SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended December 31, 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 No. 001-35226

IF Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Maryland **(State or other jurisdiction of incorporation or organization)**	**45-1834449** **(I.R.S. Employer Identification Number)**
201 East Cherry Street, Watseka, Illinois **(Address of Principal Executive Offices)**	**60970** **Zip Code**

(815) 432-2476
(Registrant's telephone number)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**IROQ**	**The Nasdaq Stock Market LLC**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ 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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

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

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

The Registrant had 3,351,526 shares of common stock, par value $0.01 per share, issued and outstanding as of February 3, 2025.

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Part I. – Financial Information

Item 1. Condensed Consolidated Financial Statements

IF Bancorp, Inc.
Condensed Consolidated Balance Sheets
(Dollars in thousands, except per share amount)

	December 31, 2024 (Unaudited)	June 30, 2024
Assets		
Cash and due from banks	$ 5,683	$ 9,276
Interest-bearing demand deposits	223	295
Cash and cash equivalents	5,906	9,571
Interest-bearing time deposits in banks	250	250
Available-for-sale securities	182,890	190,475
Loans, net of allowance for credit losses of $ 7,346 and $7,499 at December 31, 2024 and June 30, 2024, respectively	647,664	639,297
Premises and equipment, net of accumulated depreciation of $ 9,506 and $9,196 at December 31, 2024 and June 30, 2024, respectively	10,413	10,580
Federal Home Loan Bank stock, at cost	5,670	4,499
Accrued interest receivable	3,979	3,457
Bank-owned life insurance	15,119	14,892
Mortgage servicing rights	1,478	1,491
Deferred income taxes	10,240	10,483
Other	1,540	2,750
Total assets	$ 885,149	$887,745
Liabilities and Equity		
Liabilities		
Deposits		
Demand	$ 37,812	$103,314
Savings, NOW and money market	319,559	304,230
Certificates of deposit	294,968	290,633
Brokered certificates of deposit	29,787	29,000
Total deposits	682,126	727,177
Repurchase agreements	18,439	17,772
Federal Home Loan Bank advances	98,999	32,999
Other borrowings	—	25,250
Advances from borrowers for taxes and insurance	785	968
Accrued post-retirement benefit obligation	2,259	2,256
Accrued interest payable	2,201	3,009
Allowance for credit losses on off-balance sheet credit exposures	64	98
Other	4,337	4,300
Total liabilities	809,210	813,829
Commitments and Contingencies		
Stockholders' Equity		
Common stock, $.01 par value per share, 100,000,000 shares authorized, 3,351,526 and 3,353,026 shares issued and outstanding at December 31, 2024 and June 30, 2024, respectively	33	33
Additional paid-in capital	52,101	51,913
Unearned ESOP shares, at cost, 125,093 and 134,715 shares at December 31, 2024 and June 30, 2024, respectively	(1,251)	(1,347)
Retained earnings	45,085	43,876
Accumulated other comprehensive loss, net of tax	(20,029)	(20,559)
Total stockholders' equity	75,939	73,916
Total liabilities and stockholders' equity	$ 885,149	$887,745

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.
Condensed Consolidated Statements of Income (Unaudited)
(Dollars in thousands except per share amounts)

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	Six Months Ended December 31, 2024	Six Months Ended December 31, 2023
Interest and Dividend Income				
Interest and fees on loans	$ 9,564	$ 8,702	$ 19,039	$ 16,435
Securities:				
Taxable	1,266	1,365	2,519	2,760
Tax-exempt	23	25	46	51
Federal Home Loan Bank dividends	101	78	214	146
Deposits with other financial institutions	56	59	105	128
Total interest and dividend income	11,010	10,229	21,923	19,520
Interest Expense				
Deposits	4,694	4,336	9,447	8,171
Federal Home Loan Bank advances and repurchase agreements	1,089	1,355	2,122	2,228
Line of credit and other borrowings	210	150	516	150
Total interest expense	5,993	5,841	12,085	10,549
Net Interest Income	5,017	4,388	9,838	8,971
Provision (Credit) for Credit Losses	(450)	364	(68)	586
Net Interest Income After Provision (Credit) for Credit Losses	5,467	4,024	9,906	8,385
Noninterest Income				
Customer service fees	121	108	246	209
Other service charges and fees	68	63	129	133
Insurance commissions	214	203	398	374
Brokerage commissions	183	157	361	319
Net realized gains (losses) on sales of available-for-sale securities	—	—	(71)	—
Mortgage banking income (loss), net	198	(48)	156	92
Gain on sale of loans	72	38	169	110
Bank-owned life insurance income, net	114	105	229	206
Other	287	289	1,048	600
Total noninterest income	1,257	915	2,665	2,043
Noninterest Expense				
Compensation and benefits	3,184	2,832	6,252	5,848
Office occupancy	256	288	535	577
Equipment	568	593	1,147	1,139
Federal deposit insurance	124	162	256	300
Stationary, printing and office	29	20	51	30
Advertising	86	105	187	182
Professional services	163	137	299	229
Supervisory examinations	32	27	57	54
Audit and accounting services	22	23	114	106
Organizational dues and subscriptions	5	6	27	29
Insurance bond premiums	68	54	132	113
Telephone and postage	49	32	95	73
Loss on foreclosed assets, net	—	2	—	2
Other	456	426	886	873
Total noninterest expense	5,042	4,707	10,038	9,555
Income Before Income Tax	1,682	232	2,533	873
Provision for Income Tax	463	47	681	222
Net Income	$ 1,219	$ 185	$ 1,852	$ 651
Earnings Per Share:				
Basic	$ 0.38	$ 0.06	$ 0.57	$ 0.20
Diluted	$ 0.38	$ 0.06	$ 0.57	$ 0.20
Dividends declared per common share	$ 0.00	$ 0.00	$ 0.20	$ 0.20

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(Dollars in thousands)

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Net Income	$ 1,219	$ 185
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of $(1,683) and $2,706, for 2024 and 2023, respectively	(4,221)	6,787
Change in postretirement health plan gains and losses, net of taxes of $(1) and $0 for 2024 and 2023, respectively	(1)	1
Other comprehensive income (loss), net of tax	(4,222)	6,788
Comprehensive Income (Loss)	$ (3,003)	$ 6,973

	Six Months Ended December 31, 2024	Six Months Ended December 31, 2023
Net Income	$ 1,852	$ 651
Other Comprehensive Income		
Unrealized appreciation on available-for-sale securities, net of taxes of $192 and $664, for 2024 and 2023, respectively	482	1,667
Less: reclassification adjustment for realized losses included in net income, net of taxes of $(20) and $0, for 2024 and 2023, respectively	(51)	—
	533	1,667
Change in postretirement health plan gains and losses, net of taxes of $(1) and $1 for 2024 and 2023, respectively	(3)	2
Other comprehensive income, net of tax	530	1,669
Comprehensive Income	$ 2,382	$ 2,320

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.
Condensed Consolidated Statement of Stockholders' Equity (Unaudited)
(Dollars in thousands, except per share amounts)

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
For the three months ended December 31, 2024						
Balance, October 1, 2024	$ 33	$ 51,999	$ (1,299)	$43,839	$ (15,807)	$78,765
Net income	—	—	—	1,219	—	1,219
Other comprehensive loss	—	—	—	—	(4,222)	(4,222)
Dividends paid on unearned ESOP	—	—	—	27	—	27
Stock equity plan	—	46	—	—	—	46
ESOP shares earned, 4,811 shares	—	56	48	—	—	104
Balance, December 31, 2024	$ 33	$ 52,101	$ (1,251)	$45,085	$ (20,029)	$75,939
For the three months ended December 31, 2023						
Balance, October 1, 2023	$ 33	$ 51,657	$ (1,491)	$43,159	$ (26.767)	$66,591
Net income	—	—	—	185	—	185
Other comprehensive income	—	—	—	—	6,788	6,788
Dividends paid on unearned ESOP	—	—	—	33	—	33
Stock equity plan	—	73	—	—	—	73
ESOP shares earned, 4,811 shares	—	23	48	—	—	71
Balance, December 31, 2023	$ 33	$ 51,753	$ (1,443)	$43,377	$ (19,979)	$73,741

See accompanying notes to the unaudited condensed consolidated financial statements.

IF Bancorp, Inc.
Condensed Consolidated Statement of Stockholders' Equity (Unaudited)
(Dollars in thousands, except per share amounts)

	Common Stock	Additional Paid-In Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
For the six months ended December 31, 2024						
Balance, June 30, 2024	$ 33	$ 51,913	$ (1,347)	$43,876	$ (20,559)	$73,916
Net income	—	—	—	1,852	—	1,852
Other comprehensive income	—	—	—	—	530	530
Dividends on common stock, $0.20 per share	—	—	—	(643)	—	(643)
Stock equity plan	—	95	—	—	—	95
ESOP shares earned, 9,622 shares	—	93	96	—	—	189
Balance, December 31, 2024	$ 33	$ 52,101	$ (1,251)	$45,085	$ (20,029)	$75,939
For the six months ended December 31, 2023						
Balance, June 30, 2023	$ 33	$ 51,543	$ (1,540)	$43,365	$ (21,648)	$71,753
Net income	—	—	—	651	—	651
Other comprehensive income	—	—	—	—	1,669	1,669
Dividends on common stock, $0.20 per share	—	—	—	(639)	—	(639)
Stock equity plan	—	163	—	—	—	163
ESOP shares earned, 9,622 shares	—	47	97	—	—	144
Balance, December 31, 2023	$ 33	$ 51,753	$ (1,443)	$43,377	$ (19,979)	$73,741

See accompanying notes to the unaudited condensed consolidated financial statements.

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IF Bancorp, Inc.

Condensed Consolidated Statement of Cash Flows (Unaudited)
(Dollars in thousands)

	Six Months Ended December 31, 2024	Six Months Ended December 31, 2023
Operating Activities		
Net income	$ 1,852	$ 651
Items not requiring (providing) cash		
Depreciation	310	345
Provision (credit) for credit losses	(68)	586
Amortization (accretion) of premiums and discounts on securities	(74)	(116)
Deferred income taxes	32	63
Net realized gains on loan sales	(169)	(110)
Net realized losses on sales of available-for-sale securities	71	—
Loss (gain) on foreclosed assets held for sale	—	2
Bank-owned life insurance income, net	(227)	(206)
Originations of loans held for sale	(4,629)	(5,764)
Proceeds from sales of loans held for sale	4,811	5,257
ESOP compensation expense	189	144
Stock equity plan expense	95	163
Changes in		
Accrued interest receivable	(522)	(977)
Other assets	1,210	2,010
Accrued interest payable	(808)	1,183
Post-retirement benefit obligation	(1)	14
Other liabilities	(61)	(2,126)
Net cash provided by operating activities	2,011	1,119
Investing Activities		
Net change in interest-bearing time deposits	—	500
Purchases of available-for-sale securities	(6,179)	(1,977)
Proceeds from sales of available-for-sale securities	4,665	—
Proceeds from maturities and pay-downs of available-for-sale securities	9,847	5,793
Net change in loans	(8,236)	(66,152)
Purchase of premises and equipment	(143)	(107)
Proceeds from sale of foreclosed assets	1	25
Purchase of Federal Home Loan Bank stock	(1,339)	(2,292)
Redemption of Federal Home Loan Bank stock	168	—
Net cash used in investing activities	(1,216)	(64,210)
Financing Activities		
Net decrease in demand deposits, money market, NOW and savings accounts	(50,173)	(91,738)
Net increase in certificates of deposit, including brokered certificates	5,122	34,469
Net increase (decrease) in advances from borrowers for taxes and insurance	(183)	2
Proceeds from other borrowings	51,600	229,625
Repayments of other borrowings	(76,850)	(195,250)
Proceeds from Federal Home Loan Bank advances	362,500	414,050
Repayments of Federal Home Loan Bank advances	(296,500)	(335,500)
Net increase in repurchase agreements	667	5,253
Dividends paid	(643)	(639)
Net cash provided by (used in) financing activities	(4,460)	60,272
Net Decrease in Cash and Cash Equivalents	(3,665)	(2,819)
Cash and Cash Equivalents, Beginning of Period	9,571	10,988
Cash and Cash Equivalents, End of Period	$ 5,906	$ 8,169
Supplemental Cash Flows Information		
Interest paid	$ 12,893	$ 9,366
Income taxes paid	$ 333	$ 108
Foreclosed assets in the settlement of loans	$ 1	$ 3

See accompanying notes to the unaudited condensed consolidated financial statements.

IF Bancorp, Inc.
Form 10-Q (Unaudited)
(Table dollar amounts in thousands)

Notes to Condensed Consolidated Financial Statements

Note 1: Basis of Financial Statement Presentation

IF Bancorp, Inc., (“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 unaudited condensed consolidated financial statements include the accounts of the Company, the Association, and the Association’s wholly owned subsidiary, L.C.I. Service Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial reporting and with instructions for Form 10–Q and Regulation S–X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and revenues and expenses for the period. Actual results could differ from these estimates. In the opinion of management, the preceding unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial condition of the Company as of December 31, 2024 and June 30, 2024, and the results of its operations for the three month and six month periods ended December 31, 2024 and 2023. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2024. The results of operations for the three month and six-month periods ended December 31, 2024 are not necessarily indicative of the results that may be expected for the entire year.

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.
- 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.

Note 2: New Accounting Pronouncements

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.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280)*: *Improvements to Reportable Segment Disclosures*. The amendments in this update are intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. While the Company only has one reportable segment, the update requires public entities with a single segment to provide all segment disclosures under ASC 280. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within the fiscal years beginning after December 15, 2024. Retrospective application is required for all prior periods presented in the financial statements. The Company intends to present the newly required annual disclosures in its Annual Report on Form 10-K for the fiscal year ending June 30, 2025, and the newly required interim disclosures beginning with its Quarterly Report on Form 10-Q for the period ending September 30, 2025. The Company does not expect the adoption of the guidance to have a material impact on the Company's consolidated financial statements or disclosures.

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 3: Stock-based Compensation

In connection with the conversion to stock form, the Association established an ESOP for the exclusive benefit of eligible employees (all salaried employees who have completed at least 1,000 hours of service in a twelve-month period and have attained the age of 21). The ESOP borrowed funds from the Company in an amount sufficient to purchase 384,900 shares (approximately 8% of the common stock issued in the stock offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Association and dividends received by the ESOP. Contributions will be applied to repay interest on the loan first, and then the remainder will be applied to principal. The loan is expected to be repaid over a period of up to 20 years. Shares purchased with the loan proceeds are held in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants. Participants will vest 100% in their accrued benefits under the employee stock ownership plan after six vesting years, with prorated vesting in years two through five. Vesting is accelerated upon retirement, death or disability of the participant or a change in control of the Association. Forfeitures will be reallocated to remaining plan participants. Benefits may be payable upon retirement, death, disability, separation from service, or termination of the ESOP. Since the Association's annual contributions are discretionary, benefits payable under the ESOP cannot be estimated. Participants receive the shares at the end of employment.

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

A summary of ESOP shares at December 31, 2024 and June 30, 2024 are as follows (dollars in thousands):

	December 31, 2024	June 30, 2024
Allocated shares	182,287	170,696
Shares committed for release	9,622	19,245
Unearned shares	125,093	134,715
Total ESOP shares	317,002	324,656
Fair value of unearned ESOP shares (1)	$ 2,915	$ 2,180

(1) Based on closing price of $23.30 and $16.18 per share on December 31, 2024, and June 30, 2024, respectively.

During the six months ended December 31, 2024, 7,091 ESOP shares were paid to ESOP participants due to separation from service and 563 shares were transferred out as a result of participant diversification. During the six months ended December 31, 2023, 6,086 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.

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 211,888.

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 December 31, 2024, so there are 211,888 shares of restricted stock and 52,970 stock option shares available for future grants under this plan.

No stock options were outstanding at December 31, 2024, June 30, 2024 or December 31, 2023. No stock options were granted or vested during the three or six months ended December 31, 2024 and 2023.

The following table summarizes non-vested restricted stock activity for the six months ended December 31, 2024:

	Shares	Weighted-Average Grant-Date Fair Value
Balance, June 30, 2024	40,800	$ 19.10
Granted	—	—
Forfeited	1,500	19.10
Earned and issued	10,200	19.10
Balance, December 31, 2024	29,100	$ 19.10

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, which was recognized in non-interest expense, was $95,000 and $27,000, respectively, for the six months ended December 31, 2024, and was $163,000 and $46,000, respectively, for the six months ended December 31, 2023. Unrecognized compensation expense for non-vested restricted stock awards was $494,000 at December 31, 2024, and is expected to be recognized over 2.7 years with a corresponding credit to paid-in capital.

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Note 4: Earnings Per Common Share ("EPS")

Basic and diluted earnings per common share are presented for the three month and six month periods ended December 31, 2024 and 2023. The factors used in the earnings per common share computation follow:

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	Six Months Ended December 31, 2024	Six Months Ended December 31, 2023
Net income	$ 1,219	$ 185	$ 1,852	$ 651
Basic weighted average shares outstanding	3,353,010	3,354,626	3,353,018	3,354,626
Less: Average unallocated ESOP shares	(127,498)	(146,743)	(129,904)	(149,149)
Basic average shares outstanding	3,225,512	3,207,883	3,223,114	3,205,477
Diluted effect of restricted stock awards and stock options	—	—	—	—
Diluted average shares outstanding	3,225,512	3,207,883	3,223,114	3,205,477
Basic earnings per common share	$ 0.38	$ 0.06	$ 0.57	$ 0.20
Diluted earnings per common share	$ 0.38	$ 0.06	$ 0.57	$ 0.20

Note 5: Securities

The amortized cost and approximate fair value of securities, 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:				
December 31, 2024:				
U.S. Government and federal agency	$ 3,982	$ —	$ (245)	$ 3,737
Mortgage-backed:				
GSE residential	188,708	—	(25,873)	162,835
Small Business Administration	15,720	—	(2,183)	13,537
State and political subdivisions	2,783	—	(2)	2,781
	$211,193	$ —	$ (28,303)	$182,890
June 30, 2024:				
U.S. Treasury	$ 497	$ —	$ (53)	$ 444
U.S. Government and federal agency	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
	$219,523	$ 41	$ (29,089)	$190,475

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.

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 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 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 December 31, 2024, and June 30, 2024.

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

The Company did not hold securities of any one issuer at December 31, 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 a book value of approximately $188,708,000 and $15,720,000, respectively, and a market value of approximately $ 162,835,000 and $13,537,000, respectively, at December 31, 2024.

All mortgage-backed securities at December 31, 2024 and June 30, 2024 were issued by GSEs.

The amortized cost and fair value of available-for-sale securities at December 31, 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.

	Available-for-sale Securities Amortized Cost	Available-for-sale Securities Fair Value
Within one year	$ 3,034	$ 3,025
One to five years	3,910	3,613
Five to ten years	6,259	5,766
After ten years	9,282	7,651
	22,485	20,055
Mortgage-backed securities	188,708	162,835
Totals	$ 211,193	$ 182,890

The carrying value of securities pledged as collateral to secure public deposits and for other purposes was $ 71,977,000 and $118,577,000 as of December 31, 2024 and June 30, 2024, respectively.

The carrying value of securities sold under agreement to repurchase amounted to $ 18.4 million at December 31, 2024 and $ 17.8 million at June 30, 2024. At December 31, 2024, all $18.4 million of our repurchase agreements had an overnight maturity, and all 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.

Gross gains of $30,000 and $0 and gross losses of $ 101,000 and $0 resulting from sales of available-for-sale securities were realized for the six months ended December 31, 2024, and 2023, respectively. Tax credit applicable to these net realized losses was $20,000 and $0, respectively.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2024 and June 30, 2024, was $181,142,000 and $185,652,000, respectively, which is approximately 99% and 97% of the Company's available-for-sale investment portfolio. These declines in fair value at December 31, 2024 and June 30, 2024, resulted from increases 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 December 31, 2024 and June 30, 2024:

Description of Securities	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
December 31, 2024:						
U.S. Government and federal agency	$ —	$ —	$ 3,737	$ (245)	$ 3,737	$ (245)
Mortgage-backed:						
GSE residential	8,559	(251)	154,276	(25,622)	162,835	(25,873)
Small Business Administration	1,230	(42)	12,307	(2,141)	13,537	(2,183)
State and political subdivisions	1,033	(2)	—	—	1,033	(2)
Total	$ 10,822	$ (295)	$170,320	$ (28,008)	$181,142	$ (28,303)
June 30, 2024:						
U.S. Treasury	$ —	$ —	$ 444	$ (53)	$ 444	$ (53)
U.S. Government and federal agency	—	—	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	$ 1,988	$ (5)	$183,664	$ (29,084)	$185,652	$ (29,089)

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As of December 31, 2024, the Company's available-for-sale securities portfolio consisted of 174 securities, of which 172 were in an unrealized loss position.

The unrealized losses on the Company's investment in U.S. Treasury, U.S. Government and federal agency, Mortgage-backed Government sponsored enterprises, Small Business Administration, and state and political subdivisions securities at December 31, 2024 and June 30, 2024, 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 be impaired at December 31, 2024 and June 30, 2024.

Note 6: Loans and Allowance for Credit Losses

Classes of loans include:

	December 31, 2024	June 30, 2024
Real estate loans:		
One- to four-family, including home equity loans	$ 177,733	$ 177,263
Multi-family	129,371	126,031
Commercial	205,348	200,017
Home equity lines of credit	9,887	9,859
Construction	31,326	33,708
Commercial	94,042	91,784
Consumer	6,926	7,727
Total loans	654,633	646,389
Less:		
Unearned fees and discounts, net	(377)	(407)
Allowance for credit losses	7,346	7,499
Loans, net	$ 647,664	$ 639,297

The Company had no loans held for sale as of December 31, 2024 and June 30, 2024.

The Company believes that sound loans are a necessary and desirable means of employing funds available for investment. Recognizing the Company's obligations to its depositors and to the communities it serves, authorized personnel are expected to seek to develop and make sound, profitable loans that resources permit and that opportunity affords. The Company maintains lending policies and procedures designed to focus our lending efforts on the types, locations, and duration of loans most appropriate for our business model and markets. The Company's lending activity includes the origination of one- to four-family residential mortgage loans, multi-family loans, commercial real estate loans, commercial business loans, home equity lines of credit, and to a lesser extent, consumer loans (consisting primarily of automobile loans), construction loans and land 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. 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.

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 minimum, an active deposit banking relationship in addition to the lending relationship. The integrity and character of the borrower are significant factors in our loan underwriting. As a part of underwriting, tangible positive or negative evidence of the borrower's integrity and character are sought out. Additional significant underwriting factors beyond location, duration, the sound and profitable cash flow basis underlying the loan and the borrower's character are the quality of the borrower's financial history, the liquidity of the underlying collateral and the reliability of the valuation of the underlying collateral.

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 Association 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 loan review process reviews the risk assessments made by our credit department, lenders and loan committees. Results of these reviews are presented to management, Audit Committee and the Board of Directors.

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

One- to four-family Residential Mortgage Loans

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

The Company offers USDA (USDA Rural Development), FHA and VA loans that were 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 ratio and credit history of the borrower.

Commercial Real Estate and Multi-Family Real Estate Loans

Commercial real estate mortgage loans are primarily secured by office buildings, owner-occupied businesses, 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.

Home Equity Lines of Credit

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

Commercial Business Loans

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

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

Real Estate Construction Loans

The Company originates construction loans for one- to four-family residential properties and commercial real estate properties, including multi-family properties. The Company generally requires that a commitment for permanent financing be in place prior to closing the construction loan. The repayment of these loans is typically through permanent financing following completion of the construction. Real estate construction loans are inherently 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.

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 Concentration

The loan portfolio includes a concentration of loans secured by commercial real estate properties amounting to $ 349,832,000 and $346,499,000 as of December 31, 2024 and June 30, 2024, 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 $ 225,000 and $253,000 at December 31, 2024 and June 30, 2024, respectively. All of these purchased loans are secured by single family homes located out of our primary market area, but still primarily in the Midwest. The Company's loans receivable also include commercial loan participations of $55,944,000 and $51,798,000 at December 31, 2024 and June 30, 2024, respectively, of which $38,755,000 and $34,929,000, at December 31, 2024 and June 30, 2024 were outside our primary market area.

Allowance for Credit Losses

The following tables present the activity in the allowance for credit losses for the three-month and six-month periods ended December 31, 2024 and 2023 and the year ended June 30, 2024:

	Three Months Ended December 31, 2024 Real Estate Loans			
	One- to Four-Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for credit losses:				
Balance, beginning of period	$ 1,628	$ 1,762	$ 2,362	$ 147
Provision (credit) charged to expense	(49)	(281)	16	(13)
Losses charged off	—	—	—	—
Recoveries	—	200	—	—
Balance, end of period	$ 1,579	$ 1,681	$ 2,378	$ 134
Loans:				
Ending balance	$ 177,733	$ 129,371	$ 205,348	$ 9,887

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	Three Months Ended December 31, 2024 (Continued)			
	Construction	Commercial	Consumer	Total
Allowance for credit losses:				
Balance, beginning of period	$ 278	$ 1,236	$ 59	$ 7,472
Provision (credit) charged to expense	20	(127)	23	(411)
Losses charged off	—	—	(33)	(33)
Recoveries	—	107	11	318
Balance, end of period	$ 298	$ 1,216	$ 60	$ 7,346
Loans:				
Ending balance	$ 31,326	$ 94,042	$ 6,926	$ 654,633

	Six Months Ended December 31, 2024 Real Estate Loans			
	One- to Four-Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for credit losses:				
Balance, beginning of period	$ 1,774	$ 1,764	$ 2,358	$ 148
Provision (credit) charged to expense	(196)	67	20	(14)
Losses charged off	—	(350)	—	—
Recoveries	1	200	—	—
Balance, end of period	$ 1,579	$ 1,681	$ 2,378	$ 134
Loans:				
Ending balance	$177,733	$ 129,371	$ 205,348	$ 9,887

	Six Months Ended December 31, 2024 (Continued)			
	Construction	Commercial	Consumer	Total
Allowance for credit losses:				
Balance, beginning of period	$ 337	$ 1,053	$ 65	$ 7,499
Provision (credit) charged to expense	(39)	104	24	(34)
Losses charged off	—	(50)	(42)	(442)
Recoveries	—	109	13	323
Balance, end of period	$ 298	$ 1,216	$ 60	$ 7,346
Loans:				
Ending balance	$ 31,326	$ 94,042	$ 6,926	$ 654,633

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	Year Ended June 30, 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 year	$ 1,774	$ 1,764	$ 2,358	$ 148
Loans:				
Ending balance	$ 177,263	$ 126,031	$ 200,017	$ 9,859

	Year Ended June 30, 2024 (Continued)			
	Construction	Commercial	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	$ 337	$ 1,053	$ 65	$ 7,499
Loans:				
Ending balance	$ 33,708	$ 91,784	$ 7,727	$ 646,389

	Three Months Ended December 31, 2023 Real Estate Loans			
	One- to Four-Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for credit losses:				
Balance, beginning of period	$ 1,906	$ 1,115	$ 2,265	$ 134
Provision (credit) charged to expense	(97)	750	328	13
Losses charged off	—	—	—	—
Recoveries	—	—	—	—
Balance, end of period	$ 1,809	$ 1,865	$ 2,593	$ 147
Loans:				
Ending balance	$ 175,817	$ 128,625	$ 215,565	$ 9,494

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	Three Months Ended December 31, 2023 (Continued)			
	Construction	Commercial	Consumer	Total
Allowance for credit losses:				
Balance, beginning of period	$ 1,165	$ 788	$ 77	$ 7,450
Provision (credit) charged to expense	(626)	66	3	437
Losses charged off	—	—	(18)	(18)
Recoveries	—	61	5	66
Balance, end of period	$ 539	$ 915	$ 67	$ 7,935
Loans:				
Ending balance	$ 39,906	$ 83,698	$ 8,042	$ 661,147

	Six Months Ended December 31, 2023 Real Estate Loans			
	One- to Four-Family	Multi-Family	Commercial	Home Equity Lines of Credit
Allowance for credit losses:				
Balance, beginning of period	$ 1,898	$ 1,121	$ 2,369	$ 121
Provision (credit) charged to expense	(89)	744	224	26
Losses charged off	—	—	—	—
Recoveries	—	—	—	—
Balance, end of period	$ 1,809	$ 1,865	$ 2,593	$ 147
Loans:				
Ending balance	$ 175,817	$ 128,625	$ 215,565	$ 9,494

	Six Months Ended December 31, 2023 (Continued)			
	Construction	Commercial	Consumer	Total
Allowance for credit losses:				
Balance, beginning of period	$ 765	$ 794	$ 71	$ 7,139
Provision (credit) charged to expense	(226)	54	14	747
Losses charged off	—	—	(25)	(25)
Recoveries	—	67	7	74
Balance, end of period	$ 539	$ 915	$ 67	$ 7,935
Loans:				
Ending balance	$ 39,906	$ 83,698	$ 8,042	$ 661,147

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 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 individually 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 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.

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 circumstances of the borrower warrant a timelier review. The Company utilizes an internal asset classification system as a means of 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 any pledged collateral. 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.

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 real estate 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: 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 December 31, 2024 and June 30, 2024 (in thousands):

December 31, 2024 Risk Rating	2024	2023	2022	2021	2020	Prior Years	Total
One- to Four-Family							
Pass	$ 23,928	$ 38,713	$ 48,789	$22,362	$14,283	$ 29,383	$177,458
Watch	—	—	—	61	—	—	61
Substandard	—	—	4	5	—	205	214
Total	$ 23,928	$ 38,713	$ 48,793	$22,428	$14,283	$ 29,588	$177,733
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ 1	$ 1
Multi-Family							
Pass	$ 15,031	$ 10,806	$ 44,592	$20,107	$22,390	$ 16,216	$129,142
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	229	229
Total	$ 15,031	$ 10,806	$ 44,592	$20,107	$22,390	$ 16,445	$129,371
Current period charge-offs	$ —	$ (350)	$ —	$ —	$ —	$ —	$ (350)
Current period recoveries	$ —	$ 200	$ —	$ —	$ —	$ —	$ 200
Commercial Real Estate							
Pass	$ 18,646	$ 27,152	$ 51,677	$30,030	$29,594	$ 46,209	$203,308
Watch	—	—	—	846	—	—	846
Substandard	—	—	—	139	803	252	1,194
Total	$ 18,646	$ 27,152	$ 51,677	$31,015	$30,397	$ 46,461	$205,348
Home Equity Line of Credit							
Pass	$ 2,840	$ 2,059	$ 1,524	$ 1,519	$ 692	$ 1,253	$ 9,887
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total	$ 2,840	$ 2,059	$ 1,524	$ 1,519	$ 692	$ 1,253	$ 9,887
Construction							
Pass	$ 15,875	$ 12,055	$ 3,250	$ —	$ —	$ 146	$ 31,326
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total	$ 15,875	$ 12,055	$ 3,250	$ —	$ —	$ 146	$ 31,326
Commercial Business							
Pass	$ 24,535	$ 34,407	$ 7,702	$ 5,423	$ 6,752	$ 7,668	$ 86,487
Watch	—	3,487	—	293	—	2,400	6,180
Substandard	21	129	45	—	1,126	54	1,375
Total	$ 24,556	$ 38,023	$ 7,747	$ 5,716	$ 7,878	$ 10,122	$ 94,042
Current period charge-offs	$ —	$ (50)	$ —	$ —	$ —	$ —	$ (50)
Current period recoveries	$ —	$ 50	$ —	$ —	$ 59	$ —	$ 109
Consumer							
Pass	$ 3,043	$ 1,860	$ 1,217	$ 511	$ 232	$ 43	$ 6,906
Watch	—	—	—	—	—	—	—
Substandard	—	20	—	—	—	—	20
Total	$ 3,043	$ 1,880	$ 1,217	$ 511	$ 232	$ 43	$ 6,926
Current period charge-offs	$ (41)	$ —	$ (1)	$ —	$ —	$ —	$ (42)
Current period recoveries	$ 13	$ —	$ —	$ —	$ —	$ —	$ 13
Total Loans							
Pass	$103,898	$127,052	$158,751	$79,952	$73,943	$ 100,918	$644,514
Watch	—	3,487	—	1,200	—	2,400	7,087
Substandard	21	149	49	144	1,929	740	3,032
Total	$103,919	$130,688	$158,800	$81,296	$75,872	$ 104,058	$654,633

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June 30, 2024 Risk Rating	2024	2023	2022	2021	2020	Prior Years	Total
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	$14,790	$ 39,216	$ 51,267	$24,439	$15,455	$ 32,096	$177,263
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	$ 573	$ 9,004	$ 51,279	$20,346	$22,728	$ 22,101	$126,031
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	$ 4,602	$ 29,665	$ 57,530	$27,772	$31,310	$ 49,138	$200,017
Home Equity Line of Credit							
Pass	$ 1,629	$ 2,361	$ 1,874	$ 1,806	$ 795	$ 1,394	$ 9,859
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total	$ 1,629	$ 2,361	$ 1,874	$ 1,806	$ 795	$ 1,394	$ 9,859
Construction							
Pass	$ 9,123	$ 21,043	$ 3,250	$ —	$ —	$ 292	$ 33,708
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total	$ 9,123	$ 21,043	$ 3,250	$ —	$ —	$ 292	$ 33,708
Commercial Business							
Pass	$10,357	$ 38,853	$ 10,158	$ 9,898	$ 8,201	$ 12,803	$ 90,270
Watch	—	—	—	—	—	—	—
Substandard	—	133	47	190	1,088	56	1,514
Total	$10,357	$ 38,986	$ 10,205	$10,088	$ 9,289	$ 12,859	$ 91,784
Current period recoveries	$ —	$ —	$ —	$ —	$ 242	$ —	$ 242
Consumer							
Pass	$ 1,956	$ 2,635	$ 1,830	$ 843	$ 394	$ 69	$ 7,727
Watch	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total	$ 1,956	$ 2,635	$ 1,830	$ 843	$ 394	$ 69	$ 7,727
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	$43,030	$142,910	$177,235	$85,294	$79,971	$ 117,949	$646,389

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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
December 31, 2024:							
Real estate loans:							
One- to four-family	$ 1,347	$ 242	$ 37	$ 1,626	$176,107	$ 177,733	$ —
Multi-family	25	118	—	143	129,228	129,371	—
Commercial	676	—	—	676	204,672	205,348	—
Home equity lines of credit	—	—	—	—	9,887	9,887	—
Construction	—	—	—	—	31,326	31,326	—
Commercial	—	49	52	101	93,941	94,042	52
Consumer	34	20	—	54	6,872	6,926	—
Total	$ 2,082	$ 429	$ 89	$ 2,600	$652,033	$ 654,633	$ 52

	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	—
Total	$ 1,452	$ 238	$ 173	$ 1,863	$644,526	$ 646,389	$ —

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 December 31, 2024 and June 30, 2024, 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 at December 31, 2024 and June 30, 2024:

	December 31, 2024		June 30, 2024	
	Nonaccrual with no Allowance for Credit Losses	Nonaccrual	Nonaccrual with no Allowance for Credit Losses	Nonaccrual
Mortgages on real estate:				
One- to four-family	$ —	$ 37	$ —	$ —
Multi-family	—	—	—	—
Commercial	—	139	—	150
Home equity lines of credit	—	—	—	—
Construction loans	—	—	—	—
Commercial business loans	—	—	—	—
Consumer loans	—	20	—	—
Total	$ —	$ 196	$ —	$ 150

Loan Modifications with Borrowers Experiencing Financial Difficulty

The Company had no loans for borrowers with financial difficulty in the six months ended December 31, 2024, and two in the year ended June 30, 2024.

The following tables show the amortized cost of loans at December 31, 2024 and 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.

December 31, 2024	Payment Delay	Total Class of Financing Receivable
Real estate loans		
One- to four-family	$ —	—
Multi-family	—	—
Commercial	252	0.12%
Home equity lines of credit	—	—
Construction	—	—
Commercial business	129	—
Consumer	—	0.14%
Total	$ 381	0.06%

June 30, 2024	Payment Delay	Total Class of Financing Receivable
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	$ 385	0.06%

Loan Modifications with Defaults

The Company had no loan modifications for borrowers experiencing financial difficulty in default or in foreclosure as of December 31, 2024 or as of June 30, 2024. 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 believe 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 December 31, 2024 and June 30, 2024, the Company had no foreclosed residential real estate properties as a result of obtaining physical possession. As of December 31, 2024 and June 30, 2024, 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.

Note 7: 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. The Company owned approximately $5,670,000 and $4,499,000 of Federal Home Loan Bank stock as of December 31, 2024 and June 30, 2024. The increase in FHLB stock was due to an increased stock requirement as a result of an increase in FHLB advances. The FHLB provides liquidity and funding through advances.

Note 8: Other Borrowings

The Federal Home Loan Bank advances totaled $ 98,999,000 and $32,999,000 as of December 31, 2024 and June 30, 2024, respectively. The Federal Home Loan Bank advances are secured by mortgage, multi-family, commercial real estate and HELOC loans totaling $417,652,000 at December 31, 2024 and $408,196,000 at June 30, 2024, and are subject to restrictions or penalties in the event of prepayment. Interest rates on advances were from 0 to 5.29 percent with maturities from 2024 to 2030 at December 31, 2024, while interest rates on advances were from 0.00 to 5.29 percent with maturities from 2024 to 2030 at June 30, 2024. At December 31, 2024, the Company's advances included 7 advances at a rate of 0% totaling $1,499,000 as part of the Federal Home Loan Bank Community Small Business Advance program.

Other borrowings include borrowings from the Federal Reserve Bank Term Funding Program (BTFP). At December 31, 2024, the Company had no borrowings from the Federal Reserve BTFP, while at June 30, 2024, the Company 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 $0 and $25,272,000 as of December 31, 2024 and June 30, 2024, respectively.

Note 9: Accumulated Other Comprehensive Loss

The following tables present changes in accumulated other comprehensive loss, by component, net of tax, for the six months ended December 31, 2024 and 2023:

	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Pension Items	Total
December 31, 2024:			
Beginning balance	$ (20,768)	$ 209	$(20,559)
Other comprehensive income before reclassification	482	—	482
Amounts reclassified from accumulated other comprehensive loss	51	—	51
Net current period other comprehensive loss	—	(3)	(3)
Ending balance	$ (20,235)	$ 206	$(20,029)
December 31, 2023:			
Beginning balance	$ (21,715)	$ 67	$(21,648)
Other comprehensive loss before reclassification	1,667	—	1,667
Amounts reclassified from accumulated other comprehensive loss	—	—	—
Net current period other comprehensive loss	—	2	2
Ending balance	$ (20,048)	$ 69	$(19,979)

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

Amounts reclassified from AOCI and the affected line items in the statements of income during the three- and six-month periods ended December 31, 2024 and 2023, were as follows:

	Amounts Reclassified from AOCI				
	Three Months Ended December 31,		Six Months Ended December 31,		Affected Line Item in the Condensed Consolidated Statements of Income
	2024	2023	2024	2023	
Realized gains (losses) on available-for-sale securities	$ —	$ —	$ (71)	$ —	Net realized gains (losses) on sale of available-for-sale securities
Amortization of defined benefit pension items: Actuarial losses	(2)	1	(4)	3	Components are included in computation of net periodic pension cost
Total reclassified amount before tax	(2)	1	(75)	3	
Tax expense (credit)	(1)	—	(21)	1	Provision for Income Tax
Total reclassification out of AOCI	$ (1)	$ 1	$ (54)	$ 2	Net Income

Note 11: Income Taxes

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Computed at the statutory rate	$ 353	$ 49	$ 532	$ 183
Decrease resulting from				
Tax exempt interest	(7)	(9)	(15)	(17)
Cash surrender value of life insurance	(24)	(22)	(48)	(43)
State income taxes	125	15	182	61
Other	16	14	30	38
Actual expense	$ 463	$ 47	$ 681	$ 222

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Note 12: Regulatory Capital

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.

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 December 31, 2024, the Association met all capital adequacy requirements to which it is subject and was categorized as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events that management believes have changed the Association's prompt corrective action category.

Note 13: 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

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Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying 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 December 31, 2024 and June 30, 2024:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024:				
Available-for-sale securities:				
U.S. Government and federal agency and Government sponsored enterprises (GSE's)	$ 3,737	$ —	$ 3,737	$ —
Mortgage-backed: GSE residential	162,835	—	162,835	—
Small Business Administration	13,537	—	13,537	—
State and political subdivisions	2,781	—	1,033	1,748
Mortgage servicing rights	1,478	—	—	1,478

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2024:				
Available-for-sale securities:				
U.S. Treasury	$ 444	$ —	$ 444	$ —
U.S. Government and federal agency and Government sponsored enterprises (GSE's)	6,609	—	6,609	—
Mortgage-backed: 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

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 condensed consolidated 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 period ended December 31, 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. 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.

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:

Six months ended December 31, 2024

	Obligations of State and Political Subdivisions	Mortgage Servicing Rights	Total
Beginning balance	$ 2,057	$ 1,491	$3,548
Transfers into Level 3	—	99	99
Transfers out of Level 3	—	(77)	(77)
Total realized and unrealized gains and losses included in net income	—	(35)	(35)
Purchases	—	—	—
Sales	—	—	—
Settlements	(309)	—	(309)
Ending balance	$ 1,748	$ 1,478	$3,226
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	$ —	$ (35)	$ (35)

	Year ended June 30, 2024		
	Obligations of State and Political Subdivisions	Mortgage Servicing Rights	Total
Beginning balance	$ 2,361	$ 1,482	$3,843
Transfers into Level 3	—	151	151
Transfers out of Level 3	—	(143)	(143)
Total realized and unrealized gains and losses included in net income	—	1	1
Purchases	—	—	—
Sales	—	—	—
Settlements	(304)	—	(304)
Ending balance	$ 2,057	$ 1,491	$3,548
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	$ —	$ 1	$ 1

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 tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements at December 31, 2024 and June 30, 2024.

	Fair Value at December 31, 2024	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mortgage servicing rights	$ 1,478	Discounted cash flow	Discount rate	10.0% (10.0%)
			Constant prepayment rate	6.2% - 8.5% (8.1%)
			Probability of default	0.08% - 0.12% (0.11%)
State and political subdivision	1,748	Discounted cash flow	Maturity/Call Date	1 month - 7 years
			Weighted average coupon	2.97% - 3.08% (3.03%)
			Marketability yield adjustment	1.0% - 2.0% (1.6%)

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	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% (3.03%)
			Marketability yield adjustment	1.0% - 2.0% (1.6%)

Fair Value of Financial Instruments

The following tables present 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 December 31, 2024 and June 30, 2024.

	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)
December 31, 2024:				
Financial assets				
Cash and cash equivalents	$ 5,906	$ 5,906	$ —	$ —
Interest-bearing time deposits in banks	250	250	—	—
Loans, net of allowance for credit losses	647,664	—	—	614,202
Federal Home Loan Bank stock	5,670	—	5,670	—
Accrued interest receivable	3,979	—	3,979	—
Financial liabilities				
Deposits	682,126	—	357,371	324,401
Repurchase agreements	18,439	—	18,439	—
Federal Home Loan Bank advances	98,999	—	97,511	—
Other borrowings	—	—	—	
Advances from borrowers for taxes and insurance	785	—	785	—
Accrued interest payable	2,201	—	2,201	—
Unrecognized financial instruments (net of contract amount)				
Commitments to originate loans	—	—	—	—

	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	—	—	—	—

The methods utilized to measure the fair value of financial instruments at December 31, 2024, represent an approximation of exit price; however, an actual exit price may differ.

Note 14: Commitments

Commitments to Originate Loans

Commitments to extend credit 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.

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.

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 six months ended December 31, 2024, the Company recorded a credit for credit losses on off-balance sheet credit exposures of $34,000, compared to a credit for credit losses of $ 161,000 for the six months ended December 31, 2023. During the three months ended December 31, 2024, the Company recorded a credit for credit losses on off-balance sheet credit exposures of $39,000, compared to a credit for credit losses of $ 73,000 for the three months ended December 31, 2023. Our ACL on off-balance sheet credit exposures was $64,000 and $98,000, at December 31, 2024 and June 30, 2024, respectively. This reduction was primarily due to a decrease in loans with unfunded balances without the Bank's ability to cancel on demand.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report may contain forward-looking statements within the meaning of the federal securities laws. These statements are not historical facts, but rather are statements based on management’s current expectations regarding its business strategies and their intended results and IF Bancorp, Inc.’s (“the Company”) future performance. Forward-looking statements are preceded by terms such as “expects,” “believes,” “anticipates,” “intends” and similar expressions.

Management’s ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors that could have a material adverse effect on our actual results include, but are not limited to, general economic conditions, changes in the interest rate environment, legislative or regulatory changes that may adversely affect our business, changes in accounting policies and practices, changes in competition and demand for financial services, adverse changes in the securities markets and changes in the quality or composition of the Association’s loan or investment portfolios.

Additional factors that may affect our results are discussed under “Item 1A. - Risk Factors”, in the Company’s Annual Report on Form 10-K for the year ended June 30, 2024, and the Company’s other filings with the SEC. These factors should be considered in evaluating the forward-looking statements and undue reliance should not be placed on such statements. IF Bancorp, Inc. assumes no obligation to update any forward-looking statement, except as may be required by law.

Overview

On July 7, 2011 we completed our initial public offering of common stock in connection with the Association’s mutual-to-stock conversion, selling 4,496,500 shares of common stock at $10.00 per share, including 384,900 shares sold to the Association’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. As of December 31, 2024, the Company has repurchased a total of 1,674,479 shares of common stock under stock repurchase plans.

The Company is a savings and loan holding company and is subject to regulation by the Board of Governors of the Federal Reserve System. The Company’s business activities are limited to oversight of its investment in the Association.

The Association is primarily engaged in providing a full range of banking and mortgage services to individual and corporate customers within a 100-mile radius of its locations in Watseka, Danville, Clifton, Hoopeston, Savoy, Champaign, and Bourbonnais, Illinois, and Osage Beach, Missouri. The principal activity of the Association’s wholly-owned subsidiary, L.C.I. Service Corporation, is the sale of property and casualty insurance. The Association is subject to regulation by the Office of the Controller of the Currency and the Federal Deposit Insurance Corporation.

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, 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, net gain on foreclosed assets 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, and federal deposit insurance premiums. 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 1.99% and 1.88% for the six months ended December 31, 2024 and 2023, respectively. Net interest income increased to $9.8 million, or $19.6 million on an annualized basis, for the six months ended December 31, 2024 from $9.0 million, or $18.0 million on an annualized basis, for the six months ended December 31, 2023.

Our emphasis on conservative loan underwriting has historically resulted in relatively low levels of non-performing assets. Our non-performing loans totaled $248,000, or 0.1% of total loans, at December 31, 2024, and $173,000, or 0.1% of total loans, at June 30, 2024. Our non-performing assets totaled $248,000, or 0.1% of total assets, at December 31, 2024, and $173,000, or 0.1% of total assets, at June 30, 2024.

At December 31, 2024, the Association was categorized as “well capitalized” under regulatory capital requirements.

Our net income for the six months ended December 31, 2024 was $1.9 million, compared to a net income of $651,000 for the six months ended December 31, 2023.

Management’s discussion and analysis of the financial condition and results of operations at and for the three and six months ended December 31, 2024 and 2023 is intended to assist in understanding the financial condition and results of operations of the Association. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto, appearing in Part I, Item 1 of this quarterly report on Form 10-Q.

Critical Accounting Policies

We define critical accounting policies as those 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. 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 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.

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 individually evaluated 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 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 U.S. 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.

There are no material changes to the critical accounting policies disclosed in IF Bancorp, Inc.'s Form 10-K for the fiscal year ended June 30, 2024.

Comparison of Financial Condition at December 31, 2024 and June 30, 2024

Total assets decreased $2.6 million, or 0.3%, to $885.1 million at December 31, 2024 from $887.7 million at June 30, 2024. The decrease was primarily due to a $7.6 million decrease in investment securities and a $3.7 million decrease in cash and cash equivalents, partially offset by a $8.4 million increase in net loans receivable.

Net loans receivable increased by $8.4 million, or 1.3%, to $647.7 million at December 31, 2024 from $639.3 million at June 30, 2024. The increase in net loans receivable during this period was due primarily to a $5.3 million, or 2.7%, increase in commercial real estate loans, a $3.3 million, or 2.7%, increase in multi-family loans, a $2.3 million, or 2.5%, increase in commercial business loans, a $470,000, or 0.3%, increase in one- to four-family loans, and a $28,000, or 0.3%, increase in home equity lines of credit, partially offset by an $2.4 million, or 7.1%, decrease in construction loans and a $801,000, or 10.4%, decrease in consumer loans.

Investment securities, consisting entirely of securities available for sale, decreased $7.6 million, or 4.0%, to $182.9 million at December 31, 2024 from $190.5 million at June 30, 2024. We had no securities classified as held to maturity at December 31, 2024 or June 30, 2024.

Between June 30, 2024 and December 31, 2024, accrued interest receivable increased $522,000 to $4.0 million, Federal Home Loan Bank (FHLB) stock increased $1.2 million to $5.7 million, while premises and equipment decreased $167,000 to $10.4 million, deferred income taxes decreased $243,000 to $10.2 million, and other assets decreased $1.2 million to $1.5 million. The increase in accrued interest receivable was primarily the result of increases in both the average balances and yields of loans, while the increase in FHLB stock was due to an increased stock requirement due to an increase in FHLB advances. The decrease in premises and equipment was the result of ordinary depreciation, while the decrease in deferred income taxes was mostly due to a decrease in unrealized losses on the sale of available-for-sale securities and the decrease in other assets was primarily due to the receipt of a large accounts receivable item in the six months ended December 31, 2024.

At December 31, 2024, our investment in bank-owned life insurance was $15.1 million, an increase of $227,000 from $14.9 million at June 30, 2024. 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, which resulted in a limit of $24.1 million at December 31, 2024.

Deposits decreased $45.1 million, or 6.2%, to $682.1 million at December 31, 2024 from $727.2 million at June 30, 2024. Certificates of deposit, excluding brokered certificates of deposit, increased $4.3 million, or 1.5%, to $295.0 million, while brokered certificates of deposit increased $787,000, or 2.7%, to $29.8 million. Noninterest bearing demand accounts decreased $65.5 million, or 63.4%, to $37.8 million, while savings, NOW, and money market accounts increased $15.3 million, or 5.0%, to $319.6 million. The large decrease in noninterest bearing demand accounts was due primarily to approximately $62.7 million in deposits from a public entity that collects real estate taxes that were withdrawn during the six months ended December 31, 2024, when tax monies were distributed. Repurchase agreements increased $667,000, or 3.8%, to $18.4 million at December 31, 2024, from $17.8 million at June 30, 2024. Borrowings consisted of advances from the Federal Home Loan Bank of Chicago which increased $66.0 million to $99.0 million at December 31, 2024 from $33.0 million at June 30, 2024. Other borrowings decreased $25.3 million, as the Company paid off the remaining $25.3 million borrowed from the Federal Reserve Bank Term Funding Program (BTFP) in the 6 months ended December 31, 2024.

Accrued interest payable decreased $808,000, or 26.9%, to $2.2 million at December 31, 2024, from $3.0 million at June 30, 2024, while the allowance for credit losses on off-balance sheet credit exposures decreased $34,000 to $64,000 at December 31, 2024 from $98,000 at June 30, 2024. The decrease in accrued interest payable was mostly due to a discontinued CD special with a 7-month term and accrued interest payable of $678,000 at June 30, 2024, while the decrease in the allowance for credit losses on off-balance sheet credit exposures was due to decreases in loans with unfunded balances without the Bank’s ability to cancel on demand.

Total equity increased $2.0 million, or 2.7%, to $75.9 million at December 31, 2024 from $73.9 million at June 30, 2024. Equity increased primarily due to a net income of $1.9 million, an increase of $530,000 in accumulated other comprehensive income (loss), net of tax, and ESOP and stock equity plan activity of $284,000, partially offset by approximately $643,000 in dividends to our stockholders. 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 Six Months Ended December 31, 2024 and 2023

General. Net income increased $1.2 million to $1.9 million for the six months ended December 31, 2024, from $651,000 for the six months ended December 31, 2023. The increase in net income was due to an increase in net interest income, a decrease in provisions for credit losses, and an increase in noninterest income, partially offset by an increase in noninterest expense.

Net Interest Income. Net interest income increased $867,000, or 9.7%, to $9.8 million for the six months ended December 31, 2024, from $9.0 million for the six months ended December 31, 2023. This was a result of an increase of $2.4 million in interest and dividend income, partially offset by an increase of $1.5 million in interest expense. Our interest rate spread increased by 11 basis points to 1.99% for the six months ended December 31, 2024, compared to 1.88% for the six months ended December 31, 2023, and our net interest margin increased by 16 basis points to 2.32% for the six months ended December 31, 2024 compared to 2.16% for the six months ended December 31, 2023. A $18.6 million, or 2.2%, increase in average balance of interest earning assets was partially offset by a $15.7 million, or 2.1% increase in the average balance of interest-bearing liabilities.

Interest and Dividend Income. Interest and dividend income increased $2.4 million, or 12.3%, to $21.9 million for the six months ended December 31, 2024, from $19.5 million for the six months ended December 31, 2023. The increase in interest and dividend income was due to a $2.6 million increase in interest income on loans, and a $45,000 increase in other interest income, partially offset by a $246,000 decrease in interest income on securities. The increase in interest income on loans resulted from a 59 basis point, or 11.2%, increase in the average yield on loans to 5.85% for the six months ended December 31, 2024 from 5.26% for the six months ended December 31, 2023, and by a $26.0 million, or 4.2%, increase in the average balance of loans to $650.7 million for the six months ended December 31, 2024, from $624.7 million for the six months ended December 31, 2023. The increase in other interest income was a result of a 141 basis point increase in the average yield in other interest earning assets, including Federal Home Loan Bank dividends and deposits with other financial institutions, to 7.15% from 5.74%, partially offset by a $622,000 decrease in the average balance of other interest earning assets. The decrease in interest income on securities was due to a 16 basis point decrease in the average yield on securities to 2.73% for the six months ended December 31, 2024 from 2.89% for the six months ended December 31, 2023, and a $6.8 million, or 3.5%, decrease in the average balance of securities to $188.0 million for the six months ended December 31, 2024, from $194.8 million for the six months ended December 31, 2023.

Interest Expense. Interest expense increased $1.5 million, or 14.6%, to $12.1 million for the six months ended December 31, 2024, from $10.5 million for the six months ended December 31, 2023. The increase was primarily due to an increase of $1.3 million in interest on deposits and a $260,000 increase in interest on borrowings and repurchase agreements.

Interest expense on interest-bearing deposits increased by $1.3 million, or 15.6%, to $9.4 million for the six months ended December 31, 2024, from $8.2 million for the six months ended December 31, 2023. This increase was due to a 38 basis point increase in the average cost of interest bearing deposits to 2.95% for the six months ended December 31, 2024 from 2.57% for the six months ended December 31, 2023, and by an increase of $3.6 million in the average balance of interest-bearing deposits to $640.3 million for the six months ended December 31, 2024 from $636.6 million for the six months ended December 31, 2023.

Interest expense on borrowings, including FHLB advances, borrowings from the Federal Reserve Bank discount window and Bank Term Funding Program, and repurchase agreements, increased $260,000, or 10.9%, to $2.6 million for the six months ended December 31, 2024, from $2.4 million for the six months ended December 31, 2023. This increase was due to an increase in the average balance of borrowings and repurchase agreements to $120.7 million for the six months ended December 31, 2024, from $108.6 million for the six months ended December 31, 2023, partially offset by a 1 bp decrease in the average cost of such borrowings to 4.37% for the six months ended December 31, 2024, from 4.38% for the six months ended December 31, 2023.

Provision (Credit) 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 probable credit losses inherent in our loan portfolio. We recorded a credit for credit losses on loans for $34,000 and a credit for credit losses on off-balance sheet credit exposures of $34,000 for a total credit for credit losses of $68,000 for the six months ended December 31, 2024, compared to a provision for credit losses on loans of $747,000 and a credit for credit losses on off-balance sheet credit exposures of $161,000 for a total provision for credit losses of $586,000 for the six months ended December 31, 2023. The allowance for credit losses was $7.3 million, or 1.12% of total loans, at December 31, 2024, compared to $7.9 million, or 1.20% of total loans, at December 31, 2023, and $7.5 million, or 1.16% of total loans, at June 30, 2024. During the six months ended December 31, 2024, a net loss of $119,000 was recorded, while during the six months ended December 31, 2023, a net recovery of $49,000 was recorded.

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

	At or for the Six Months Ended December 31, 2024	At or for the Year Ended June 30, 2024
Allowance to non-performing loans at the end of the period	2962.10%	4329.57%
Allowance to total loans outstanding at the end of the period	1.12%	1.16%
Net charge-offs (recoveries) to average total loans outstanding during the period, annualized	0.04%	(0.03)%
Total non-performing loans to total loans at the end of the period	0.04%	0.03%
Total non-performing assets to total assets at the end of the period	0.02%	0.02%

Noninterest Income. Noninterest income increased $622,000, or 30.4%, to $2.7 million for the six months ended December 31, 2024, from $2.0 million for the six months ended December 31, 2023. The increase was primarily due to an increase in mortgage banking income, net, gain on sale of loans, customer service fees, brokerage commissions and other income, partially offset by a decrease in net realized gains (losses) on sale of available-for-sale securities. For the six months ended December 31, 2024, mortgage banking income, net, increased $64,000 to $156,000, gain on sale of loans increased $59,000 to $169,000, customer service fees increased $37,000 to $246,000, brokerage commissions increased $42,000 to $361,000 and other income increased $448,000 to $1.0 million, while net realized gains (losses) on sale of available-for-sale securities decreased $71,000 to $(71,000), from the six months ended December 31, 2023. The increase in mortgage banking income, net, was a result of an increase in the valuation of mortgage servicing rights and an increase in loan servicing fees in the six months ended December 31, 2024, and 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 six months ended December 31, 2024. The increase in customer service fees was due to an increase in the number of overdraft and stop payment fees and the increase in brokerage commissions was the result of an increase in mutual fund commissions and management fees, while the increase in other income was due to the receipt of an insurance settlement filed as a result of HELOC check fraud. The decrease in net realized gain (loss) on sale of available-for-sale securities was due to a few securities sold at a net loss in the six months ended December 31, 2024.

Noninterest Expense. Noninterest expense increased $483,000, or 5.1%, to $10.0 million for the six months ended December 31, 2024, from $9.6 million for the six months ended December 31, 2023. The largest components of this increase were compensation and benefits, which increased $404,000, or 6.9%, and professional services, which increased $70,000, or 30.6%. These increases were partially offset by a decrease in federal deposit insurance premium, which decreased $44,000, or 14.7%, and a decrease in office occupancy expense, which decreased $42,000, or 7.3%. Compensation and benefits increased due to normal salary increases, annual incentive plan increases, and increases in medical costs, while professional services increased due to additional legal and consulting services received during the six months ended December 31, 2024. The federal deposit insurance premium decreased due to a decrease in the quarterly assessment multiplier as a result of improvement in the sum of financial ratio contributions to assessment rate, and office occupancy expense decreased primarily as a result of a decrease in real estate taxes.

Income Tax Expense. We recorded a provision for income tax of $681,000 for the six months ended December 31, 2024, compared to a provision for income tax of $222,000 for the six months ended December 31, 2023, reflecting effective tax rates of 26.9% and 25.4%, respectively.

Comparison of Operating Results for the Three Months Ended December 31, 2024, and 2023

General. Net income increased $1.0 million to $1.2 million net income for the three months ended December 31, 2024, from $185,000 net income for the three months ended December 31, 2023. The increase in net income was primarily due to an increase in net interest income, a decrease in provision for credit losses, and an increase in noninterest income, partially offset by a decrease in noninterest expense.

Net Interest Income. Net interest income increased $629,000 to $5.0 million for the three months ended December 31, 2024, from $4.4 million for the three months ended December 31, 2023. The increase was a result of a $781,000 increase in interest and dividend income, partially offset by a $152,000 increase in interest expense. Our interest rate spread increased 29 basis points to 2.07% for the three months ended December 31, 2024, compared to 1.78% for the three months ended December 31, 2023, and our net interest margin increased by 30 basis points to 2.37% for the three months ended December 31, 2024, compared to 2.07% for the three months ended December 31, 2023. A $2.5 million, or 0.3%, decrease in the average balance of interest-bearing liabilities was partially offset by a $788,000, or 0.1% decrease in the average balance of interest earning assets.

Interest and Dividend Income. Interest and dividend income increased $781,000, or 7.6%, to $11.0 million for the three months ended December 31, 2024, from $10.2 million for the three months ended December 31, 2023. The increase in interest and dividend income was primarily due to a $862,000 increase in interest income on loans, partially offset by a $101,000 decrease in interest income on securities. The increase in interest on loans resulted from a 46 basis point, or 8.6%, increase in the average yield on loans to 5.87% from 5.41%, and a $7.7 million, or 1.2%, increase in the average balance of loans to $651.7 million from $644.0 million. The decrease in interest income on securities resulted from a 10 basis point, or 3.4%, decrease in the average yield on securities to 2.77% from 2.87%, and by a $7.8 million, or 4.0%, decrease in the average balance of securities to $186.2 million from $194.0 million.

Interest Expense. Interest expense increased $152,000, or 2.6%, to $6.0 million for the three months ended December 31, 2024, from $5.8 million for the three months ended December 31, 2023. This increase was due to a 9 basis point, or 2.9%, increase in the average cost of interest-bearing liabilities to 3.14% from 3.05%, partially offset by a $2.5 million, or 0.3%, decrease in the average balance of interest-bearing liabilities to $762.5 million from $765.0 million.

Interest expense on interest-bearing deposits increased by $358,000, or 8.3%, to $4.7 million for the three months ended December 31, 2024, from $4.3 million for the three months ended December 31, 2023. This increase was due to an increase in the average cost of interest-bearing deposits to 2.93% for the three months ended December 31, 2024, from 2.73% for the three months ended December 31, 2023, and a $6.7 million, or 1.1%, increase in the average balance of interest-bearing deposits to $641.5 million for the three months ended December 31, 2024, from $634.8 million for the three months ended December 31, 2023.

Interest expense on borrowings decreased $206,000, or 13.7%, to $1.3 million for the three months ended December 31, 2024, from $1.5 million for the three months ended December 31, 2023. This decrease was due to a decrease in the average balance of borrowings to $121.0 million for the three months ended December 31, 2024, from $130.2 million for the three months ended December 31, 2023, and a 32 basis point decrease in the average cost of such borrowings to 4.30% for the three months ended December 31, 2024 from 4.62% for the three months ended December 31, 2023.

Provision (Credit) 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 probable credit losses inherent in our loan portfolio. We recorded a credit for credit losses on loans for $411,000 and a credit for credit losses on off-balance sheet credit exposures for $39,000 for a total credit for credit losses of $450,000 for the three months ended December 31, 2024, compared to a provision for credit losses on loans of $437,000 and a credit for credit losses on off-balance sheet credit exposures of $73,000 for a total provision for credit losses of $364,000 for the three months ended December 31, 2023. During the three months ended December 31, 2024, net recoveries of $285,000 were recorded, while during the three months ended December 31, 2023, net recoveries of $48,000 were recorded.

Noninterest Income. Noninterest income increased $342,000, or 37.4%, to $1.3 million for the three months ended December 31, 2024, from $915,000 for the three months ended December 31, 2023. The increase was primarily due to an increase in mortgage banking income, net, an increase in gain on sale of loans and an increase in brokerage commissions. For the three months ended December 31, 2024, mortgage banking income, net, increased $246,000 to $198,000, gain on sale of loans increased $34,000 to $72,000, and brokerage commissions increased $26,000 to $183,000, from the three months ended December 31, 2023. The increase in mortgage banking income, net, was a result of an increase in the valuation of mortgage servicing rights in the three months ended December 31, 2024, and the increase in gain on sale of loans was a result of an increase in loans originated and sold through the FHLBC Mortgage Partner Finance program in the three months ended December 31, 2024. The increase in brokerage commissions was the result of an increase in the amount of mutual fund commissions and management fees.

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Noninterest Expense. Noninterest expense increased $335,000, or 7.1%, to $5.0 million for the three months ended December 31, 2024, from $4.7 million for the three months ended December 31, 2023. The largest components of this increase were compensation and benefits, which increased $352,000, or 12.4%, and telephone and postage expense, which increased $17,000, or 53.1%. These increases were partially offset by a decrease in federal deposit insurance, which decreased $38,000, or 23.5%, and a decrease in office occupancy expense, which decreased $32,000, or 11.1%. Compensation and benefits increased due to normal salary increases, annual incentive plan increases, and increases in medical costs, while telephone and postage expenses increased as a result of an update to the Company's telephone system and an increase in postage rates.

Income Tax Expense*.* We recorded a provision for income tax of $463,000 for the three months ended December 31, 2024, compared to a provision for income tax of $47,000 for the three months ended December 31, 2023, reflecting effective tax rates of 27.5% and 20.3%, respectively.

Asset Quality

At December 31, 2024, our non-accrual loans totaled $196,000, which consisted of a single one- to four-family loan in the amount of $37,000, one commercial real estate loan in the amount of $139,000, and one consumer loan in the amount of $20,000. At December 31, 2024, we had two commercial business loans totaling $52,000 which was delinquent 90 days or greater and still accruing interest.

At December 31, 2024, loans classified as substandard equaled $3.0 million. Loans classified as substandard consisted of $214,000 in one- to four-family loans, $229,000 in multi-family loans, $1.2 million in commercial real estate loans, $1.4 million in commercial business loans, and $20,000 in consumer loans. At December 31, 2024, no loans were classified as doubtful or loss.

At December 31, 2024, watch rated assets totaled $7.1 million, which consisted of $61,000 in one-to four-family loans, $846,000 in commercial real estate loans, and $6.2 million in commercial business loans.

Loan Modifications with Borrowers Experiencing Financial Difficulty. The Company made no loan modifications for borrowers experiencing financial difficulty during the six months ended December 31, 2024, and two such modifications in the year ended June 30, 2024. One of these modifications was a $252,000 commercial real estate loan, the other was a $133,000 commercial business loan, and both were modified to allow for a payment delay.

Foreclosed Assets. At December 31 2024 and June 30, 2024, we had no foreclosed assets.

Allowance for Credit Loss Activity

The Company regularly reviews its allowance for credit losses and adjusts its balance based on management's analysis of the loan portfolio, the amount of non-performing and classified loans, as well as general economic conditions. Although the Company maintains its allowance for credit losses at a level that it considers sufficient to provide for losses, there can be no assurance that future losses will not exceed internal estimates. In addition, the amount of the allowance for credit losses is subject to review by regulatory agencies, which can order the establishment of additional loss provisions. The following table summarizes changes in the allowance for credit losses over the six-month periods ended December 31, 2024 and 2023:

	Six months ended December 31,	
	2024	2023
Balance, beginning of period	$7,499	$7,139
Loans charged off		
Real estate loans		
One- to four-family	—	—
Multi-family	(350)	—
Commercial	—	—
HELOC	—	—
Construction	—	—
Commercial business	(50)	—
Consumer	(42)	(25)
Gross charged off loans	(442)	(25)
Recoveries of loans previously charged off		
Real estate loans		
One- to four-family	1	—
Multi-family	200	—
Commercial	—	—
HELOC	—	—
Construction	—	—
Commercial business	109	67
Consumer	13	7
Gross recoveries of charged off loans	323	74
Net charge offs	(119)	49
Provision charged to expense	(34)	747
Balance, end of period	$7,346	$7,935

The allowance for credit losses has been calculated based upon an evaluation of pertinent factors underlying the various types and quality of the Company's loans. Management considers such factors as the repayment status of a loan, the estimated net fair value of the underlying collateral, the borrower's intent and ability to repay the loan, local economic conditions, and the Company's historical loss ratios. We maintain the allowance for credit losses through the provisions for credit losses that we charge to income. We charge losses on loans against the allowance for credit losses when we believe the collection of loan principal is unlikely. The allowance for credit losses decreased $153,000 to $7.3 million at December 31, 2024, from $7.5 million at June 30, 2024. This decrease in allowance was made to bring the allowance for credit losses to a level that reflects management's best estimate of the reserve necessary to adequately account for probable losses expected over the remaining contractual life of the loans.

Within each pool, risk elements are evaluated that have specific impacts to the borrowers within the pool. These, along with the general risks and events, and the specific lending policies and procedures by loan type, are analyzed to estimate the qualitative factors used to adjust the historical loss rates. Factors considered by the Company during the evaluation of 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. Management reviews economic factors including the potential for reduced cash flow for commercial operating loans from reduction in sales or increased operating costs, decreased occupancy rates for commercial buildings, reduced levels of home sales for commercial land developments, increased operating costs for businesses, and increased levels of unemployment and bankruptcy impacting consumer's ability to pay. Each of these economic uncertainties was taken into consideration in developing the level of the reserve, and management has included a qualitative factor within the ACL. 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.

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.

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. 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 three months ended December 31, 2024, the six months ended December 31, 2024, and the year ended June 30, 2024, our liquidity ratio averaged 24.06%, 24.18% and 25.90% of our total assets, respectively. We believe that we had enough sources of liquidity to satisfy our short- and long-term liquidity needs as of December 31, 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 December 31, 2024, cash and cash equivalents totaled $5.9 million. Interest-earning time deposits which can offer additional sources of liquidity totaled $250,000 at December 31, 2024.

Our cash flows are derived from operating activities, investing activities and financing activities as reported in our Condensed Consolidated Statement of Cash Flows included in our financial statements. Net cash provided by operating activities were $2.0 million and $1.1 million for the six months ended December 31, 2024 and 2023 respectively. Net cash used in investing activities consisted primarily of disbursements for loan originations and the purchase of securities, offset by net cash provided by principal collections on loans, and proceeds from maturing securities, the sale of securities and pay-downs on mortgage-backed securities. Net cash used in investing activities was $(1.2) million and $(64.2) million for the six months ended December 31, 2024 and 2023, respectively. Net cash provided by (used in) financing activities consisted primarily of the activity in deposit accounts and FHLB Advances. The net cash provided by (used in) financing activities was $(4.5) million and $60.3 million for the six months ended December 31, 2024 and 2023, respectively.

The Company must also maintain adequate levels of liquidity to ensure the availability of funds to satisfy loan commitments. The Company anticipates that it will have sufficient funds available to meet its current commitments principally through the use of current liquid assets and through its borrowing capacity discussed above. The following table summarizes these commitments at December 31, 2024 and June 30, 2024.

	December 31, 2024	June 30, 2024
	(Dollars in thousands)	
Commitments to fund loans	$ 10,299	$ 8,317
Lines of credit	67,310	71,240

At December 31, 2024, certificates of deposit due within one year of December 31, 2024 totaled $286.0 million, or 41.9% of total deposits. Depending on market conditions, we may be required to pay higher rates on such deposits, our line of credit or other borrowings than we currently pay on the certificates of deposit due on or before December 31, 2025. Moreover, it is our intention as we continue to grow our commercial real estate portfolio, to emphasize lower cost deposit relationships with these commercial loan customers and thereby replace the higher cost certificates with lower cost deposits. We have the ability to attract and retain deposits by adjusting the interest rates offered.

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 Bank, and CIBC Bank USA. Federal Home Loan Bank advances were $99.0 million, while the Company had no borrowings from the Federal Reserve Bank (FRB) Discount Window or from CIBC Bank at December 31, 2024. At December 31, 2024 the Company had the ability to borrow up to an additional $31.1 million from the Federal Home Loan Bank of Chicago, had $14.0 million available from CIBC Bank, and also had the ability to borrow $34.2 million from the Federal Reserve based on current collateral pledged.

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.

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 December 31, 2024, the Association was categorized as well capitalized under the 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 Community Bank Leverage Ratio is presented in the table below.

	December 31, 2024 Actual	June 30, 2024 Actual	Minimum to Be Well Capitalized
Community Bank Leverage Ratio	9.6%	9.2%	9.0%

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Average Balances and Yields

The following tables set forth average balance sheets, average yields and costs, and certain other information at and for the periods indicated. Yields and costs are presented on an annualized basis. 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 the Company. 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 Three Months Ended December 31,					
	2024			2023		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
	(Dollars in thousands)					
Assets						
Loans	$651,697	$ 9,564	5.87%	$643,966	$ 8,702	5.41%
Securities:						
U.S. Treasury	—	—	0.00%	438	2	1.83%
U.S. Government and federal agency	5,069	32	2.53%	6,506	40	2.46%
Mortgage-backed:						
GSE residential	164,498	1,150	2.80%	169,496	1,232	2.91%
Small Business Administration	13,671	84	2.46%	14,323	92	2.57%
State and political subdivisions	2,938	23	3.13%	3,259	25	3.07%
Total securities	186,176	1,289	2.77%	194,022	1,391	2.87%
Other interest-earning assets	7,782	157	8.07%	8,455	136	6.43%
Total interest-earning assets	845,655	11,010	5.21%	846,443	10,229	4.83%
Non-interest earning assets	38,568			38,524		
Total assets	$884,223			$884,967		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing checking or NOW	$106,948	41	0.15%	$105,346	43	0.16%
Savings accounts	54,436	42	0.31%	60,554	104	0.69%
Money market accounts	158,709	1,145	2.89%	159,224	1,291	3.24%
Certificates of deposit	321,423	3,466	4.31%	309,671	2,898	3.74%
Total interest-bearing deposits	641,516	4,694	2.93%	634,795	4,336	2.73%
Borrowings and repurchase agreements	120,957	1,299	4.30%	130,171	1,505	4.62%
Total interest-bearing liabilities	762,473	5,993	3.14%	764,966	5,841	3.05%
Noninterest-bearing liabilities	39,071			45,025		
Other Noninterest-bearing liabilities	6,594			5,699		
Total liabilities	808,138			815,690		
Stockholders' equity	76,085			69,277		
Total liabilities and stockholders' equity	$884,223			$884,967		
Net interest income		$ 5,017			$ 4,388	
Interest rate spread (1)			2.07%			1.78%
Net interest margin (2)			2.37%			2.07%
Net interest-earning assets (3)	$ 83,182			$ 81,477		
Average interest-earning assets to interest-bearing liabilities	111%			111%		

(1) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(2) Net interest margin represents net interest income divided by average total interest-earning assets.
(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

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	For the Six Months Ended December 31,					
	2024			2023		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
	(Dollars in thousands)					
Assets						
Loans	$650,672	$19,039	5.85%	$624,687	$16,435	5.26%
Securities:						
U.S. Treasury	—	—	0.00%	436	3	1.38%
U.S. Government and federal agency	5,401	67	2.48%	6,473	80	2.47%
Mortgage-backed:						
GSE residential	165,624	2,272	2.74%	170,019	2,473	2.91%
Small Business Administration	13,969	180	2.58%	14,531	204	2.81%
State and political subdivisions	3,019	46	3.05%	3,338	51	3.06%
Total securities	188,013	2,565	2.73%	194,797	2,811	2.89%
Other interest-earning assets	8,928	319	7.15%	9,550	274	5.74%
Total interest-earning assets	847,613	21,923	5.17%	829,034	19,520	4.71%
Non-interest earning assets	38,769			39,708		
Total assets	$886,382			$868,742		
Liabilities and Stockholders’ Equity						
Interest-bearing liabilities:						
Interest-bearing checking or NOW	$103,570	81	0.16%	$104,611	88	0.17%
Savings accounts	54,401	84	0.31%	61,774	209	0.68%
Money market accounts	163,200	2,353	2.88%	171,213	2,556	2.99%
Certificates of deposit	319,096	6,929	4.34%	299,032	5,318	3.56%
Total interest-bearing deposits	640,267	9,447	2.95%	636,630	8,171	2.57%
Borrowings and repurchase agreements	120,668	2,638	4.37%	108,618	2,378	4.38%
Total interest-bearing liabilities	760,935	12,085	3.18%	745,248	10,549	2.83%
Noninterest-bearing liabilities	42,618			48,405		
Other Noninterest-bearing liabilities	6,028			5,788		
Total liabilities	809,581			799,441		
Stockholders’ equity	76,801			69,301		
Total liabilities and stockholders’ equity	$886,382			$868,742		
Net interest income		$ 9,838			$ 8,971	
Interest rate spread (1)			1.99%			1.88%
Net interest margin (2)			2.32%			2.16%
Net interest-earning assets (3)	$ 86,678			$ 83,786		
Average interest-earning assets to interest-bearing liabilities	111%			111%		

(1) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(2) Net interest margin represents net interest income divided by average total interest-earning assets.
(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

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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.

	Three Months Ended December 31, 2024 vs. 2023			Six Months Ended December 31, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase	Increase (Decrease) Due to		Total Increase
	Volume	Rate	(Decrease)	Volume	Rate	(Decrease)
			(In thousands)			
Interest-earning assets:						
Loans	$ 107	$ 755	$ 862	$ 704	$ 1,900	$ 2,604
Securities	(55)	(47)	(102)	(95)	(151)	(246)
Other	(61)	82	21	(47)	92	45
Total interest-earning assets	$ (9)	$ 790	$ 781	$ 562	$ 1,841	$ 2,403
Interest-bearing liabilities:						
Interest-bearing checking or NOW	$ 4	$ (6)	$ (2)	$ (1)	$ (6)	$ (7)
Savings accounts	(10)	(52)	(62)	(22)	(102)	(124)
Certificates of deposit	113	455	568	377	1,233	1,610
Money market accounts	(4)	(142)	(146)	(114)	(89)	(203)
Total interest-bearing deposits	103	255	358	240	1,036	1,276
Federal Home Loan Bank advances and repurchase agreements	(104)	(102)	(206)	276	(16)	260
Total interest-bearing liabilities	$ (1)	$ 153	$ 152	$ 516	$ 1,020	$ 1,536
Change in net interest income	$ (8)	$ 637	$ 629	$ 46	$ 821	$ 867

Item 3. Quantitative and Qualitative Disclosures About Market Risk

An internal interest rate risk analysis is performed at least quarterly to assess the Company's Earnings at Risk and Value at Risk. As of December 31, 2024, there were no material changes in interest rate risk from the analysis disclosed in the Company's Form 10-K for the fiscal year ended June 30, 2024, as filed with the Securities and Exchange Commission.

Item 4. Controls and Procedures

An evaluation was performed under the supervision of and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of December 31, 2024. Based upon such evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended December 31, 2024, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II – Other Information

Item 1. Legal Proceedings

The Association and Company are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Association's or the Company's financial condition or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in "Item1A.- Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024, which could materially affect our business, financial condition or future results of operations. The risks described in our Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

During the three months ended December 31, 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.

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Item 6. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets as of December 31, 2024 and June 30, 2024 (ii) the Condensed Consolidated Statements of Income for the three and six months ended December 31, 2024 and 2023, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended December 31, 2024 and 2023, (iv) the Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended December 31, 2024 and 2023, (v) the Condensed Consolidated Statements of Cash Flows for the six months ended December 31, 2024 and 2023, and (vi) the notes to the Condensed Consolidated Financial Statements.

* This information is furnished and not filed for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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SIGNATURES

Pursuant to the requirements 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: February 12, 2025	/s/ Walter H. Hasselbring III Walter H. Hasselbring III Chairman and Chief Executive Officer
Date: February 12, 2025	/s/ Pamela J. Verkler Pamela J. Verkler Senior Executive Vice President and Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Walter H. Hasselbring III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 consolidated 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 officer 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 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 officer 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:
    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: February 12, 2025

/s/ Walter H. Hasselbring III
Walter H. Hasselbring III
Chairman and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Pamela J. Verkler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 consolidated 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 officer 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 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 officer 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:

    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: February 12, 2025

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

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Walter H. Hasselbring III, Chairman and Chief Executive Officer of IF Bancorp, Inc., (the "Company") and Pamela J. Verkler, Senior Executive Vice President and Chief Financial Officer of the Company, each certify in their capacity as an officer of the Company that they have reviewed the quarterly report on Form 10-Q for the quarter ended December 31, 2024 (the "Report") and that to the best of their knowledge:

1. the Report fully complies with the requirements of Sections 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.

Date: February 12, 2025	/s/ Walter H. Hasselbring III Walter H. Hasselbring III Chairman and Chief Executive Officer
Date: February 12, 2025	/s/ Pamela J. Verkler Pamela J. Verkler Senior Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.