4.1 [Specimen Stock Certificate of IF Bancorp, Inc.](#) ⁽¹⁾
 - 4.2 [Description of Capital Stock of IF Bancorp, Inc.](#)
 - 10.1 [Employment Agreement between Iroquois Federal Savings and Loan Association and Walter H. Hasselbring, III](#) ⁽³⁾
 - 10.2 [Employment Agreement between IF Bancorp, Inc. and Walter H. Hasselbring, III](#) ⁽²⁾
 - 10.3 [Change in Control Agreement of Pamela J. Verkler](#) ⁽⁴⁾
 - 10.4 [Change in Control Agreement of Thomas J. Chamberlain](#) ⁽²⁾
 - 10.5 [Amendment One to Employment Agreement between Iroquois Federal Savings and Loan Association and Walter H. Hasselbring, III](#) ⁽⁵⁾
 - 10.6 [Amendment One to Employment Agreement between IF Bancorp, Inc. and Walter H. Hasselbring, III](#) ⁽⁵⁾
 - 10.7 [Amendment Two to Employment Agreement between Iroquois Federal Savings and Loan Association and Walter H. Hasselbring, III](#) ⁽⁶⁾
 - 10.8 [Amendment Two to Employment Agreement between IF Bancorp, Inc. and Walter H. Hasselbring, III](#) ⁽⁶⁾
 - 10.9 [Directors Non Qualified Retirement Plan](#) ⁽¹⁾
 - 10.10 [IF Bancorp, Inc. 2022 Equity Incentive Plan](#) ⁽²⁾
 - 21.0 [List of Subsidiaries](#) ⁽¹⁾
 - 23.0 [Consent of FORVIS MAZARS, LLP](#)
 - 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer](#)
 - 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer](#)
 - 32.0 [Section 1350 Certification of Chief Executive Officer and Chief Financial Officer](#) ⁽⁸⁾
 - 97 [IF Bancorp, Inc. Clawback Policy](#)
 - 101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of June 30, 2024 and 2023, (ii) the Consolidated Statements of Income for the years ended June 30, 2024 and 2023, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended June 30, 2024 and 2023, (iv) the Consolidated Statements of Stockholders' Equity for the years ended June 30, 2024 and 2023, (v) the Consolidated Statements of Cash Flows for the years ended June 30, 2024 and 2023, and (vi) the notes to the Consolidated Financial Statements.

(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 March 8, 2018.

(3) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 1, 2015.

(4) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 14, 2011.

(5) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 31, 2016.

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- (6) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on June 15, 2017.
- (7) Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed with the SEC on October 12, 2022.
- (8) 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.
- (9) Incorporated by reference to the Company's Form 10-K filed with the SEC on September 11, 2017.

ITEM 16. FORM 10-K SUMMARY

None.

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 11, 2024

By: /s/ Walter H. Hasselbring, III
Walter H. Hasselbring, III
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.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Walter H. Hasselbring, III</u> Walter H. Hasselbring, III	President, Chief Executive Officer and Director (Principal Executive Officer)	September 11, 2024
<u>/s/ Pamela J. Verkler</u> Pamela J. Verkler	Senior Executive Vice President, Chief Financial Officer and Director (Principal Financial and Accounting Officer)	September 11, 2024
<u>/s/ Gary Martin</u> Gary Martin	Chairman of the Board	September 11, 2024
<u>/s/ Alan D. Martin</u> Alan D. Martin	Director	September 11, 2024
<u>/s/ Joseph A. Cowan</u> Joseph A. Cowan	Director	September 11, 2024
<u>/s/ Wayne A. Lehmann</u> Wayne A. Lehmann	Director	September 11, 2024
<u>/s/ Richard Stenzinger</u> Richard Stenzinger	Director	September 11, 2024
<u>/s/ Dennis C. Wittenborn</u> Dennis C. Wittenborn	Director	September 11, 2024
<u>/s/ Rodney E. Yergler</u> Rodney E. Yergler	Director	September 11, 2024

IF Bancorp, Inc.

**Report of Independent Registered Public Accounting Firm and
Consolidated Financial Statements**

June 30, 2024 and 2023

IF Bancorp, Inc.
June 30, 2024 and 2023

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Report of Independent Registered Public Accounting Firm

To the Stockholders, Board of Directors, and Audit Committee
IF Bancorp, Inc.
Watseka, Illinois

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of IF Bancorp, Inc. (the “Company”) as of June 30, 2024 and 2023, the related consolidated statements of income, comprehensive income, stockholders’ equity and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2024 and 2023, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses

As described in Note 3 to the consolidated financial statements, the Company's consolidated allowance for credit losses (ACL) was \$7.5 million at June 30, 2024. The Company estimates the allowance for credit losses at a level that is appropriate to cover estimated credit losses on individually evaluated loans, as well as the estimated credit losses inherent in the remainder of the loan portfolio. The determination of the ACL requires management to exercise significant judgment and consider numerous subjective factors, including determining qualitative factors utilized to adjust historical loss rates, risk grading loans, identifying non-performing loans, among others. As disclosed by management, different assumptions and conditions could result in a materially different amount for the ACL.

We identified the valuation of the ACL as a critical audit matter. Auditing the allowance for credit losses involves a high degree of subjectivity in evaluating management's estimates, such as evaluating management's assessment of economic conditions and other environmental factors used to adjust historical loss rates, evaluating the adequacy of specific allowances associated with non-performing loans and assessing the appropriateness of loan grades.

Our audit procedures related to the estimated ACL included the following procedures, among others.

- Evaluating the design effectiveness of controls over the Company's ACL including data completeness and accuracy, classifications of loans by loan segment, historical loss data, the establishment of qualitative and forecast adjustments, the calculation of a loss rate, grading and risk classification of loans and establishment of reserves on non-performing loans and management's review controls over the ACL balance as a whole;
- Testing of completeness and accuracy of the information utilized in the calculation of the ACL;
- Testing the computational accuracy of the calculations utilized in the ACL model;
- Evaluating the qualitative adjustment to the historical loss rates, including assessing the basis for the adjustments and the reasonableness of the significant assumptions used;
- Testing the internal loan review functions and evaluating the assigned loan grades for appropriateness and reasonableness;
- Assessing the reasonableness of specific reserves on individually assessed non-performing loans;
- Evaluating the overall reasonableness of qualitative factor and forecast adjustments, including assessing the basis and reasonableness for the adjustments;
- Reviewing subsequent events and considering whether they support or contradict the Company's ACL estimate;

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- Evaluating overall reasonableness of estimated reserve by considering and comparing past performance of the Company's loan portfolio, and trends in credit quality of the loan portfolio

We have served as the Company's auditor since 2009.

/s/ FORVIS MAZARS, LLP

Decatur, Illinois

September 11, 2024

IF Bancorp, Inc.
Consolidated Balance Sheets
June 30, 2024 and 2023
(in thousands)

Assets

	2024	2023
Cash and due from banks	\$ 9,276	\$ 10,717
Interest-bearing demand deposits	295	271
Cash and cash equivalents	9,571	10,988
Interest-bearing time deposits in banks	250	1,250
Available-for-sale securities	190,475	201,299
Loans, net of allowance for credit losses of \$7,499 and \$7,139 at June 30, 2024 and 2023, respectively	639,297	587,457
Premises and equipment, net of accumulated depreciation of \$9,196 and \$9,212 at June 30, 2024 and 2023, respectively	10,580	11,092
Federal Home Loan Bank stock, at cost	4,499	3,127
Foreclosed assets held for sale	—	31
Accrued interest receivable	3,457	2,781
Bank-owned life insurance	14,892	14,761
Mortgage servicing rights	1,491	1,482
Deferred income taxes	10,483	11,037
Other	2,750	3,671
Total assets	<u>\$ 887,745</u>	<u>\$ 848,976</u>

See Notes to Consolidated Financial Statements

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Liabilities and Stockholders' Equity

	2024	2023
Liabilities		
Deposits		
Demand	\$ 103,314	\$ 107,567
Savings, NOW and money market	304,230	344,151
Certificates of deposit	290,633	264,058
Brokered certificates of deposit	29,000	19,538
Total deposits	<u>727,177</u>	<u>735,314</u>
Repurchase agreements	17,772	10,787
Federal Home Loan Bank advances	32,999	19,500
Other borrowings	25,250	—
Advances from borrowers for taxes and insurance	968	1,233
Accrued post-retirement benefit obligation	2,256	2,431
Accrued interest payable	3,009	1,666
Allowance for credit losses on off-balance sheet credit exposure	98	216
Other	4,300	6,076
Total liabilities	<u>813,829</u>	<u>777,223</u>
Commitments and Contingencies		
Stockholders' Equity		
Common stock, \$.01 par value, 100,000,000 shares authorized, 3,353,026 and 3,354,626 shares issued and outstanding at June 30, 2024 and 2023, respectively	33	33
Additional paid-in capital	51,913	51,543
Unearned ESOP shares, at cost, 134,715 and 153,960 shares at June 30, 2024 and 2023, respectively	(1,347)	(1,540)
Retained earnings	43,876	43,365
Accumulated other comprehensive loss, net of tax	(20,559)	(21,648)
Total stockholders' equity	<u>73,916</u>	<u>71,753</u>
Total liabilities and stockholders' equity	<u>\$ 887,745</u>	<u>\$ 848,976</u>

IF Bancorp, Inc.
Consolidated Statements of Income
Years Ended June 30, 2024 and 2023
(in thousands)

	<u>2024</u>	<u>2023</u>
Interest Income		
Interest and fees on loans	\$ 34,826	\$ 26,106
Securities		
Taxable	5,445	5,359
Tax-exempt	97	106
Federal Home Loan Bank dividends	378	198
Deposits with financial institutions	238	303
Total interest and dividend income	<u>40,984</u>	<u>32,072</u>
Interest Expense		
Deposits	17,653	7,997
Federal Home Loan Bank advances and repurchase agreements	4,752	2,062
Line of credit and other borrowings	850	16
Total interest expense	<u>23,255</u>	<u>10,075</u>
Net Interest Income	<u>17,729</u>	<u>21,997</u>
Provision (Credit) for Credit Losses	<u>32</u>	<u>(228)</u>
Net Interest Income After Provision (Credit) for Credit Losses	<u>17,697</u>	<u>22,225</u>
Noninterest Income		
Customer service fees	416	380
Other service charges and fees	258	248
Insurance commissions	745	651
Brokerage commissions	650	773
Net realized losses on sale of available-for-sale securities	—	(171)
Mortgage banking income, net	338	360
Gain on sale of loans	266	172
Bank-owned life insurance income, net	506	388
Other	1,207	1,268
Total noninterest income	<u>4,386</u>	<u>4,069</u>

See Notes to Consolidated Financial Statements

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	2024	2023
Noninterest Expense		
Compensation and benefits	\$ 12,012	\$ 12,712
Office occupancy	1,036	1,006
Equipment	2,185	2,499
Federal deposit insurance	574	333
Stationary, printing and office	58	99
Advertising	409	538
Professional services	426	459
Supervisory examination	101	173
Audit and accounting services	175	182
Organizational dues and subscriptions	55	56
Insurance bond premiums	235	206
Telephone and postage	157	163
Loss (gain) on sale of foreclosed assets	1	(28)
Other	2,304	1,636
Total noninterest expense	19,728	20,034
Income Before Income Tax	2,355	6,260
Provision for Income Taxes	565	1,600
Net Income	<u>\$ 1,790</u>	<u>\$ 4,660</u>
Earnings Per Share:		
Basic	\$ 0.57	\$ 1.50
Diluted	\$ 0.57	\$ 1.46
Dividends Paid Per Share	\$ 0.40	\$ 0.40

IF Bancorp, Inc.
Consolidated Statements of Comprehensive Income
Years Ended June 30, 2024 and 2023
(in thousands)

	<u>2024</u>	<u>2023</u>
Net Income	\$ 1,790	\$ 4,660
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of \$378 and \$(1,824) for 2024 and 2023, respectively	947	(4,574)
Less: reclassification adjustment for realized gains (losses) included in net income, net of taxes of \$0 and \$(49) for 2024 and 2023, respectively	—	(122)
	<u>947</u>	<u>(4,452)</u>
Change in postretirement health plan gains and losses, net of taxes of \$56 and \$60 for 2024 and 2023, respectively	<u>142</u>	<u>150</u>
Other comprehensive income (loss), net of tax	<u>1,089</u>	<u>(4,302)</u>
Comprehensive Income	<u>\$ 2,879</u>	<u>\$ 358</u>

See Notes to Consolidated Financial Statements

IF Bancorp, Inc.
Consolidated Statements of Stockholders' Equity
Years Ended June 30, 2024 and 2023
(in thousands)

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, June 30, 2022	\$ 32	\$ 50,342	\$ (1,732)	\$ 40,362	\$ (17,346)	\$ 71,658
Cumulative impact of ASU 2016-13	—	—	—	(388)	—	(388)
Balance, July 1, 2022	32	50,342	\$ (1,732)	\$ 39,974	\$ (17,346)	\$ 71,270
Net income	—	—	—	4,660	—	4,660
Other comprehensive loss	—	—	—	—	(4,302)	(4,302)
Dividends on common stock, \$0.40 per share	—	—	—	(1,269)	—	(1,269)
Stock options exercised	1	731	—	—	—	732
Stock equity plan	—	327	—	—	—	327
ESOP shares earned, 19,245 shares	—	143	192	—	—	335
Balance, June 30, 2023	33	51,543	(1,540)	43,365	(21,648)	71,753
Net income	—	—	—	1,790	—	1,790
Other comprehensive income	—	—	—	—	1,089	1,089
Dividends on common stock, \$0.40 per share	—	—	—	(1,279)	—	(1,279)
Stock equity plan	—	260	—	—	—	260
ESOP shares earned, 19,245 shares	—	110	193	—	—	303
Balance, June 30, 2024	<u>\$ 33</u>	<u>\$ 51,913</u>	<u>\$ (1,347)</u>	<u>\$ 43,876</u>	<u>\$ (20,559)</u>	<u>\$ 73,916</u>

See Notes to Consolidated Financial Statements

IF Bancorp, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023
(in thousands)

	2024	2023
Operating Activities		
Net income	\$ 1,790	\$ 4,660
Items not requiring (providing) cash		
Depreciation	671	663
Provision (credit) for credit losses on loans	150	(228)
Amortization (accretion) of premiums and discounts on securities	(214)	118
Deferred income taxes	120	(156)
Net realized gains on loan sales	(266)	(172)
Net realized losses on sales of available-for-sale securities	—	171
Loss (gain) on foreclosed real estate held for sale	1	(28)
Bank-owned life insurance income, net	(506)	(388)
Originations of loans held for sale	(13,531)	(7,554)
Proceeds from sales of loans held for sale	13,788	7,934
ESOP compensation expense	303	335
Stock equity plan expense	260	327
Changes in		
Accrued interest receivable	(676)	(758)
Other assets	921	(3,053)
Accrued interest payable	1,343	1,490
Post-retirement benefit obligation	23	21
Other liabilities	(1,894)	(616)
Net cash provided by operating activities	<u>2,283</u>	<u>2,766</u>
Investing Activities		
Net change in interest bearing time deposits	1,000	250
Purchases of available-for-sale securities	(1,977)	(18,205)
Proceeds from the sales of available-for-sale securities	—	7,695
Proceeds from maturities and pay-downs of available-for-sale securities	14,340	23,601
Net change in loans	(51,993)	(68,373)
Purchase of premises and equipment	(247)	(2,250)
Proceeds from sale of premises and equipment	88	—
Proceeds from the sale of foreclosed assets	33	148
Purchase of Federal Home Loan Bank stock	(2,292)	(1,050)
Redemption of Federal Home Loan Bank stock	920	1,065
Proceeds from settlement of bank-owned life insurance death claim	375	—
Net cash used in investing activities	<u>(39,753)</u>	<u>(57,119)</u>

See Notes to Consolidated Financial Statements

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	2024	2023
Financing Activities		
Net decrease in demand deposits, money market, NOW and savings accounts	\$ (44,174)	\$ (49,826)
Net increase in certificates of deposit, including brokered certificates	36,037	33,120
Net increase (decrease) in advances from borrowers for taxes and insurance	(265)	730
Proceeds from Federal Home Loan Bank advances	680,499	513,600
Repayment of Federal Home Loan Bank advances	(667,000)	(509,100)
Proceeds from other borrowings	523,175	—
Repayments of other borrowings	(497,925)	—
Net increase in repurchase agreements	6,985	1,543
Dividends paid	(1,279)	(1,269)
Proceeds from exercise of stock options	—	732
Net cash provided by (used in) financing activities	36,053	(10,470)
Decrease in Cash and Cash Equivalents	(1,417)	(64,823)
Cash and Cash Equivalents, Beginning of Year	10,988	75,811
Cash and Cash Equivalents, End of Year	<u>\$ 9,571</u>	<u>\$ 10,988</u>
Supplemental Cash Flows Information		
Interest paid	\$ 21,912	\$ 8,585
Income taxes paid (net of refunds)	\$ 347	\$ 2,096
Foreclosed assets acquired in settlement of loans	\$ 3	\$ 31

IF Bancorp, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

(Table dollar amounts in thousands)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

IF Bancorp, Inc., (“IF Bancorp” or the “Company”) is a Maryland corporation whose principal activity is the ownership and management of its wholly-owned subsidiary, Iroquois Federal Savings and Loan Association (“Iroquois Federal” or the “Association”).

The Association provides a full range of banking and financial services to individual and corporate customers from our seven full-service banking offices located in the municipalities of Watseka, Danville, Clifton, Hoopeston, Savoy, Bourbonnais, and Champaign, Illinois, and our loan production office in Osage Beach, Missouri. Our primary lending market includes the Illinois counties of Vermilion, Iroquois, Champaign and Kankakee, as well as the adjacent counties in Illinois and Indiana. Our loan production office in Osage Beach, Missouri, serves the Missouri counties of Camden, Miller and Morgan. The principal activity of the Association’s wholly-owned subsidiary, L.C.I. Service Corporation (“L.C.I.”) dba IF Insurance Agency, is the sale of property and casualty insurance. The Company is primarily engaged in the business of directing, planning, and coordinating the business activities of the Association. The Company and Association are subject to competition from other financial institutions. The Company and Association are also subject to the regulation of certain federal and state agencies and undergo periodic examinations by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Association and Association’s wholly owned subsidiary, L.C.I. All significant intercompany accounts and transactions have been eliminated in consolidation.

Operating Segment

The Company provides community banking services, including such products and services as loans, certificates of deposits, savings accounts, and mortgage originations. These activities are reported as a single operating segment.

The Company does not derive revenues from, or have assets located in, foreign countries, nor does it derive revenues from any single customer that represents 10% or more of the Company’s total revenues.

IF Bancorp, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

(Table dollar amounts in thousands)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, fair value measurements of investment securities, loan servicing rights and income taxes.

Interest-bearing Time Deposits in Banks

Interest-bearing time deposits in banks are carried at cost.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted primarily of noninterest bearing deposits and interest bearing demand deposits.

At June 30, 2024, the Company's cash accounts exceeded federally insured limits by approximately \$350,000. The Company had approximately \$4.6 million at the Federal Reserve and Federal Home Loan Banks, which are government-affiliated entities not insured by the FDIC.

Securities

Securities are classified as "available for sale" (AFS) and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

For AFS securities with fair value less than amortized cost that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income (loss). The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections and is recorded to the allowance for credit losses (ACL) on investments, by a charge to provision for credit losses. Accrued interest receivable is excluded from the estimate of credit losses. Both the ACL and the adjustment to net income may be reversed if conditions change. However, if the Company intends

IF Bancorp, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

(Table dollar amounts in thousands)

to sell an impaired AFS security, or, if it is more likely than not the Company will be required to sell such a security before recovering its amortized cost basis, the entire impairment amount would be recognized in earnings with a corresponding adjustment to the security's amortized cost basis. Because the security's amortized cost basis is adjusted to fair value, there would be no ACL in this situation.

At adoption of ASU 2016-13, no impairment on AFS securities was attributable to credit. The Company will evaluate impaired AFS securities at the individual level on a quarterly basis, and will consider such factors including, but not limited to: the extent to which the fair value of the security is less than the amortized cost basis; adverse conditions specifically related to the security, an industry, or geographic area; the payment structure of the security and likelihood of the issuer to be able to make payments that may increase in the future; failure of the issuer to make scheduled interest or principal payments; any changes to the rating of the security by a rating agency; and the ability and intent to hold the security until maturity. A qualitative determination as to whether any portion of the impairment is attributable to credit risk is acceptable. There were no credit related factors underlying unrealized losses on AFS securities at June 30, 2024 or 2023.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

IF Bancorp, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

(Table dollar amounts in thousands)

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for credit losses, and any unamortized deferred fees or costs on originated loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are 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. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

The allowance for credit losses (ACL) represents the Company's best estimate of the reserve necessary to adequately account for probable losses expected over the remaining contractual life of the assets. The provision (credit) for credit losses is expensed (credited) to current earnings and is determined by the Company as the amount needed to maintain an adequate allowance for credit losses. In determining the adequacy of the allowance for credit losses, and therefore the provision to be expensed (credited) to current earnings, the Company relies on a sound credit review and approval process. The review process is directed by the overall lending policy and is intended to identify, at the earliest possible stage, borrowers who might be facing financial difficulty.

The Company utilizes the CECL cohort methodology analysis which relies on segmenting the loan portfolio into pools with similar risks, tracking the performance of the pools over time, and using the data to determine pool loss experience.

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans and is established through provision (credit) for credit losses expensed (credited) to current earnings. The ACL is increased by the provision for losses on loans charged to expense and reduced by loans charged off, net of recoveries. Loans are charged off in the period deemed uncollectible, based on management's analysis of expected cash flows (for non-collateral dependent loans) or collateral value (for collateral-dependent loans).

IF Bancorp, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

(Table dollar amounts in thousands)

Subsequent recoveries of loans previously charged off, if any, are credited to the allowance when received.

Management estimates the ACL balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Adjustments may be made to historical loss information for differences identified in current loan-specific risk characteristics, such as differences in underwriting standards or terms; lending review systems; experience, ability, or depth of lending management and staff; portfolio growth and mix; delinquency levels and trends; as well as for changes in environmental conditions, such as changes in economic activity or employment, industry economic conditions, property values, or other relevant factors.

The allowance for credit losses on most loans is measured on a collective (pool) basis for loans with similar risk characteristics. The Company estimates the appropriate level of allowance for credit losses for specifically identified loans by evaluating them individually.

The specific allowance for collateral-dependent loans that are evaluated separately is measured by determining the fair value of the collateral adjusted for market conditions and selling expense. Factors used in identifying a specific individually evaluated 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 the 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, the Company also considers the extent of any past due and unpaid property taxes applicable to the property serving as collateral on the mortgage.

The Company establishes a general allowance for loans that are not individually evaluated to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, has not been allocated to particular problem assets. The general valuation allowance is determined by segmenting the loan portfolio into pools with similar risks and collecting data to determine pool loss experience. Factors considered by the Company in evaluating the overall adequacy of the allowance include historical net loan losses, the level and composition of nonaccrual, past due and loan modifications for borrowers with financial difficulties, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates. In addition, a forecast, using reasonable and supportable future conditions, is prepared that is used to estimate expected changes to existing and historical conditions in the current period.

Off-balance sheet credit instruments include commitments to make loans, and commercial letters of credit, issued to meet customer financing needs. The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded. The ACL on off-balance sheet credit exposures is

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estimated by loan pool on a quarterly basis under the CECL model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur and is included as a liability on the Company’s consolidated balance sheets. The Company records an ACL on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable.

Premises and Equipment

Land is carried at cost. Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	35-40 years
Furniture and equipment	3-5 years

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2024 and 2023.

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Bank-owned Life Insurance

Bank-owned life insurance policies are reflected on the consolidated balance sheets at the estimated cash surrender value. Changes in the cash surrender value are reflected in noninterest income in the consolidated statements of income.

Fee Income

Loan origination fees, net of direct origination costs, are recognized as income using the level-yield method over the contractual life of the loans.

Revenue Recognition

Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers (“ASC 606”), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of our revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as our loans, letters of credit and investments securities, as well as revenue related to our mortgage servicing activities and bank owned life insurance, as these activities are subject to other GAAP discussed elsewhere within our disclosures. Descriptions of our revenue-generating activities that are within the scope of ASC 606, and which are presented in our income statements as components of noninterest income are as follows:

Customer Service Fees – The Company generates revenue from fees charged for deposit account maintenance, overdrafts, wire transfers, and check fees. The revenue related to deposit fees is recognized at the time the performance obligation is satisfied.

Insurance Commissions – The Company’s insurance agency, IF Insurance Agency, receives commissions on premiums of new and renewed business policies. IF Insurance Agency records commission revenue on direct bill policies as the cash is received. For agency bill policies, IF Insurance Agency retains its commission portion of the customer premium payment and remits the balance to the carrier. In both cases, the carrier holds the performance obligation.

Brokerage Commissions – The primary brokerage revenue is recorded at the beginning of each quarter through billing to customers based on the account asset size on the last day of the previous quarter. If a withdrawal of funds takes place, a prorated refund may occur; this is reflected within the same quarter as the original billing occurred. All performance obligations are met within the same quarter that the revenue is recorded.

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Other – The Company generates revenue through service charges from the use of its ATM machines and interchange income from the use of Company issued credit and debit cards. The revenue is recognized at the time the service is used, and the performance obligation is satisfied.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. The Company has elected to initially and subsequently measure the mortgage servicing rights for consumer mortgage loans using the fair value method. Under the fair value method, the servicing rights are carried in the balance sheet at fair value and the changes in fair value are reported in earnings in the period in which the changes occur.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The change in fair value of mortgage servicing rights is netted against loan servicing fee income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

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Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiary.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each year. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and restricted stock awards and are determined using the treasury stock method.

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Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation and depreciation on available-for-sale securities, adjustments for realized gains (losses) included in net income, and changes in the funded status of the postretirement health benefit plan.

Stock-based Compensation Plans

At June 30, 2024 and 2023, the Company has stock-based compensation plans (stock options and restricted stock) which are described more fully in Note 14.

Recent and Future Accounting Requirements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies eligible to be smaller reporting companies (SRC), this update was effective for interim and annual periods beginning after December 15, 2022. In preparation for the adoption of ASU 2016-13, the Company engaged a firm specializing in ACL modeling and utilized transition modeling for the two years prior to implementation. The Company also had its CECL model validated by an independent firm.

The Company early adopted ASU 2016-13 using the current expected credit loss (“CECL”) methodology for financial assets measured at amortized cost, effective July 1, 2022. Results for the periods beginning after July 1, 2022 are presented under ASU 2016-13, while prior period amounts are reported in accordance with the previously applicable accounting standards. The Company recorded a reduction to retained earnings of approximately \$388,000 upon adoption of ASU 2016-13. The transition adjustment included an increase to the allowance for credit losses on loans of \$47,000 and an increase to the allowance to credit losses on off-balance sheet credit exposure of \$496,000. The transition adjustment included a corresponding increase in deferred tax assets.

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The following table illustrates the impact of ASU 2016-13 adoption (in thousands):

	July 1, 2022		
	Allowance for credit losses as reported under ASU 2016-13	Allowance pre-ASU 2016-13 Adoption	Impact on Allowance of ASU 2016-13 Adoption
Assets:			
Real Estate Loans			
One- to four-family	\$ 1,410	\$ 1,028	\$ 382
Multi-Family	1,235	1,375	(140)
Commercial	2,370	1,985	385
HELOC	103	70	33
Construction	681	489	192
Commercial Business	1,207	2,025	(818)
Consumer	93	80	13
Allowance for credit losses for all loans	<u>\$ 7,099</u>	<u>\$ 7,052</u>	<u>\$ 47</u>
Liabilities:			
Allowance for credit losses on off-balance sheet exposures	<u>\$ 496</u>	<u>\$ —</u>	<u>\$ 496</u>

In March 2022, FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this update eliminate the accounting guidance and related disclosures for TDRs by creditors in Subtopic 310-40, *Receivables—Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty and requiring an entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*. The amendments in this update were effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and are applied prospectively, except with respect to the recognition and measurement of TDRs, where an entity has the option to apply a modified retrospective transition method. The Company adopted ASU 2022-02 effective July 1, 2023 with changes applied prospectively, except with respect to the recognition and measurement of TDRs where a modified retrospective transition method was applied. The adoption of this accounting guidance did not have a material impact on the Company's consolidated financial statements.

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In December 2023, the FASB issued ASU 2023-09, Income Tax (Topic 740): *Improvements to Income Tax Disclosures*. The amendments expand the disclosure requirements of income taxes, primarily related to the income tax rate reconciliation and income taxes paid. The guidance also eliminates certain existing disclosure requirements related to uncertain tax positions and unrecognized deferred income tax liabilities. The amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025. Earlier adoption is permitted. The adoption of the guidance is not expected to have a material impact on the Company's consolidated financial statements.

Note 2: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale Securities:				
June 30, 2024:				
U.S. Treasury	\$ 497	\$ —	\$ (53)	\$ 444
U.S. Government and federal agency and Government sponsored enterprises (GSEs)	6,979	—	(370)	6,609
Mortgage-backed:				
GSE residential	192,556	41	(26,361)	166,236
Small Business Administration	16,387	—	(2,301)	14,086
State and political subdivisions	3,104	—	(4)	3,100
	<u>\$ 219,523</u>	<u>\$ 41</u>	<u>\$ (29,089)</u>	<u>\$ 190,475</u>
June 30, 2023:				
U.S. Treasury	\$ 497	\$ —	\$ (59)	\$ 438
U.S. Government and federal agency and Government sponsored enterprises (GSEs)	6,976	—	(499)	6,477
Mortgage-backed:				
GSE residential	203,139	21	(27,434)	175,726
Small Business Administration	17,629	1	(2,397)	15,233
State and political subdivisions	3,431	—	(6)	3,425
	<u>\$ 231,672</u>	<u>\$ 22</u>	<u>\$ (30,395)</u>	<u>\$ 201,299</u>

Available for sale securities ("AFS"), which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses, net of tax, are reported in accumulated other comprehensive income (loss), a component of stockholders' equity. All securities have been classified as available for sale.

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Premiums and discounts on debt securities are amortized or accreted as adjustments to income over the estimated life of the security using the level yield method or to the earlier of call or maturity date. Realized gains or losses on the sale of securities is based on the specific identification method. The fair value of securities is based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

For AFS securities with fair value less than amortized cost that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income (loss). The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections, and is recorded to the allowance for credit losses (ACL) on investments, by a charge to provision for credit losses. Accrued interest on securities available for sale totaled \$509,000 and \$535,000 as of June 30, 2024 and 2023, respectively, and is included in the accrued interest receivable line on the Company's Consolidated Balance Sheets. The total amount of accrued interest is excluded from the estimate of credit losses. Both the ACL and the adjustment to net income may be reversed if conditions change. However, if the Company intends to sell an impaired AFS security, or, if it is more likely than not the Company will be required to sell such a security before recovering its amortized cost basis, the entire impairment amount would be recognized in earnings with a corresponding adjustment to the security's amortized cost basis. Because the security's amortized cost basis is adjusted to fair value, there would be no ACL in this situation.

At adoption of ASU 2016-13, no impairment on AFS securities was attributable to credit. The Company will evaluate impaired AFS securities at the individual level on a quarterly basis, and will consider such factors including, but not limited to: the extent to which the fair value of the security is less than the amortized cost basis; adverse conditions specifically related to the security, an industry, or geographic area; the payment structure of the security and likelihood of the issuer to be able to make payments that may increase in the future; failure of the issuer to make scheduled interest or principal payments; any changes to the rating of the security by a rating agency; and the ability and intent to hold the security until maturity. A qualitative determination as to whether any portion of the impairment is attributable to credit risk is acceptable. There were no credit related factors underlying unrealized losses on AFS securities at June 30, 2024 or 2023.

Changes in the ACL are recorded as expense. Losses are charged against the ACL when management believes the collectability of an AFS debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

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The Company did not hold securities of any one issuer at June 30, 2024 with a book value that exceeded 10% of the Company's total equity except for: Mortgage-backed GSE residential securities and Small Business Administration securities with an amortized cost of approximately \$192,556,000 and \$16,387,000, respectively, and a market value of approximately \$166,236,000 and \$14,086,000, respectively, at June 30, 2024.

All mortgage-backed securities at June 30, 2024 and June 30, 2023 were issued by GSEs.

The amortized cost and fair value of available-for-sale securities at June 30, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Within one year	\$ 4,000	\$ 3,938
One to five years	4,619	4,240
Five to ten years	7,661	7,040
After ten years	10,687	9,021
	<u>26,967</u>	<u>24,239</u>
Mortgage-backed securities	192,556	166,236
Totals	<u>\$ 219,523</u>	<u>\$ 190,475</u>

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was \$118,577,000 at June 30, 2024 and \$138,022,000 at June 30, 2023.

Gross gains of \$0 and \$12,000 and gross losses of \$0 and \$183,000 resulting from sales of available-for-sale securities were realized for 2024 and 2023, respectively. The tax credit applicable to these net realized losses amounted to approximately \$0 and \$49,000 for 2024 and 2023, respectively.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. The total fair value of these investments at June 30, 2024 and 2023, was \$185,652,000 and \$194,818,000, respectively, which is approximately 97% and 97% of the Company's available-for-sale investment portfolio. These declines in fair value at June 30, 2024 and 2023, resulted from changes in market interest rates and are considered temporary.

The following table shows the Company's gross unrealized investment losses and the fair value of the Company's investments with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2024 and 2023:

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Description of Securities	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2024:						
U.S. Treasury	\$ —	\$ —	\$ 444	\$ (53)	\$ 444	\$ (53)
U.S. Government and federal agency and Government sponsored enterprises (GSEs)	—	—	6,609	(370)	6,609	(370)
Mortgage-backed:						
GSE residential	945	(1)	162,525	(26,360)	163,470	(26,361)
Small Business Administration	—	—	14,086	(2,301)	14,086	(2,301)
State and political subdivisions	1,043	(4)	—	—	1,043	(4)
Total	<u>\$ 1,988</u>	<u>\$ (5)</u>	<u>\$183,664</u>	<u>\$ (29,084)</u>	<u>\$185,652</u>	<u>\$ (29,089)</u>
June 30, 2023:						
U.S. Treasury	\$ —	\$ —	\$ 438	\$ (59)	\$ 438	\$ (59)
U.S. Government and federal agency and Government sponsored enterprises (GSEs)	—	—	6,477	(499)	6,477	(499)
Mortgage-backed:						
GSE residential	14,517	(440)	158,413	(26,994)	172,930	(27,434)
Small Business Administration	1,148	(60)	12,762	(2,337)	13,910	(2,397)
State and political subdivisions	1,063	(6)	—	—	1,063	(6)
Total	<u>\$ 16,728</u>	<u>\$ (506)</u>	<u>\$178,090</u>	<u>\$ (29,889)</u>	<u>\$194,818</u>	<u>\$ (30,395)</u>

The unrealized losses on the Company's investment in U.S. Treasury, U.S. Government and federal agency, GSE residential mortgage-backed securities, Small Business Administration, and state and political subdivisions securities at June 30, 2024 and 2023, were mostly the result of a decline in market value that was attributable to changes in interest rates and not credit quality, and the Company does not consider those investments to need an allowance for credit losses at June 30, 2024 and 2023.

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Note 3: Loans and Allowance for Credit Losses

Classes of loans at June 30, include:

	2024	2023
Real estate loans		
One- to four-family	\$ 177,263	\$ 163,854
Multi-family	126,031	89,649
Commercial Business	200,017	193,707
Home equity lines of credit	9,859	8,066
Construction	33,708	50,973
Commercial	91,784	79,693
Consumer	7,727	8,382
	<u>646,389</u>	<u>594,324</u>
Less		
Unearned fees and discounts, net	(407)	(272)
Allowance for credit losses	7,499	7,139
Loans, net	<u>\$ 639,297</u>	<u>\$ 587,457</u>

The Company had no loans held for sale included in one- to four-family real estate loans as of June 30, 2024 and 2023.

The Company believes that sound loans are a necessary and desirable means of deploying funds available for investment. Recognizing the Company's obligations to its depositors and to the communities it serves, authorized personnel are expected to seek to develop and make sound, profitable loans that resources permit, and that opportunity affords. The Company maintains lending policies and procedures in place designed to focus our lending efforts on the types, locations, and duration of loans most appropriate for our business model and markets. The Company's lending activity includes the origination of one- to four-family residential mortgage loans, multi-family loans, commercial real estate loans, home equity lines of credits, commercial business loans, consumer (consisting primarily of automobile loans), and construction loans. The primary lending market includes the Illinois counties of Vermilion, Iroquois, Champaign, and Kankakee, as well as the adjacent counties in Illinois and Indiana within 30 miles of a branch or loan production office. The Company also has a loan production office in Osage Beach, Missouri, which serves the Missouri counties of Camden, Miller, and Morgan. Generally, loans are collateralized by assets, primarily real estate, of the borrowers and guaranteed by individuals. The loans are expected to be repaid from cash flows of the borrowers or from proceeds from the sale of selected assets of the borrowers.

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

The Company's policies and loan approval limits are established by the Board of Directors. The structure of the Company's loan approval process is based on progressively larger lending authorities granted to loan officers, loan committees, and ultimately the Board of Directors through its Operating Committee, consisting of the Chairman and at least four other Board members. At no time is a borrower's total borrowing relationship to exceed our regulatory lending limit. Loans to related parties, including executive officers and the Company's directors, are reviewed for compliance with regulatory guidelines and the Board of Directors at least annually.

The Company conducts internal loan reviews that validate the loans against the Company's loan policy quarterly for mortgage, consumer, and small commercial loans on a sample basis, and all larger commercial loans on an annual basis. The Company also receives independent loan reviews performed by a third party on larger commercial loans to be performed annually. In addition to compliance with our policy, the third-party loan review process reviews the risk assessments made by our credit department, lenders and loan committees. Results of these reviews are presented to management and the Board of Directors.

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The Company's lending can be summarized into six primary areas: one- to four-family residential mortgage loans, commercial real estate and multi-family real estate loans, home equity lines of credit, construction loans, commercial business loans, and consumer loans.

One- to four-family Residential Mortgage Loans

The Company offers one- to four-family residential mortgage loans that conform to Fannie Mae and Freddie Mac underwriting standards (conforming loans) as well as non-conforming loans. The Company has sold a substantial portion of the fixed-rate one- to four-family residential mortgage loans with terms of 15 years or greater. Generally, the Company retains fixed-rate one- to four-family residential mortgage loans with terms of less than 15 years, although this has represented a small percentage of the fixed-rate loans originated in recent years due to the favorable long-term rates for borrower.

The Company also offers USDA (USDA Rural Development), FHA and VA loans that are originated through a nationwide wholesale lender.

In addition, the Company also offers home equity loans that are secured by a second mortgage on the borrower's primary or secondary residence. Home equity loans are generally underwritten using the same criteria used to underwrite one- to four-family residential mortgage loans.

As one- to four-family residential mortgage and home equity loan underwriting are subject to specific regulations, the Company typically underwrites its one- to four-family residential mortgage and home equity loans to conform to widely accepted standards. Several factors are considered in underwriting including the value of the underlying real estate and the debt to income and credit history of the borrower.

Commercial Real Estate and Multi-Family Real Estate Loans

Commercial real estate mortgage loans are primarily secured by owner-occupied businesses, student housing, retail rentals, churches, office buildings and farm loans secured by real estate. In underwriting commercial real estate and multi-family real estate loans, the Company considers a number of factors, which include the projected net cash flow to the loan's debt service requirement, the age and condition of the collateral, the financial resources and income level of the borrower and the borrower's experience in owning or managing similar properties. Personal guarantees are typically obtained from commercial real estate and multi-family real estate borrowers. In addition, the borrower's financial information on such loans is monitored on an ongoing basis by requiring periodic financial statement updates. The repayment of these loans is primarily dependent on the cash flows of the underlying property. However, the commercial real estate loan generally must be supported by an adequate underlying collateral value. The performance and the value of the underlying property may be adversely affected by economic factors or geographical and/or industry specific factors. These loans are subject to other industry guidelines that are closely monitored by the Company.

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Home Equity Lines of Credit

In addition to traditional one- to four-family residential mortgage loans and home equity loans, the Company offers home equity lines of credit that are secured by the borrower's primary or secondary residence. Home equity lines of credit are generally underwritten using the same criteria used to underwrite one- to four-family residential mortgage loans. As home equity lines of credit underwriting are subject to specific regulations, the Company typically underwrites its home equity lines of credit to conform to widely accepted standards. Several factors are considered in underwriting including the value of the underlying real estate and the debt to income and credit history of the borrower.

Commercial Business Loans

The Company originates commercial non-mortgage business (term) loans and adjustable lines of credit. These loans are generally originated to small- and medium-sized companies in the Company's primary market area. Commercial business loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture, and are primarily secured by business assets other than real estate, such as business equipment and inventory, accounts receivable or stock. The Company also offers agriculture loans that are not secured by real estate.

The commercial business loan portfolio consists primarily of secured loans. When making commercial business loans, the Company considers the financial statements, lending history and debt service capabilities of the borrower, the projected cash flows of the business and the value of the collateral, if any. The cash flows of the underlying borrower, however, may not perform consistent with historical or projected information. Further, the collateral securing loans may fluctuate in value due to individual economic or other factors. Loans are typically guaranteed by the principals of the borrower. The Company has established minimum standards and underwriting guidelines for all commercial loan types.

Real Estate Construction Loans

The Company originates construction loans for one- to four-family residential properties and commercial real estate properties, including multi-family properties. The Company generally requires that a commitment for permanent financing be in place prior to closing the construction loan. The repayment of these loans is typically through permanent financing following completion of the construction. Construction loans are inherently riskier than loans on completed properties as the unimproved nature and the financial risks of construction significantly enhance the risks of commercial real estate loans. These loans are closely monitored and subject to other industry guidelines.

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Consumer Loans

Consumer loans consist of installment loans to individuals, primarily automotive loans. These loans are underwritten utilizing the borrower's financial history, including the Fair Isaac Corporation ("FICO") credit scoring and information as to the underlying collateral. Repayment is expected from the cash flow of the borrower. Consumer loans may be underwritten with terms up to seven years, fully amortized. Unsecured loans are limited to twelve months. Loan-to-value ratios vary based on the type of collateral. The Company has established minimum standards and underwriting guidelines for all consumer loan collateral types.

Loan Concentrations

The loan portfolio includes a concentration of loans secured by commercial and multi-family real estate properties, amounting to \$346,499,000 and \$328,721,000 as of June 30, 2024 and 2023, respectively. Generally, these loans are collateralized by multi-family and nonresidential properties. The loans are expected to be repaid from cash flows or from proceeds from the sale of the properties of the borrower.

Purchased Loans and Loan Participations

The Company's loans receivable included purchased loans of \$253,000 and \$652,000 at June 30, 2024 and 2023, respectively. All of these purchased loans are secured by single family homes located out of our primary market area, primarily in the Midwest. The Company's loans receivable also include commercial loan participations of \$51,798,000 and \$46,073,000 at June 30, 2024 and 2023, respectively, of which \$34,929,000 and \$28,951,000, at June 30, 2024 and 2023 were outside of our primary market area.

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Allowance for Credit Losses

The following tables present the activity in the allowance for credit losses and the recorded investment in loans based on loan classes as of June 30, 2024 and 2023:

	2024			
	Real Estate Loans			
	One-to four-family	Multi-family	Commercial	Home Equity Lines of Credit
Allowance for credit losses:				
Balance, beginning of year	\$ 1,898	\$ 1,121	\$ 2,369	\$ 121
Provision (credit) charged to expense	(127)	643	(11)	27
Losses charged off	—	—	—	—
Recoveries	3	—	—	—
Balance, end of period	<u>\$ 1,774</u>	<u>\$ 1,764</u>	<u>\$ 2,358</u>	<u>\$ 148</u>
Loans:				
Ending balance	<u>\$177,263</u>	<u>\$ 126,031</u>	<u>\$ 200,017</u>	<u>\$ 9,859</u>

	2024 (Continued)			
	Construction	Commercial Business	Consumer	Total
Allowance for credit losses:				
Balance, beginning of year	\$ 765	\$ 794	\$ 71	\$ 7,139
Provision (credit) charged to expense	(428)	17	29	150
Losses charged off	—	—	(49)	(49)
Recoveries	—	242	14	259
Balance, end of year	<u>\$ 337</u>	<u>\$ 1,053</u>	<u>\$ 65</u>	<u>\$ 7,499</u>
Loans:				
Ending balance	<u>\$ 33,708</u>	<u>\$ 91,784</u>	<u>\$ 7,727</u>	<u>\$ 646,389</u>

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	2023			
	Real Estate Loans			Home Equity Lines of Credit
	One- to four-family	Multi-family	Commercial	
Allowance for credit losses:				
Balance, beginning of year (prior to adoption of ASU 2016-13)	\$ 1,028	\$ 1,375	\$ 1,985	\$ 70
Impact of adopting ASU 2016- 13	382	(140)	385	33
Provision (credit) charged to expense	487	(114)	(1)	18
Losses charged off	—	—	—	—
Recoveries	1	—	—	—
Balance, end of period	<u>\$ 1,898</u>	<u>\$ 1,121</u>	<u>\$ 2,369</u>	<u>\$ 121</u>
Loans:				
Ending balance	<u>\$ 163,854</u>	<u>\$ 89,649</u>	<u>\$ 193,707</u>	<u>\$ 8,066</u>

	2023 (Continued)			
	Construction	Commercial Business	Consumer	Total
Allowance for credit losses:				
Balance, beginning of year (prior to adoption of ASU 2016-13)	\$ 489	\$ 2,025	\$ 80	\$ 7,052
Impact of adopting ASU 2016-13	192	(818)	13	47
Provision (credit) charged to expense	84	(422)	—	52
Losses charged off	—	(14)	(37)	(51)
Recoveries	—	23	15	39
Balance, end of year	<u>\$ 765</u>	<u>\$ 794</u>	<u>\$ 71</u>	<u>\$ 7,139</u>
Loans:				
Ending balance	<u>\$ 50,973</u>	<u>\$ 79,693</u>	<u>\$ 8,382</u>	<u>\$ 594,324</u>

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Management's opinion as to the ultimate collectability of loans is subject to estimates regarding future cash flows from operations and the value of property, real and personal, pledged as collateral. These estimates are affected by changing economic conditions and the economic prospects of borrowers.

The allowance for credit losses (ACL) represents the Company's best estimate of the reserve necessary to adequately account for probable losses expected over the remaining contractual life of the assets. The provision for credit losses is the charge against current earnings that is determined by the Company as the amount needed to maintain an adequate allowance for credit losses. In determining the adequacy of the allowance for credit losses, and therefore the provision to be charged to current earnings, the Company relies on a sound credit review and approval process. The review process is directed by the overall lending policy and is intended to identify, at the earliest possible stage, borrowers who might be facing financial difficulty.

The Company utilizes the CECL cohort methodology analysis which relies on segmenting the loan portfolio into pools with similar risks, tracking the performance of the pools over time, and using the data to determine pool loss experience.

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans and is established through provision for credit losses charged to current earnings. The ACL is increased by the provision for losses on loans charged to expense and reduced by loans charged off, net of recoveries. Loans are charged off in the period deemed uncollectible, based on management's analysis of expected cash flows (for non-collateral dependent loans) or collateral value (for collateral-dependent loans). Subsequent recoveries of loans previously charged off, if any, are credited to the allowance when received.

Management estimates the ACL balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Adjustments may be made to historical loss information for differences identified in current loan-specific risk characteristics, such as differences in underwriting standards or terms; lending review systems; experience, ability, or depth of lending management and staff; portfolio growth and mix; delinquency levels and trends; as well as for changes in environmental conditions, such as changes in economic activity or employment, industry economic conditions, property values, or other relevant factors.

The allowance for credit losses on most loans is measured on a collective (pool) basis for loans with similar risk characteristics. The Company estimates the appropriate level of allowance for credit losses for specifically identified loans by evaluating them individually.

The specific allowance for collateral-dependent loans that are evaluated separately is measured by determining the fair value of the collateral adjusted for market conditions and selling expense. Factors used in identifying a specific problem loan include: (1) the strength of the customer's

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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 the 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, the Company also considers the extent of any past due and unpaid property taxes applicable to the property serving as collateral on the mortgage.

The Company establishes a general allowance for loans that are not individually evaluated to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, has not been allocated to particular problem assets. The general valuation allowance is determined by segmenting the loan portfolio into pools with similar risks and collecting data to determine pool loss experience. Factors considered by the Company in evaluating the overall adequacy of the allowance include historical net loan losses, the level and composition of nonaccrual, past due and loan modifications to borrowers experiencing financial difficulties, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates. In addition, a forecast, using reasonable and supportable future conditions, is prepared that is used to estimate expected changes to existing and historical conditions in the current period.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. All loans are graded at inception of the loan. Subsequently, analyses are performed on an annual basis and grade changes are made as necessary. Interim grade reviews may take place if the circumstances of the borrower warrant a timelier review. The Company utilizes an internal asset classification system as a means of identifying and reporting problem and potential problem loans. Under the Company's risk rating system, the Company classifies problem and potential problem loans as "Watch," "Substandard," "Doubtful," and "Loss." The Company uses the following definitions for risk ratings:

Pass – Loans classified as pass are well protected by the ability of the borrower to pay or by the value of the asset or underlying collateral.

Watch – Loans classified as watch have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

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Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

Loss – Loans classified as loss are the portion of the loan that is considered uncollectible so that its continuance as an asset is not warranted. The amount of the loss determined will be charged off.

Risk characteristics applicable to each segment of the loan portfolio are described as follows.

Residential One- to four-family and Equity Lines of Credit Real Estate: The residential one- to four-family real estate loans are generally secured by owner-occupied one- to four-family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Company's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Commercial and Multi-family Real Estate: Commercial and multi-family real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Construction Real Estate: Construction loans are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment of these loans may include permanent loans, sales of developed property, or an interim loan commitment from the Company until permanent financing is obtained. These loans are considered to be higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and the availability of long-term financing. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Commercial Business: The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

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Consumer: The consumer loan portfolio consists of various term loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Company's market area) and the creditworthiness of a borrower.

The following tables present the credit risk profile of the Company's loan portfolio based on risk rating category and calendar year of origination as of June 30, 2024 and 2023 (in thousands):

<u>June 30, 2024</u> Risk Rating	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Prior Years</u>	<u>Total</u>
One- to Four-Family							
Pass	\$14,790	\$39,202	\$51,262	\$24,362	\$15,455	\$ 31,926	\$176,997
Watch	—	—	—	72	—	—	72
Substandard	—	14	5	5	—	170	194
Total	<u>\$14,790</u>	<u>\$39,216</u>	<u>\$51,267</u>	<u>\$24,439</u>	<u>\$15,455</u>	<u>\$ 32,096</u>	<u>\$177,263</u>
Current period recoveries	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ 3
Multi-Family							
Pass	\$ 573	\$ 9,004	\$51,279	\$20,346	\$22,728	\$ 21,867	\$125,797
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	234	234
Total	<u>\$ 573</u>	<u>\$ 9,004</u>	<u>\$51,279</u>	<u>\$20,346</u>	<u>\$22,728</u>	<u>\$ 22,101</u>	<u>\$126,031</u>
Commercial Real Estate							
Pass	\$ 4,602	\$29,665	\$57,530	\$27,622	\$30,489	\$ 48,886	\$198,794
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	150	821	252	1,223
Total	<u>\$ 4,602</u>	<u>\$29,665</u>	<u>\$57,530</u>	<u>\$27,772</u>	<u>\$31,310</u>	<u>\$ 49,138</u>	<u>\$200,017</u>
Home Equity Line of Credit							
Pass	\$ 1,629	\$ 2,361	\$ 1,874	\$ 1,806	\$ 795	\$ 1,394	\$ 9,859
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total	<u>\$ 1,629</u>	<u>\$ 2,361</u>	<u>\$ 1,874</u>	<u>\$ 1,806</u>	<u>\$ 795</u>	<u>\$ 1,394</u>	<u>\$ 9,859</u>
Construction							
Pass	\$ 9,123	\$21,043	\$ 3,250	\$ —	\$ —	\$ 292	\$ 33,708
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total	<u>\$ 9,123</u>	<u>\$21,043</u>	<u>\$ 3,250</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 292</u>	<u>\$ 33,708</u>
Commercial Business							
Pass	\$10,357	\$38,853	\$10,158	\$ 9,898	\$ 8,201	\$ 12,803	\$ 90,270
Watch	—	—	—	—	—	—	—

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Substandard	—	133	47	190	1,088	56	1,514
Total	<u>\$10,357</u>	<u>\$ 38,986</u>	<u>\$ 10,205</u>	<u>\$10,088</u>	<u>\$ 9,289</u>	<u>\$ 12,859</u>	<u>\$ 91,784</u>
Current period recoveries	\$ —	\$ —	\$ —	\$ —	\$ 242	\$ —	\$ 242
Consumer							
Pass	\$ 1,956	\$ 2,635	\$ 1,830	\$ 843	\$ 394	\$ 69	\$ 7,727
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total	<u>\$ 1,956</u>	<u>\$ 2,635</u>	<u>\$ 1,830</u>	<u>\$ 843</u>	<u>\$ 394</u>	<u>\$ 69</u>	<u>\$ 7,727</u>
Current period charge-offs	\$ (48)	\$ —	\$ —	\$ (1)	\$ —	\$ —	\$ (49)
Current period recoveries	\$ 14	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14
Total Loans							
Pass	\$43,030	\$142,763	\$177,183	\$84,877	\$78,062	\$117,237	\$643,152
Watch	—	—	—	72	—	—	72
Substandard	—	147	52	345	1,909	712	3,165
Total	<u>\$43,030</u>	<u>\$142,910</u>	<u>\$177,235</u>	<u>\$85,294</u>	<u>\$79,971</u>	<u>\$117,949</u>	<u>\$646,389</u>
June 30, 2023							
Risk Rating	2023	2022	2021	2020	2019	Prior Years	Total
One- to Four-Family							
Pass	\$ 22,032	\$ 56,054	\$ 27,843	\$ 18,468	\$ 5,996	\$ 32,729	\$163,122
Watch	—	—	—	—	—	335	335
Substandard	14	6	94	61	222	—	397
Total	<u>\$ 22,046</u>	<u>\$ 56,060</u>	<u>\$ 27,937</u>	<u>\$ 18,529</u>	<u>\$ 6,218</u>	<u>\$ 33,064</u>	<u>\$163,854</u>
Current period recoveries	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 1
Multi-Family							
Pass	\$ 674	\$ 37,826	\$ 10,647	\$ 14,399	\$ 8,587	\$ 17,272	\$ 89,405
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	244	—	244
Total	<u>\$ 674</u>	<u>\$ 37,826</u>	<u>\$ 10,647</u>	<u>\$ 14,399</u>	<u>\$ 8,831</u>	<u>\$ 17,272</u>	<u>\$ 89,649</u>
Commercial Real Estate							
Pass	\$ 12,214	\$ 63,645	\$ 29,320	\$ 32,502	\$ 5,844	\$ 49,239	\$192,764
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	862	81	—	943
Total	<u>\$ 12,214</u>	<u>\$ 63,645</u>	<u>\$ 29,320</u>	<u>\$ 33,364</u>	<u>\$ 5,925</u>	<u>\$ 49,239</u>	<u>\$193,707</u>
Home Equity Line of Credit							
Pass	\$ 982	\$ 2,554	\$ 1,301	\$ 1,035	\$ 789	\$ 1,405	\$ 8,066
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total	<u>\$ 982</u>	<u>\$ 2,554</u>	<u>\$ 1,301</u>	<u>\$ 1,035</u>	<u>\$ 789</u>	<u>\$ 1,405</u>	<u>\$ 8,066</u>
Construction							
Pass	\$ 2,882	\$ 29,188	\$ 10,432	\$ 8,471	\$ —	\$ —	\$ 50,973

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Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total	<u>\$ 2,882</u>	<u>\$ 29,188</u>	<u>\$ 10,432</u>	<u>\$ 8,471</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50,973</u>
Commercial Business							
Pass	\$ 12,449	\$ 20,004	\$ 17,673	\$ 8,797	\$ 7,669	\$ 8,841	\$ 75,433
Watch	—	—	—	—	—	—	—
Substandard	2,779	59	174	1,189	57	2	4,260
Total	<u>\$ 15,228</u>	<u>\$ 20,063</u>	<u>\$ 17,847</u>	<u>\$ 9,986</u>	<u>\$ 7,726</u>	<u>\$ 8,843</u>	<u>\$ 79,693</u>
Current period charge-offs	\$ —	\$ (10)	\$ (4)	\$ —	\$ —	\$ —	\$ (14)
Current period recoveries	\$ —	\$ —	\$ —	\$ 14	\$ —	\$ 9	\$ 23
Consumer							
Pass	\$ 2,391	\$ 3,181	\$ 1,653	\$ 834	\$ 211	\$ 107	\$ 8,377
Watch	—	—	—	—	—	—	—
Substandard	—	—	1	—	—	4	5
Total	<u>\$ 2,391</u>	<u>\$ 3,181</u>	<u>\$ 1,654</u>	<u>\$ 834</u>	<u>\$ 211</u>	<u>\$ 111</u>	<u>\$ 8,382</u>
Current period charge-offs	\$ (33)	\$ —	\$ —	\$ (4)	\$ —	\$ —	\$ (37)
Current period recoveries	\$ 14	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 15
Total Loans							
Pass	\$ 53,624	\$ 212,452	\$ 98,869	\$ 84,506	\$ 29,096	\$ 109,593	\$ 588,140
Watch	—	—	—	—	—	335	335
Substandard	2,793	65	269	2,112	604	6	5,849
Total	<u>\$ 56,417</u>	<u>\$ 212,517</u>	<u>\$ 99,138</u>	<u>\$ 86,618</u>	<u>\$ 29,700</u>	<u>\$ 109,934</u>	<u>\$ 594,324</u>

The following tables present the Company's loan portfolio aging analysis:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Loans Receivable	Total Loans 90 Days Past Due & Accruing
June 30, 2024:							
Real estate loans:							
One- to four-family	\$ 1,009	\$ 192	\$ —	\$ 1,201	\$ 176,062	\$ 177,263	\$ —
Multi-family	141	—	—	141	125,890	126,031	—
Commercial	—	—	150	150	199,867	200,017	—
Home equity lines of credit	17	25	—	42	9,817	9,859	—
Construction	237	—	—	237	33,471	33,708	—
Commercial	21	20	—	41	91,743	91,784	—
Consumer	27	1	23	51	7,676	7,727	23
Total	<u>\$ 1,452</u>	<u>\$ 238</u>	<u>\$ 173</u>	<u>\$ 1,863</u>	<u>\$ 644,526</u>	<u>\$ 646,389</u>	<u>\$ 23</u>

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	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Loans Receivable	Total Loans 90 Days Past Due & Accruing
June 30, 2023:							
Real estate loans:							
One- to four-family	\$ 523	\$ 116	\$ —	\$ 639	\$163,215	\$ 163,854	\$ —
Multi-family	—	—	—	—	89,649	89,649	—
Commercial	153	—	—	153	193,554	193,707	—
Home equity lines of credit	—	20	—	20	8,046	8,066	—
Construction	—	—	—	—	50,973	50,973	—
Commercial	56	—	58	114	79,579	79,693	—
Consumer	47	6	2	55	8,327	8,382	—
Total	<u>\$ 779</u>	<u>\$ 142</u>	<u>\$ 60</u>	<u>\$ 981</u>	<u>\$593,343</u>	<u>\$ 594,324</u>	<u>\$ —</u>

The allowance for credit losses on most loans is measured on a collective (pool) basis for loans with similar risk characteristics, while some loans are selected to be evaluated individually. At June 30, 2024 and 2023, no non-performing loans were individually evaluated and no specific reserve was established.

The following table presents the amortized cost basis of loans on nonaccrual status and of nonaccrual loans individually evaluated for which no allowance was recorded as of June 30, 2024 and 2023:

	June 30, 2024		June 30, 2023	
	Nonaccrual with no Allowance for Credit Losses	Nonaccrual	Nonaccrual with no Allowance for Credit Losses	Nonaccrual
Mortgages on real estate:				
One- to four-family	\$ —	\$ —	\$ —	\$ —
Multi-family	—	—	—	—
Commercial	—	150	—	—
Home equity lines of credit	—	—	—	—
Construction loans	—	—	—	—
Commercial business loans	—	—	—	115
Consumer loans	—	—	—	2
Total	<u>\$ —</u>	<u>\$ 150</u>	<u>\$ —</u>	<u>\$ 117</u>

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Loan Modifications with Borrowers Experiencing Financial Difficulty

After adopting ASU 2022-02, effective July 1, 2023, the Company has had two loan modifications for borrowers with financial difficulties in the year ended June 30, 2024. Prior to the adoption of ASU 2022-02, the Company had no loans that were modified in troubled debt restructurings (TDRs) during the year ended June 30, 2023.

The following table shows the amortized cost of loans at June 30, 2024 that were modified and experiencing financial difficulty, segregated by portfolio segment and type of modification. The percentage of the amortized cost of loans that were modified to borrowers in financial distress as compared to outstanding loans is also presented below.

	<u>Payment Delay</u>	<u>Total Class of Financing Receivable</u>
Real estate loans		
One- to four-family	\$ —	—
Multi-family	—	—
Commercial	252	0.13%
Home equity lines of credit	—	—
Construction	—	—
Commercial business	133	0.15%
Consumer	—	—
Total	<u>\$ 385</u>	<u>0.06%</u>

As of June 30, 2024, the Company no longer held any TDRs, while as of June 30, 2023, the Company had a number of loans that were modified in troubled debt restructurings. The modification of such loans included one or a combination of the following: an extension of maturity, a reduction of the stated interest rate or a permanent reduction of the recorded investment in the loan.

The following table presents the recorded balance, at original cost, of troubled debt restructurings, as of June 30, 2023. All TDRs were performing according to the terms of the restructuring and were accruing as of June 30, 2023.

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	<u>June 30, 2023</u>
Real estate loans	
One- to four-family	\$ 189
Multi-family	—
Commercial	—
Home equity lines of credit	—
Total real estate loans	<u>189</u>
Construction	—
Commercial business	26
Consumer	—
Total	<u>\$ 215</u>

Loan Modifications with Defaults

The Company had no loan modifications for borrowers experiencing financial difficulty in default or in foreclosure as of June 30, 2024, or June 30, 2023. The Company defines a default as any loan that becomes 90 days or more past due.

Management considers the level of defaults within the various portfolios, as well as the current adverse economic environment and negative outlook in the real estate and collateral markets when evaluating qualitative adjustments used to determine the adequacy of the allowance for credit losses. The Company believes the qualitative adjustments more accurately reflect collateral values considering the sales and economic conditions that the Company has recently observed.

The Company may obtain physical possession of real estate collateralizing a residential mortgage loan or home equity loan via foreclosure or in-substance repossession. As of June 30, 2024 and 2023, the carrying value of foreclosed residential real estate properties as a result of obtaining physical possession was \$0 and \$25,000, respectively. As of June 30, 2024 and 2023, the Company had no residential mortgage loans or home equity loans collateralized by residential real estate property for which formal foreclosure proceedings were in process.

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Note 4: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 2,124	\$ 2,160
Buildings and improvements	13,204	13,298
Furniture and equipment	4,448	4,846
	<u>19,776</u>	<u>20,304</u>
Less accumulated depreciation	9,196	9,212
Net premises and equipment	<u>\$10,580</u>	<u>\$11,092</u>

Note 5: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others was \$133,786,000 and \$133,228,000 at June 30, 2024 and 2023, respectively.

Custodial escrow balances in connection with the foregoing loan servicing were \$1,090,000 and \$1,536,000 at June 30, 2024 and 2023, respectively.

The aggregate fair value of capitalized mortgage servicing rights at June 30, 2024 and 2023 was \$1,491,000 and \$1,482,000, respectively. Comparable market values and a valuation model that calculates the present value of future cash flows were used to estimate fair value. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, custodial earnings rate, default rates and losses and prepayment speeds.

The following summarizes the activity in mortgage servicing rights measured using the fair value method:

	<u>2024</u>	<u>2023</u>
Fair value, beginning of period	\$1,482	\$1,463
Additions:		
Servicing assets resulting from asset transfers	151	89
Subtractions:		
Payments received and loans refinanced	(143)	(171)
Changes in fair value, due to changes in valuation inputs or assumptions	1	101
Fair value, end of period	<u>\$1,491</u>	<u>\$1,482</u>

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For purposes of measuring impairment, risk characteristics including product type, investor type, and interest rates, were used to stratify the originated mortgage servicing rights.

Note 6: Interest-bearing Deposits

Interest-bearing deposits in denominations of \$100,000 or more were \$367,035,000 at June 30, 2024 and \$389,928,000 at June 30, 2023.

The following table represents interest expense by deposit type:

	2024	2023
Savings, NOW, and Money Market	\$ 5,351	\$ 2,942
Certificates of deposit	10,996	4,391
Brokered certificates of deposit	1,306	664
Total deposit interest expense	<u>\$ 17,653</u>	<u>\$ 7,997</u>

At June 30, 2024, the scheduled maturities of time deposits; including brokered time deposits, are as follows:

2025	\$ 289,058
2026	15,555
2027	8,976
2028	5,604
2029 and thereafter	440
	<u>\$ 319,633</u>

Note 7: Federal Home Loan Bank Advances and Other Borrowings

The Federal Home Loan Bank advances totaled \$32,999,000 and \$19,500,000 as of June 30, 2024 and 2023, respectively. The Federal Home Loan Bank advances are secured by mortgage, multi-family, commercial real estate, and HELOC loans totaling \$408,196,000 and \$350,838,000 at June 30, 2024 and 2023, respectively. Advances at June 30, 2024, at interest rates from 0.00 to 5.29 percent are subject to restrictions or penalties in the event of prepayment.

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Aggregate annual maturities of Federal Home Loan Bank advances at June 30, 2024, are:

2025	\$11,000
2026	5,500
2027	15,000
2028	100
2029	1,009
Thereafter	390
	<u>\$32,999</u>

The Company also has four Public Unit Deposit (PUD) letters of credit with the FHLB, whereby the FHLB issues a letter of credit directly to a public unit (i.e. municipality, state, and local government agency) to collateralize and secure its deposits. At June 30, 2024, the outstanding letters of credit amounts were \$90,000,000 with a maturity of May 6, 2025, \$6,500,000 with a maturity of November 29, 2024, \$11,000,000 with a maturity of November 29, 2024, and \$9,000,000 with a maturity of December 29, 2024. All four letters of credit are renewable annually and have an interest rate of 0.065 percent. At June 30, 2023, we had one outstanding letter of credit in the amount of \$80,000,000 and an interest rate of 0.065 percent.

Other borrowings include borrowings from the Federal Reserve Bank Term Funding Program (BTFP). The Federal Reserve created the BTFP in March 2023 to offer loans of up to one year in length to qualifying financial institutions which pledge collateral, such as U.S. Treasuries, U.S. agency securities, and U.S. agency mortgage-backed securities. The collateral is valued at par and advances under this program do not include any fees or prepayment penalties. At June 30, 2024, we had total borrowings from the Federal Reserve BTFP of \$25,250,000 at a rate of 4.76% with a maturity of January 16, 2025. The collateral par value of securities pledged to the Federal Reserve BTFP was \$25,272,000 as of June 30, 2024. At June 30, 2023, we had no borrowings from the Federal Reserve.

In October of 2023, the Company renewed a revolving line of credit up to \$4.0 million from CIBC BANK USA for general corporate purposes at a rate equal to prime rate minus 75 basis points, an unused commitment fee of 0.10%, and collateralized by common stock of the Association. The current note matures in October 2024. The Company also has a Fed Funds line of credit in the amount of \$10.0 million from CIBC BANK USA. The Company had an outstanding balance of \$0 at both June 30, 2024 and 2023 on these lines of credit.

Repurchase Agreements

Securities sold under agreements to repurchase consist of obligations of the Company to other parties. The carrying value of securities sold under the agreement to repurchase amounted to \$17,772,000 at June 30, 2024 and \$10,787,000 at June 30, 2023. At June 30, 2024, all \$17,772,000 of our repurchase agreements had an overnight maturity. The maximum amount of outstanding agreements at any month-end during 2024 and 2023 totaled \$18,377,000 and \$11,050,000, respectively, and the monthly average of such agreements totaled \$16,276,000 and \$10,015,000 for

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2024 and 2023, respectively. All of our repurchase agreements were secured by U.S. Government, federal agency and GSE securities. The right of offset for a repurchase agreement resembles a secured borrowing, whereby the collateral pledged by the Company would be used to settle the fair value of the repurchase agreement should the Company be in default. The collateral is held by the Company in a segregated custodial account. In the event the collateral fair value falls below stipulated levels, the Company will pledge additional securities. The Company closely monitors collateral levels to ensure adequate levels are maintained.

Note 8: Income Taxes

The Company and its subsidiary file income tax returns in the U.S. federal jurisdiction and the States of Illinois, Missouri, Indiana and Iowa. During the years ended June 30, 2024 and 2023, the Company did not recognize expense for interest or penalties.

The provision for income taxes includes these components:

	2024	2023
Taxes currently payable	\$ 445	\$1,756
Deferred income taxes	120	(156)
Income tax expense	<u>\$ 565</u>	<u>\$1,600</u>

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2024	2023
Computed at the statutory rate of 21.0%	\$ 495	\$1,315
Increase (decrease) resulting from		
Tax exempt interest	(30)	(22)
Cash surrender value of life insurance	(106)	(81)
State income taxes	152	451
Other	54	(63)
Actual tax expense	<u>\$ 565</u>	<u>\$1,600</u>
Tax rate as a percentage of pre-tax income	24.0%	25.6%

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets were:

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	<u>2024</u>	<u>2023</u>
Deferred tax assets		
Allowance for credit losses (ACL) on loans	\$ 2,134	\$ 2,033
ACL on off-balance sheet credit exposures	28	62
Accrued retirement liability	726	693
Deferred compensation	678	612
Deferred loan fees	99	126
Unrealized losses on available-for-sale securities	8,280	8,658
Accrued vacation	70	56
MPF recourse liability	29	36
Deferred revenue Mastercard	9	12
Stock options - Directors	—	54
Restricted stock	20	61
Accrued professional services	21	27
Other	3	28
	<u>12,097</u>	<u>12,458</u>
Deferred tax liabilities		
Depreciation	(815)	(698)
Mortgage servicing rights	(425)	(423)
Deferred loan expense	(214)	(204)
Prepaid expenses	(77)	(69)
Postretirement health plan	(83)	(27)
	<u>(1,614)</u>	<u>(1,421)</u>
Net deferred tax asset	<u>\$10,483</u>	<u>\$11,037</u>

Retained earnings at both June 30, 2024 and 2023, include approximately \$2,217,000, for which no deferred federal income tax liability has been recognized. These amounts represent an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts allocated for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The deferred income tax liabilities on the preceding amounts that would have been recorded if they were expected to reverse into taxable income in the foreseeable future were approximately \$466,000 at both June 30, 2024 and 2023.

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Note 9: Accumulated Other Comprehensive Income (Loss)

The following tables present changes in accumulated other comprehensive income (loss), by component, net of tax, for the years ended June 30, 2024 and 2023:

	Unrealized Gains and Losses on Available-for- Sale Securities	Defined Benefit Pension Items	Total
June 30, 2024:			
Beginning balance	\$ (21,715)	\$ 67	\$(21,648)
Other comprehensive income before reclassification	947	—	947
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—
Net current period other comprehensive income	—	142	142
Ending balance	<u>\$ (20,768)</u>	<u>\$ 209</u>	<u>\$(20,559)</u>
June 30, 2023:			
Beginning balance	\$ (17,263)	\$ (83)	\$(17,346)
Other comprehensive income (loss) before reclassification	(4,574)	—	(4,574)
Amounts reclassified from accumulated other comprehensive income (loss)	122	—	122
Net current period other comprehensive income	—	150	150
Ending balance	<u>\$ (21,715)</u>	<u>\$ 67</u>	<u>\$(21,648)</u>

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Note 10: Changes in Accumulated Other Comprehensive Income (Loss) (AOCI) by Component

Amounts reclassified from AOCI and the affected line items in the statements of income during the years ended June 30, 2024 and 2023, were as follows:

	Amounts Reclassified From AOCI		Affected Line Item in the Condensed Consolidated Statements of Income
	2024	2023	
Realized gains (losses) on available-for-sale securities	\$ —	\$ (171)	Net realized gains (losses) on sale of available-for-sale securities
Amortization of defined benefit pension items:			
Actuarial gains (losses)	198	210	Components are included in computation of net periodic pension cost
Total reclassified amount before tax	198	39	
Tax expense	56	11	Provision for Income Tax
Total reclassification out of AOCI	<u>\$ 142</u>	<u>\$ 28</u>	Net Income

Note 11: Regulatory Matters

The Association is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that if undertaken, could have a direct material effect on the Association's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Association must meet specific capital guidelines involving quantitative measures of the Association's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Association's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

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The Basel III regulatory capital framework (the “Basel III Capital Rules”) adopted by U.S. federal regulatory authorities, among other things, (i) establish the capital measure called “Common Equity Tier 1” (“CET1”), (ii) specify that Tier 1 capital consist of CET1 and “Additional Tier 1 Capital” instruments meeting stated requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) set forth the acceptable scope of deductions/adjustments to the specified capital measures.

In addition, to avoid restrictions on capital distributions, including dividend payments and stock repurchases, or discretionary bonus payments to executives, a covered banking organization must maintain a “capital conservation buffer” of 2.5 percent on top of its minimum risk-based capital requirements. This buffer must consist solely of Tier 1 Common Equity and the buffer applies to all three measurements: Common Equity Tier 1, Tier 1 capital and total capital.

As a result of the Economic Growth, Regulatory Relief, and Consumer Protection Act, the federal banking agencies were required to develop a “Community Bank Leverage Ratio” (the ratio of a bank’s tangible equity capital to average total consolidated assets) for financial institutions with assets of less than \$10 billion. A “qualifying community bank” that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered “well capitalized” under Prompt Corrective Action statutes. The Community Bank Leverage Ratio is currently set at 9%. The Association opted into the Community Bank Leverage Ratio in 2020.

As of June 30, 2024 and 2023, the Association met all capital adequacy requirements to which it is subject and was categorized as well capitalized under regulatory framework for prompt corrective action. There are no conditions or events that management believes have changed the Association’s prompt corrective action category. The Association’s actual capital amounts (in thousands) and ratios are also presented in the table.

	Actual		Minimum Capital Requirement		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2024						
Community Bank Leverage Ratio	\$ 86,672	9.23%	\$ 84,484	9.00%	\$ 84,484	9.00%
Tier 1 capital (to adjusted total assets)	86,672	9.23%	37,549	4.00%	46,936	5.00%
Tangible capital (to adjusted tangible assets)	86,672	9.23%	14,081	1.50%	N/A	N/A
As of June 30, 2023						
Community Bank Leverage Ratio	\$ 84,222	9.51%	\$ 79,726	9.00%	\$ 79,726	9.00%
Tier 1 capital (to adjusted total assets)	84,222	9.51%	35,434	4.00%	44,292	5.00%
Tangible capital (to adjusted tangible assets)	84,222	9.51%	13,288	1.50%	N/A	N/A

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Note 12: Related Party Transactions

At June 30, 2024 and 2023, the Company had loans outstanding to executive officers, directors, significant members and their affiliates (related parties). Changes in loans to executive officers and directors are summarized as follows:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 2,798	\$ 3,357
New loans	301	50
Repayments	(572)	(609)
Balance, end of year	<u>\$ 2,527</u>	<u>\$ 2,798</u>

Deposits from related parties held by the Company at June 30, 2024 and 2023 totaled \$2,660,000 and \$2,476,000, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Note 13: Employee Benefits

The Company sponsors a noncontributory postretirement health benefit plan (postretirement plan). The postretirement plan provides medical coverage benefits for former employees and their spouses upon retirement. The postretirement plan has no assets to offset the future liabilities incurred under the postretirement plan. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute \$137,000 to the plan in fiscal year 2025.

The Company uses a June 30 measurement date for the plan. Information about the plan's funded status and pension cost follows:

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	<u>2024</u>	<u>2023</u>
Change in benefit obligation		
Beginning of year	\$ 2,431	\$ 2,620
Service cost	41	43
Interest cost	112	102
Actuarial (gain) loss	(196)	(210)
Benefits paid	(132)	(124)
End of year	<u>\$ 2,256</u>	<u>\$ 2,431</u>

Significant balances, costs and assumptions are:

	<u>Postretirement Plan 2024</u>	<u>2023</u>
Benefit obligation	\$ 2,256	\$ 2,431
Fair value of plan assets	—	—
Funded status	<u>\$(2,256)</u>	<u>\$(2,431)</u>
Accumulated benefit obligation	<u>\$ 2,256</u>	<u>\$ 2,431</u>

Amounts recognized in the consolidated balance sheets:

Accrued postretirement benefit obligation	<u>\$ 2,256</u>	<u>\$ 2,431</u>
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Components of net periodic benefit cost:

	<u>2024</u>	<u>2023</u>
Service cost	\$ 41	\$ 43
Interest cost	112	102
Amortization of Loss	—	—
	<u>\$ 153</u>	<u>\$ 145</u>

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Amounts recognized in accumulated other comprehensive income (loss) not yet recognized as components of net periodic benefit cost consist of:

	2024	2023
Net income (loss)	\$ (349)	\$ (153)

Other significant balances and costs are:

	2024	2023
Employer contribution	\$ 132	\$ 124
Benefits paid	132	124
Benefit costs	153	145

Other changes in benefit obligations recognized in other comprehensive income are described in Note 10.

The estimated net loss (gain), prior service cost and transition obligation for the postretirement plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost of the next fiscal year are \$(15), \$0, and \$0, respectively.

Discount rates of 5.31% and 4.76% were used for 2024 and 2023, respectively, to determine the benefit obligations, and 4.76% and 4.02%, respectively, for benefit costs.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One- Percentage- Point Increase	One- Percentage- Point Decrease
Effect on total of service and interest cost components	\$ 4	\$ (4)
Effect on postretirement benefit obligation	23	(21)

For measurement purposes, 8.0%, 7.5% and 7.5% annual rates of increase in the per capita cost of covered health care benefits were assumed for 2024, 2025 and 2026, respectively. The rate was assumed to decrease gradually to 5.0% by the year 2035 and remain at that level thereafter.

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The following postretirement plan benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2024:

2025	\$ 147
2026	179
2027	190
2028	203
2029	201
2030-2034	905

The Company has a 401(k) plan covering substantially all employees. The Company matches 25% of the first 5% of compensation that a participant defers. Employer contributions charged to expense for 2024 and 2023 were \$96,000 and \$91,000, respectively. The plan also includes an Employer Profit Sharing contribution which allows all eligible participants to receive at least 4% of their Plan year salary. The Company's contributions for the plan years ended June 30, 2024 and 2023 were \$402,000 and \$698,000, respectively.

The Company has deferred compensation agreements for directors, which provides benefits payable upon normal retirement age of 72. The present value of the estimated liability under the agreement is being accrued using a discount rate of 6 percent. The deferred compensation charged to expense totaled \$271,000 and \$262,000 for the years ended June 30, 2024 and 2023, respectively. The agreements' accrued liability of \$2.4 million and \$2.1 million as of June 30, 2024 and 2023, respectively, is included in other liabilities in the consolidated balance sheets. The following benefit payments are expected to be paid for these agreements:

2025	\$ 90
2026	228
2027	241
2028	263
2029	294
Thereafter	3,905
	<u>\$ 5,021</u>

Note 14: Stock-based Compensation

In connection with the conversion to stock form, the Association established an ESOP for the exclusive benefit of eligible employees (all salaried employees who have completed at least 1,000 hours of service in a twelve-month period and have attained the age of 21). The ESOP borrowed

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funds from the Company in an amount sufficient to purchase 384,900 shares (approximately 8% of the Common Stock issued in the stock offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Association and dividends received by the ESOP, with funds from any contributions on ESOP assets. Contributions will be applied to repay interest on the loan first, and the remainder will be applied to principal. The loan is expected to be repaid over a period of up to 20 years. Shares purchased with the loan proceeds are held in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants. Participants will vest 100% in their accrued benefits under the employee stock ownership plan after six vesting years, with prorated vesting in years two through five. Vesting is accelerated upon retirement, death or disability of the participant or a change in control of the Association. Forfeitures will be reallocated to remaining plan participants. Benefits may be payable upon retirement, death, disability, separation from service, or termination of the ESOP. Since the Association's annual contributions are discretionary, benefits payable under the ESOP cannot be estimated. Participants receive the shares at the end of employment.

The Company is accounting for its ESOP in accordance with ASC Topic 718, *Employers Accounting for Employee Stock Ownership Plans*. Accordingly, the debt of the ESOP is eliminated in consolidation and the shares pledged as collateral are reported as unearned ESOP shares in the consolidated balance sheets. Contributions to the ESOP shall be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, the Company reports compensation expense equal to the average market price of the shares for the respective period, and the shares become outstanding for earnings per share computations. Dividends, if any, on unallocated ESOP shares are recorded as a reduction of debt and accrued interest.

A summary of ESOP shares at June 30, 2024 and 2023 are as follows (dollars in thousands):

	2024	2023
Allocated shares	170,696	162,986
Shares committed for release	19,245	19,245
Unearned shares	134,715	153,960
Total ESOP shares	324,656	336,191
Fair value of unearned ESOP shares ⁽¹⁾	<u>\$ 2,180</u>	<u>\$ 2,223</u>

(1) Based on closing price of \$16.18 and \$14.44 per share on June 30, 2024, and 2023, respectively.

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During the year ended June 30, 2024, 9,130 ESOP shares were paid to ESOP participants due to separation from service and 2,405 shares were transferred out as a result of participant diversification. During the year ended June 30, 2023, 9,348 ESOP shares were paid to ESOP participants due to separation from service and 7,683 shares were transferred out as a result of participant diversification.

The IF Bancorp, Inc. 2012 Equity Incentive Plan (the “Equity Incentive Plan”) was approved by stockholders in 2012 for a ten-year period which ended in November 2022. The purpose of the Equity Incentive Plan was to promote the long-term financial success of the Company and its Subsidiaries by providing a means to attract, retain and reward individuals who contribute to such success and to further align their interests with those of the Company’s stockholders. The Equity Incentive Plan authorized the issuance or delivery to participants of up to 673,575 shares of the Company common stock pursuant to grants of incentive and non-qualified stock options, restricted stock awards and restricted stock unit awards, provided that the maximum number of shares of Company common stock that may be delivered pursuant to the exercise of stock options (all of which may be granted as incentive stock options) was 481,125 and the maximum number of shares of Company stock that may be issued as restricted stock awards or restricted stock units was 192,450. This plan was replaced by the 2022 Equity Incentive Plan when the stockholders approved the new plan on November 21, 2022. The new plan authorizes the issuance or delivery to participants of up to 264,850 shares of the Company common stock pursuant to grants of incentive and non-qualified stock options, restricted stock awards and restricted stock unit awards, provided that the maximum number of shares of Company common stock that may be delivered pursuant to the exercise of stock options (all of which may be granted as incentive stock options) was 52,970 and the maximum number of shares of Company stock that may be issued as restricted stock awards or restricted stock units was 211,880.

On December 10, 2013, 85,500 shares of restricted stock and 167,000 in stock options were awarded to senior officers and directors of the Association. These shares of restricted stock vested in equal installments over 10 years and the stock options vested in equal installments over 7 years. Vesting of both the restricted stock and options started in December, 2014, and were fully vested in December 2023. On December 10, 2015, 16,900 shares of restricted stock were awarded to senior officers and directors of the Association. These shares of restricted stock vested in equal installments over 8 years, starting in December 2016, and were fully vested in December 2023. On September 9, 2022, 53,000 shares of restricted stock were awarded to senior officers and directors of the Association. These shares of restricted stock will vest in equal installments over 5 years, starting in September 2023. No shares have been granted from the 2022 Equity Incentive Plan as of June 30, 2024, so there are 211,880 shares of restricted stock and 52,970 stock option shares available for future grants under this plan.

The following table summarizes stock option activity for the year ended June 30, 2024 (dollars in thousands):

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(Table dollar amounts in thousands)

	<u>Shares</u>	<u>Weighted- Average Exercise Price/Share</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding, June 30, 2023	90,143	\$ 16.63		
Granted	—	—		
Exercised	—	—		
Forfeited	90,143	16.63		
Outstanding, June 30, 2024	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>
Exercisable, June 30, 2024	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>

Intrinsic value for stock options is defined as the difference between the current market value and the exercise price. There were no options outstanding and/or granted during the year ended June 30, 2024.

No stock options vested during the years ended June 30, 2024 and 2023. Stock-based compensation expense and related tax benefit were zero for stock options for the years ended June 30, 2024 and 2023. Compensation costs related to non-vested stock options were recognized over the seven-year vesting period ending in December, 2020, leaving no unrecognized compensation cost at June 30, 2024.

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The following table summarizes non-vested restricted stock activity for the year ended June 30, 2024:

	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Balance, June 30, 2023	62,314	\$ 18.76
Granted	—	—
Forfeited	1,600	19.10
Earned and issued	19,914	18.76
Balance, June 30, 2024	<u>40,800</u>	<u>19.10</u>

The fair value of the restricted stock awards is amortized to compensation expense over the vesting period and is based on the market price of the Company's common stock at the date of grant multiplied by the number of shares granted that are expected to vest. At the date of grant the par value of the shares granted was recorded in equity as a credit to common stock and a debit to paid-in capital. Stock-based compensation expense and related tax benefit for restricted stock was \$260,000 and \$74,000, respectively, for the year ended June 30, 2024, and was \$327,000 and \$93,000, respectively, for the year ended June 30, 2023, and was recognized in non-interest expense. Unrecognized compensation expense for non-vested restricted stock awards was \$617,000 and is expected to be recognized over 3.2 years with a corresponding credit to paid-in capital.

Note 15: Earnings Per Share ("EPS")

Basic and diluted earnings per common share are presented for the years ended June 30, 2024 and 2023. The factors used in the earnings per common share computation follow:

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(Table dollar amounts in thousands)

	Year Ended June 30, 2024	Year Ended June 30, 2023
Net income	\$ 1,790	\$ 4,660
Basic weighted average shares outstanding	3,276,491	3,276,890
Less: Average unallocated ESOP shares	(144,338)	(163,583)
Average shares outstanding	3,132,153	3,113,307
Diluted effect of restricted stock awards and stock options	—	81,722
Diluted average shares outstanding	3,132,153	3,195,029
Basic earnings per common share	\$ 0.57	\$ 1.50
Diluted earnings per common share	\$ 0.57	\$ 1.46

Note 16: Disclosures about Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

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		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
June 30, 2024:				
Available-for-sale securities:				
US Treasury	\$ 444	\$ 444	\$ —	\$ —
US Government and federal agency	6,609	—	6,609	—
Mortgage-backed securities – GSE residential	166,236	—	166,236	—
Small Business Administration	14,086	—	14,086	—
State and political subdivisions	3,100	—	1,043	2,057
Mortgage servicing rights	1,491	—	—	1,491
		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
June 30, 2023:				
Available-for-sale securities:				
US Treasury	\$ 438	\$ —	\$ 438	\$ —
US Government and federal agency	6,477	—	6,477	—
Mortgage-backed securities – GSE residential	175,726	—	175,726	—
Small Business Administration	15,233	—	15,233	—
State and political subdivisions	3,425	—	1,064	2,361
Mortgage servicing rights	1,482	—	—	1,482

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Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. There were no Level 1 securities as of June 30, 2024 or 2023. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For these investments, the inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bid, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. Level 2 securities include U.S. Treasury, U.S. Government and federal agency, mortgage-backed securities (GSE - residential), Small Business Administration, and state and political subdivisions. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy.

Management measures mortgage servicing rights through the completion of a proprietary model. Inputs to the model are developed by the accounting staff and are reviewed by management. The model is tested annually using baseline data to check its accuracy.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level 3) inputs:

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	State and Political Subdivision
Balance, July 1, 2022	\$ 2,662
Transfers into Level 3	—
Transfers out of Level 3	—
Total realized and unrealized gains and losses included in net income	—
Purchases	—
Sales	—
Settlements	(301)
Balance, June 30, 2023	<u>2,361</u>
Transfers into Level 3	—
Transfers out of Level 3	—
Total realized and unrealized gains and losses included in net income	—
Purchases	—
Sales	—
Settlements	(304)
Balance, June 30, 2024	<u>\$ 2,057</u>
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	<u>\$ —</u>
	Mortgage Servicing Rights
Balance, July 1, 2022	\$ 1,463
Total realized and unrealized gains and losses included in net income	101
Servicing rights that result from asset transfers	89
Payments received and loans refinanced	(171)
Balance, June 30, 2023	<u>1,482</u>
Total realized and unrealized gains and losses included in net income	1
Servicing rights that result from asset transfers	151

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Payments received and loans refinanced	(143)
Balance, June 30, 2024	<u>\$1,491</u>
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	<u>\$ 1</u>

Realized and unrealized gains and losses for items reflected in the table above are included in net income in the consolidated statements of income as noninterest income.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

	Fair Value at June 30, 2024	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mortgage servicing rights	\$ 1,491	Discounted cash flow	Discount rate	10.0% (10.0%)
			Constant prepayment rate	6.2% - 8.0% (7.7%)
			Probability of default	0.08% - 0.12% (0.11%)
State and political subdivision	\$ 2,057	Discounted cash flow	Maturity/Call Date	1 month – 7 years
			Weighted average coupon	2.97% - 3.08% (3.04%)
			Marketability yield adjustment	1.0% - 2.0% (1.6%)

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	<u>Fair Value at June 30, 2023</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range (Weighted Average)</u>
Mortgage servicing rights	\$ 1,482	Discounted cash flow	Discount rate	9.5% (9.5%)
			Constant prepayment rate	6.0% - 7.0% (6.9%)
			Probability of default	0.09% - 0.12% (0.12%)
State and political subdivision	\$ 2,361	Discounted cash flow	Maturity/Call Date	1 month – 9 years
			Weighted average coupon	2.97% - 3.08% (3.04%)
			Marketability yield adjustment	1.0% - 2.0% (1.6%)

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Fair Value of Financial Instruments

The following table presents estimated fair values of the Company's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023.

	Carrying Amount	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2024:				
Financial assets				
Cash and cash equivalents	\$ 9,571	\$ 9,571	\$ —	\$ —
Interest-bearing time deposits in banks	250	250	—	—
Loans, net of allowance for credit losses	639,297	—	—	607,076
Federal Home Loan Bank stock	4,499	—	4,499	—
Accrued interest receivable	3,457	—	3,457	—
Financial liabilities				
Deposits	727,177	—	407,544	318,612
Repurchase agreements	17,772	—	17,772	—
Federal Home Loan Bank advances	32,999	—	32,560	—
Other borrowings	25,250	—	25,199	—
Advances from borrowers for taxes and insurance	968	—	968	—
Accrued interest payable	3,009	—	3,009	—
Unrecognized financial instruments (net of contract amount)				
Commitments to originate loans	—	—	—	—

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	Carrying Amount	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023:				
Financial assets				
Cash and cash equivalents	\$ 10,988	\$ 10,988	\$ —	\$ —
Interest-bearing time deposits in banks	1,250	1,250	—	—
Loans, net of allowance for loan losses	587,457	—	—	564,432
Federal Home Loan Bank stock	3,127	—	3,127	—
Accrued interest receivable	2,781	—	2,781	—
Financial liabilities				
Deposits	735,314	—	451,718	282,351
Repurchase agreements	10,787	—	10,787	—
Federal Home Loan Bank advances	19,500	—	19,382	—
Advances from borrowers for taxes and insurance	1,233	—	1,233	—
Accrued interest payable	1,666	—	1,666	—
Unrecognized financial instruments (net of contract amount)				
Commitments to originate loans	—	—	—	—

The methods utilized to measure the fair value of financial instruments at June 30, 2024 represent an approximation of exit price; however, an actual exit price may differ.

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Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for credit losses are reflected in the footnote regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk.

Postretirement Benefit Obligations

The Company has a postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

Note 18: Commitments and Credit Risk

The Company generates commercial, mortgage and consumer loans and receives deposits from customers located in the Illinois counties of Vermilion, Iroquois, Champaign, and Kankakee, as well as adjacent counties in Illinois and Indiana within 30 miles of a branch or loan production office. The Company generates commercial, mortgage and consumer loans from its location in Osage Beach, Missouri. The Company's loans are generally secured by specific items of collateral including real property and consumer assets. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent upon economic conditions in the Company's various locations.

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

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At June 30, 2024 and 2023, the Company had outstanding commitments to originate loans aggregating approximately \$8,317,000 and \$5,081,000, respectively. The commitments extended over varying periods of time with the majority being disbursed within a one-year period. Loan commitments at fixed rates of interest amounted to \$2,028,000 and \$3,454,000 at June 30, 2024 and 2023, respectively, with the remainder subject to adjustable interest rates. The weighted average interest rates for fixed rate loan commitments were 7.43% and 7.48% as of June 30, 2024 and 2023, respectively.

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

At June 30, 2024, the Company had granted unused lines of credit to borrowers aggregating approximately \$58,696,000 and \$12,545,000 for commercial lines and open-end consumer lines, respectively. At June 30, 2023, the Company had granted unused lines of credit to borrowers aggregating approximately \$80,497,000 and \$13,663,000 for commercial lines and open-end consumer lines, respectively.

Off-Balance Sheet Credit Exposures

Off-balance sheet credit instruments include commitments to make loans, and commercial letters of credit, issued to meet customer financing needs. The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded. The ACL on off-balance sheet credit exposures is estimated by loan pool on a quarterly basis under the current CECL model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur and is included in other liabilities on the Company's consolidated balance sheets. The Company records an ACL on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable. During the year ended June 30, 2024, the Company recorded a credit for credit losses on off-balance sheet credit exposures of \$(118,000), compared to a credit for credit losses of \$(280,000) for the year ended June 30, 2023. Our allowance for credit losses (ACL) on off-balance sheet credit exposures was \$98,000 and \$216,000 at June 30, 2024 and 2023, respectively. This reduction was primarily due to a decrease in loans with unfunded balances without the Company's ability to cancel on demand.

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Other Credit Risks

At June 30, 2024 and 2023, the interest-bearing demand deposits on the consolidated balance sheets represent amounts on deposit with one financial institution, the Federal Home Loan Bank of Chicago.

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Note 19: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company as of and for the years ended June 30, 2024 and 2023:

Condensed Balance Sheets

	June 30, 2024	June 30, 2023
Assets		
Cash and due from banks	\$ 6,191	\$ 7,407
Investment in common stock of subsidiary	66,113	62,574
ESOP loan	1,718	1,893
Total assets	<u>\$74,022</u>	<u>\$71,874</u>
Liabilities		
Line of credit	\$ —	\$ —
Interest payable	—	—
Other liabilities	106	121
Total liabilities	106	121
Stockholders' Equity	<u>73,916</u>	<u>71,753</u>
Total liabilities and stockholders' equity	<u>\$74,022</u>	<u>\$71,874</u>

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Condensed Statements of Income and Comprehensive Income

	Year Ending June 30, 2024	Year Ending June 30, 2023
Income		
Interest on ESOP loan	\$ 150	\$ 95
Deposits with financial institutions	—	—
Total income	150	95
Expense		
Interest on line of credit	—	—
Other expenses	199	201
Total expense	199	201
Loss Before Income Tax and Equity in Undistributed Income of Subsidiary	(49)	(106)
Benefit for Income Taxes	(14)	(30)
Loss Before Equity in Undistributed Income of Subsidiary	(35)	(76)
Equity in Undistributed Income of Subsidiary	1,825	4,736
Net Income	<u>\$ 1,790</u>	<u>\$ 4,660</u>
Comprehensive Income	<u>\$ 2,879</u>	<u>\$ 358</u>

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Condensed Statements of Cash Flows

	Year Ended June 30, 2024	Year Ended June 30, 2023
Cash flows from operating activities		
Net income	\$ 1,790	\$ 4,660
Items not requiring (providing) cash		
Net change accrued interest payable	—	(21)
Net change in other liabilities	(15)	30
Earnings from subsidiary	(1,825)	(4,736)
Net cash used in operating activities	(50)	(67)
Cash flows from financing activities		
Proceeds from exercise of stock options	—	732
Dividends paid	(1,341)	(1,338)
Dividends received	—	2,000
Loan for ESOP	175	190
Net cash provided by (used in) financing activities	(1,166)	1,584
Net Change in Cash and Cash Equivalents	(1,216)	1,517
Cash and Cash Equivalents at Beginning of Year	7,407	5,890
Cash and Cash Equivalents at End of Year	<u>\$ 6,191</u>	<u>\$ 7,407</u>

Exhibit 4.2

Description of Registrant's Securities

Unless otherwise indicated or the context otherwise requires, references in this Exhibit 4.2 to “we,” “us” and “our” refer collectively to IF Bancorp, Inc. and Iroquois Federal Savings and Loan Association or to any of those entities, depending on the context. In addition, we may refer to IF Bancorp, Inc. as “IF Bancorp” and we may refer to Iroquois Federal Savings and Loan Association as “Iroquois Federal.”

General

IF Bancorp is authorized to issue 100,000,000 shares of common stock, par value of \$0.01 per share, and 50,000,000 shares of preferred stock, par value \$0.01 per share. Each share of common stock has the same relative rights as, and is identical in all respects to, each other share of common stock. All of our shares of common stock are duly authorized, fully paid and nonassessable.

Common Stock

Dividends. IF Bancorp may pay dividends to an amount equal to the excess of our capital surplus over payments that would be owed upon dissolution to stockholders whose preferential rights upon dissolution are superior to those receiving the dividend, and to an amount that would not make us insolvent, as and when declared by our board of directors. The payment of dividends by IF Bancorp is also subject to limitations that are imposed by law and applicable regulation, including restrictions on payments of dividends that would reduce IF Bancorp's assets below the then-adjusted balance of its liquidation account. The holders of common stock of IF Bancorp are entitled to receive and share equally in dividends as may be declared by our board of directors out of funds legally available therefor. If IF Bancorp issues shares of preferred stock, the holders thereof may have a priority over the holders of the common stock with respect to dividends.

Voting Rights. The holders of common stock of IF Bancorp have exclusive voting rights in IF Bancorp. They elect IF Bancorp's board of directors and act on other matters as are required to be presented to them under Maryland law or as are otherwise presented to them by the board of directors. Generally, each holder of common stock is entitled to one vote per share and does not have any right to cumulate votes in the election of directors. Any person who beneficially owns more than 10% of the outstanding shares of IF Bancorp's common stock, however, will not be entitled or permitted to vote any shares of common stock held in excess of the 10% limit. If IF Bancorp issues shares of preferred stock, holders of the preferred stock may also possess voting rights. Certain matters require the approval of 80% of our outstanding common stock.

Liquidation. In the event of any liquidation, dissolution or winding up of Iroquois Federal, IF Bancorp, as the holder of 100% of Iroquois Federal's capital stock, would be entitled to receive all assets of Iroquois Federal available for distribution, after payment or provision for payment of all debts and liabilities of Iroquois Federal, including all deposit accounts and accrued interest thereon, and after distribution of the balance in the liquidation account to eligible account holders and supplemental eligible account holders. In the event of liquidation, dissolution or winding up of IF Bancorp, the holders of its common stock would be entitled to receive, after payment or provision for payment of all its debts and liabilities (including payments with respect to its liquidation account), all of the assets of IF Bancorp available for distribution. If preferred stock is issued, the holders thereof may have a priority over the holders of the common stock in the event of liquidation or dissolution.

Preemptive Rights. Holders of the common stock of IF Bancorp will not be entitled to preemptive rights with respect to any shares that may be issued. The common stock is not subject to redemption.

Preferred Stock

None of the shares of IF Bancorp's authorized preferred are outstanding. Preferred stock may be issued with preferences and designations as our Board of Directors may from time to time determine. Our Board of Directors may, without stockholder approval, issue shares of preferred stock with voting, dividend, liquidation and conversion rights that could dilute the voting strength of the holders of the common stock and may assist management in impeding an unfriendly takeover or attempted change in control.

Maryland Law and Articles of Incorporation and Bylaws of IF Bancorp

Maryland law, as well as IF Bancorp's articles of incorporation and bylaws, contain a number of provisions relating to corporate governance and rights of stockholders that may discourage future takeover attempts. As a result, stockholders who might desire to participate in such transactions may not have an opportunity to do so. In addition, these provisions render the removal of the board of directors or management of IF Bancorp more difficult.

Directors. The board of directors is divided into three classes. The members of each class are elected for a term of three years and only one class of directors is elected annually. Thus, it would take at least two annual elections to replace a majority of the board of directors. The bylaws establish qualifications for board members, including restrictions on affiliations with competitors of Iroquois Federal and restrictions based upon prior legal or regulatory violations. Further, the bylaws impose notice and information requirements in connection with the nomination by stockholders of candidates for election to the board of directors or the proposal by stockholders of business to be acted upon at an annual meeting of stockholders. Such notice and information requirements are applicable to all stockholder business proposals and nominations, and are in addition to any requirements under the federal securities laws.

Restrictions on Call of Special Meetings. The bylaws provide that special meetings of stockholders can be called by the president, by a majority of the whole board of directors or upon the written request of stockholders entitled to cast at least a majority of all votes entitled to vote at the meeting.

Prohibition of Cumulative Voting. The articles of incorporation prohibit cumulative voting for the election of directors.

Limitation of Voting Rights. The articles of incorporation provide that in no event will any person who beneficially owns more than 10% of the then-outstanding shares of common stock, be entitled or permitted to vote any of the shares of common stock held in excess of the 10% limit.

Restrictions on Removing Directors from Office. The articles of incorporation provide that directors may be removed only for cause, and only by the affirmative vote of the holders of at least a majority of the voting power of all of our then-outstanding common stock entitled to vote (after giving effect to the limitation on voting rights discussed above in "—Limitation of Voting Rights.").

Authorized but Unissued Shares. IF Bancorp has authorized but unissued shares of common and preferred stock. The articles of incorporation authorize 50,000,000 shares of serial preferred stock. IF Bancorp is authorized to issue preferred stock from time to time in one or more series subject to applicable provisions of law, and the board of directors is authorized to fix the designations, and relative preferences, limitations, voting rights, if any, including without limitation, offering rights of such shares (which could be multiple or as a separate class). In the event of a proposed merger, tender offer or other attempt to gain control of IF Bancorp that the board of directors does not approve, it may be possible for the board of directors to authorize the issuance of a series of preferred stock with rights and preferences that would impede the completion of the transaction. An effect of the possible issuance of preferred stock therefore may be to deter a future attempt to gain control of IF Bancorp.

Amendments to Articles of Incorporation and Bylaws. Amendments to the articles of incorporation must be approved by the board of directors and by the affirmative vote of at least two-thirds of the outstanding shares of common stock, or by the affirmative vote of a majority of the outstanding shares of common stock if at least two-thirds of the members of the whole board of directors approves such amendment; provided, however, that approval by at least 80% of the outstanding voting stock is generally required to amend certain provisions.

The articles of incorporation also provide that the bylaws may be amended by the affirmative vote of a majority of IF Bancorp's directors or by the stockholders by the affirmative vote of at least 80% of the total votes eligible to be cast at a duly constituted meeting of stockholders. Any amendment of this super-majority requirement for amendment of the bylaws would also require the approval of 80% of the total votes eligible to be cast.

Business Combinations with Interested Stockholders. Maryland law restricts mergers, consolidations, sales of assets and other business combinations between IF Bancorp and an "interested stockholder."

Evaluation of Offers. The articles of incorporation of IF Bancorp provide that its board of directors, when evaluating a transaction that would or may involve a change in control of IF Bancorp (whether by purchases of its securities, merger, consolidation, share exchange, dissolution, liquidation, sale of all or substantially all of its assets, proxy solicitation or otherwise), may, in connection with the exercise of its business judgment in determining what is in the best interests of IF Bancorp and its stockholders and in making any recommendation to the stockholders, give due consideration to all relevant factors, including, but not limited to, certain enumerated factors.

Change in Control Regulations

Under the Change in Bank Control Act, no person may acquire control of an insured savings association or its parent holding company unless the Federal Reserve Board has been given 60 days' prior written notice and has not issued a notice disapproving the proposed acquisition. The Federal Reserve Board takes into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. In addition, federal regulations provide that no company may acquire control of a savings association without the prior approval of the Federal Reserve Board. Any company that acquires such control becomes a "savings and loan holding company" subject to registration, examination and regulation by the Federal Reserve Board.

Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of the company's directors, or a determination by the Federal Reserve Board that the acquiror has the power to direct, or directly or indirectly to exercise a controlling influence over, the management or policies of the institution. Acquisition of more than 10% of any class of a savings and loan holding company's voting stock constitutes a rebuttable determination of control under the regulations under certain circumstances including where, as is the case with IF Bancorp, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934. Federal Reserve Board regulations provide that parties seeking to rebut control will be provided an opportunity to do so in writing.

Benefit Plans

In addition to the provisions of IF Bancorp's articles of incorporation and bylaws described above, benefit plans of IF Bancorp and Iroquois Federal that may authorize the issuance of equity to its board of directors, officers and employees adopted in connection with or following the offering contain or may contain provisions which also may discourage hostile takeover attempts which the board of directors of Iroquois Federal might conclude are not in the best interests of IF Bancorp and Iroquois Federal or IF Bancorp's stockholders.

Exhibit 23.0

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements of IF Bancorp, Inc. on Form S-8 (File No. 333-176222, File No. 333-185075 and File No. 333-268599) of our report dated September 11, 2024 on our audits of the consolidated financial statements of IF Bancorp, Inc. and subsidiary as of June 30, 2024 and 2023 and for the years then ended, which report is included in this Annual Report on Form 10-K.

/s/ FORVIS MAZARS, LLP
Decatur, Illinois
September 11, 2024

Exhibit 31.1

Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

CERTIFICATION

I, Walter H. Hasselbring, III certify that:

1. I have reviewed this annual report on Form 10-K of IF Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 11, 2024

/s/ Walter H. Hasselbring, III

Walter H. Hasselbring, III

President and Chief Executive Officer

(principal executive officer)

Exhibit 31.2

Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

CERTIFICATION

I, Pamela J. Verkler, certify that:

1. I have reviewed this annual report on Form 10-K of IF Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 11, 2024

/s/ Pamela J. Verkler

Pamela J. Verkler

Senior Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

Exhibit 32.0

Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADDED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of IF Bancorp, Inc. (the “Company”) on Form 10-K for the period ended June 30, 2024 as filed with the Securities and Exchange Commission (the “Report”), the undersigned hereby certify, pursuant to 18 U.S.C. §1350, as added by § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Walter H. Hasselbring, III

Walter H. Hasselbring, III
President and Chief Executive Officer

/s/ Pamela J. Verkler

Pamela J. Verkler
Senior Executive Vice President and
Chief Financial Officer

September 11, 2024

IF BANCORP, INC. CLAWBACK POLICY

The Board of Directors (the “Board”) of IF Bancorp, Inc. (the “Company”) believes that it is in the best interests of the Company and its shareholders to adopt this Clawback Policy (this “Policy”), which provides for the recovery of Erroneously Awarded Compensation in the event the Company is required to prepare an Accounting Restatement.

The Company has adopted this Policy as a supplement to any other clawback policies or provisions in effect now or in the future at the Company. To the extent this Policy applies to compensation payable to a person covered by this Policy, it shall supersede any other conflicting provision or policy maintained by the Company and shall be the only clawback policy applicable to such compensation and no other clawback policy shall apply; provided that, if such other policy or provision provides that a greater amount of such compensation shall be subject to clawback, such other policy or provision shall apply to the amount in excess of the amount subject to clawback under this Policy.

This Policy shall be interpreted to comply with the clawback rules found in 17 C.F.R. §240.10D-1 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the related listing rules of the national securities exchange or national securities association (the “Exchange”) on which the Company has listed securities, and, to the extent this Policy is in any manner deemed inconsistent with such rules, this Policy shall be treated as retroactively amended to be compliant with such rules.

1. Definitions.

- (a) “Accounting Restatement” means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.
- (b) “Accounting Restatement Date” means the earlier to occur of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (ii) the date a court, regulatory agency, or other legally authorized body directs the Company to prepare an Accounting Restatement.
- (c) “Erroneously Awarded Compensation” means, in the event of an Accounting Restatement, the amount of Incentive-Based Compensation previously received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts in such Accounting Restatement. The amount of Erroneously Awarded Compensation shall be determined on a gross basis without regard to any taxes paid by the relevant Executive Officer; provided, however, that for Incentive-Based Compensation based on the Company’s stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement: (i) the amount of Erroneously Awarded Compensation shall be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received and (ii) the Company must maintain documentation of the determination of such reasonable estimate and provide such documentation to the Stock Exchange.

- (d) “Executive Officer” means the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. An executive officer of the Company’s parent or subsidiary is deemed an “Executive Officer” if the executive officer performs policy making functions for the Company.
- (e) “Financial Reporting Measure” means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measure that is derived wholly or in part from such measure; provided, however, that a Financial Reporting Measure is not required to be presented within the Company’s financial statements or included in a filing with the Securities and Exchange Commission to qualify as a “Financial Reporting Measure.” For purposes of this Policy, “Financial Reporting Measure” includes, but is not limited to, stock price and total shareholder return.
- (f) “Incentive-Based Compensation” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.
- (g) “Received” means incentive-based compensation received in the Company’s fiscal period during which the financial reporting measure specified in the incentive-based compensation award is attained, even if the payment or grant of the incentive-based compensation occurs after the end of that period.

2. Application of the Policy. This Policy shall only apply in the event that the Company is required to prepare an Accounting Restatement and it shall apply to all Incentive-Based Compensation Received by a person: (a) after beginning service as an Executive Officer; (b) who served as an Executive Officer at any time during the performance period for such Incentive-Based Compensation; (c) while the Company had a class of securities listed on a national securities exchange or a national securities association; and (d) during the three completed fiscal years immediately preceding the Accounting Restatement Date. In addition to such last three completed fiscal years, the immediately preceding clause (d) includes any transition period that results from a change in the Company’s fiscal year within or immediately following such three completed fiscal years; provided, however, that a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to twelve months shall be deemed a completed fiscal year.

3. Recovery Period. The Incentive-Based Compensation subject to clawback is the Incentive-Based Compensation Received during the three completed fiscal years immediately preceding an Accounting Restatement Date; provided that the individual served as an Executive Officer at any time during the performance period applicable to the Incentive-Based Compensation in question. Notwithstanding the foregoing, the Policy shall only apply if the Incentive-Based Compensation is Received (1) while the Company has a class of securities listed on an Exchange, and (2) on or after October 2, 2023.

4. Erroneously Awarded Compensation. The amount of Incentive-Based Compensation subject to the Policy (“Erroneously Awarded Compensation”) is the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive Based-Compensation that otherwise would have been Received had it been determined based on the restated amounts in the Company’s financial statements and shall be computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement: (1) the amount shall be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received; and (2) the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the Exchange. The Board shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Board may affect recovery under this Policy from any amount otherwise payable to the Executive Officer, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Executive Officer.

5. Recovery Exceptions. The Company shall recover reasonably promptly any Erroneously Awarded Compensation except to the extent that the conditions of paragraphs (a), (b) or (c) below apply. The Compensation Committee of the Board of Directors (the “Committee”) shall determine the repayment schedule for each amount of Erroneously Awarded Compensation in a manner that complies with this “reasonably promptly” requirement. Such determination shall be consistent with any applicable legal guidance by the Securities and Exchange Commission, judicial opinion, or otherwise. The determination of “reasonably promptly” may vary from case to case and the Committee is authorized to adopt additional rules to further describe what repayment schedules satisfy this requirement.

- (a) Erroneously Awarded Compensation need not be recovered if the direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered and the Committee has made a determination that recovery would be impracticable. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange, as required.
- (b) If applicable, Erroneously Awarded Compensation need not be recovered if recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company shall obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation and shall provide such opinion to the Exchange.
- (c) Erroneously Awarded Compensation need not be recovered if recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code and regulations thereunder.

6. Committee Decisions. Decisions of the Committee with respect to this Policy shall be final, conclusive and binding on all Executive Officers subject to this Policy, unless determined by a court of competent jurisdiction to be an abuse of discretion. Any members of the Committee, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

7. No Indemnification. Notwithstanding anything to the contrary in any other policy of the Company, the governing documents of the Company or any agreement between the Company and an Executive Officer, no Executive Officer shall be indemnified by the Company against the loss of any Erroneously Awarded Compensation. Further, the Company is prohibited from paying or reimbursing an Executive Officer for purchasing insurance to cover any such loss.

8. Agreement to Policy by Executive Officers. The Committee shall take reasonable steps to inform Executive Officers of this Policy and the Executive Officers shall acknowledge receipt and adherence to this Policy in writing.

9. Exhibit Filing Requirement. A copy of this Policy and any amendments thereto shall be filed as an exhibit to the Company’s Annual Report on Form 10-K.

10. Amendment. The Board may amend, modify or supplement all or any portion of this Policy at any time and from time to time in its discretion.