

Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

Home Federal Bancorp, Inc. of Louisiana  
Form 10-Q  
February 12, 2015  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: December 31, 2014

or

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

For the transition period from to

Commission file number: 001-35019

HOME FEDERAL BANCORP, INC. OF LOUISIANA  
(Exact name of registrant as specified in its charter)

Louisiana 02-0815311  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

624 Market Street, Shreveport, Louisiana 71101  
(Address of principal executive offices) (Zip Code)

(318) 222-1145  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer	<input type="checkbox"/>	Accelerated
filer	<input type="checkbox"/>	
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting
company	<input checked="" type="checkbox"/>	

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Shares of common stock, par value \$.01 per share, outstanding as of February 12, 2015: The registrant had 2,166,343 shares of common stock outstanding.

---

## INDEX

	<u>Page</u>	
PART I	FINANCIAL INFORMATION	
Item 1:	Financial Statements (Unaudited)	
	Consolidated Statements of Financial Condition	1
	Consolidated Statements of Income	2
	Consolidated Statements of Comprehensive Income	3
	Consolidated Statements of Changes in Stockholders' Equity	4
	Consolidated Statements of Cash Flows	5
	Notes to Consolidated Financial Statements	7
Item 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3:	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4:	Controls and Procedures	33
PART II	OTHER INFORMATION	
Item 1:	Legal Proceedings	33
Item 1A:	Risk Factors	33
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 3:	Defaults Upon Senior Securities	34
Item 4:	Mine Safety Disclosures	34
Item 5:	Other Information	34
Item 6:	Exhibits	34

## SIGNATURES

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

December 31, 2014    June 30, 2014  
(Dollars In  
Thousands)

## ASSETS

Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$809 and \$9,317 for December 31, 2014 and June 30, 2014, Respectively)	\$4,611	\$13,633
Securities Available-for-Sale	50,799	48,434
Securities Held-to-Maturity	2,376	1,765
Loans Held-for-Sale	9,761	9,375
Loans Receivable, Net of Allowance for Loan Losses of \$2,365 and \$2,396, Respectively	260,147	239,563
Accrued Interest Receivable	943	965
Premises and Equipment, Net	10,084	8,454
Bank Owned Life Insurance	6,285	6,203
Deferred Tax Asset	748	723
Other Assets	553	414
<b>Total Assets</b>	<b>\$346,307</b>	<b>\$329,529</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY

## LIABILITIES

Deposits	\$252,764	\$272,295
Advances from Borrowers for Taxes and Insurance	264	428
Advances from Federal Home Loan Bank of Dallas	49,030	12,897
Other Accrued Expenses and Liabilities	957	1,130
<b>Total Liabilities</b>	<b>303,015</b>	<b>286,750</b>

## STOCKHOLDERS' EQUITY

Preferred Stock – 10,000,000 Shares of \$.01 Par Value Authorized; None Issued and Outstanding	-	-
Common Stock – 40,000,000 Shares of \$.01 Par Value Authorized; 3,062,386 Shares Issued and 2,190,812 Shares Outstanding at December 31, 2014; 2,241,967 Shares Outstanding at June 30, 2014	34	34
Additional Paid-in Capital	33,037	32,853
Treasury Stock, at Cost – 871,574 shares at December 31, 2014; 820,419 at June 30, 2014	(16,750 )	(15,698 )
Unearned ESOP Stock	(1,503 )	(1,561 )
Unearned RRP Trust Stock	(599 )	(609 )
Retained Earnings	28,936	27,588
Accumulated Other Comprehensive Income	137	172

Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

Total Stockholders' Equity	43,292	42,779
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$346,307	\$329,529

See accompanying notes to unaudited consolidated financial statements.

1

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Three Months Ended December 31, 2014 2013		For the Six Months Ended December 31 2014 2013	
	(In Thousands, Except per Share Data)			
<b>INTEREST INCOME</b>				
Loans, Including Fees	\$3,436	\$2,961	\$6,744	\$6,011
Investment Securities	2	1	3	3
Mortgage-Backed Securities	283	270	527	545
Other Interest-Earning Assets	2	3	4	8
Total Interest Income	3,723	3,235	7,278	6,567
<b>INTEREST EXPENSE</b>				
Deposits	552	556	1,087	1,131
Federal Home Loan Bank Borrowings	66	40	111	88
Other Bank Borrowings	-	7	-	14
Total Interest Expense	618	603	1,198	1,233
Net Interest Income	3,105	2,632	6,080	5,334
<b>PROVISION FOR LOAN LOSSES</b>				
Net Interest Income after Provision for Loan Losses	80	22	120	88
<b>NON-INTEREST INCOME</b>				
Gain on Sale of Loans	415	404	887	880
Gain on Sale of Securities	10	34	10	34
Income on Bank Owned Life Insurance	41	44	83	88
Service Charges on deposit accounts	113	79	213	154
Other Income	15	8	31	16
Total Non-Interest Income	594	569	1,224	1,172
<b>NON-INTEREST EXPENSE</b>				
Compensation and Benefits	1,445	1,346	2,947	2,730
Occupancy and Equipment	269	236	498	431
Data Processing	124	86	243	201
Audit and Examination Fees	49	50	101	106
Franchise and Bank Shares Tax	47	85	122	178
Advertising	60	69	135	133
Legal Fees	134	144	203	238
Loan Collection	50	32	117	64
Deposit Insurance Premium	44	35	75	68
Other Expense	153	142	272	258
Total Non-Interest Expense	2,375	2,225	4,713	4,407
Income Before Income Taxes	1,244	954	2,471	2,011

Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

PROVISION FOR INCOME TAX EXPENSE	409	309	813	653
Net Income	\$835	\$645	\$1,658	\$1,358
EARNINGS PER COMMON SHARE:				
Basic	\$0.42	\$0.31	\$0.83	\$0.64
Diluted	\$0.41	\$0.30	\$0.81	\$0.63
DIVIDENDS DECLARED	\$0.07	\$0.06	\$0.14	\$0.12

See accompanying notes to unaudited consolidated financial statements.

2

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended December 31, 2014 2013		For the Six Months Ended December 31, 2014 2013	
	(In Thousands)		(In Thousands)	
Net Income	\$835	\$645	\$1,658	\$1,358
Other Comprehensive Income (Loss), Net of Tax				
Unrealized Holding Gain (Loss) on Securities Available-for-Sale, Net of Tax of \$68 and \$12 in 2014, respectively, and \$149 and \$20 in 2013, respectively	132	289	(24 )	39
Reclassification Adjustment for Gain Included in Net Income, Net of Tax of \$5 and \$6 in 2014, respectively, and \$18 and \$24 in 2013, respectively	(9 )	(35 )	(11 )	(47 )
Net Other Comprehensive Income (Loss)	123	254	(35 )	(8 )
Total Comprehensive Income	\$958	\$899	\$1,623	\$1,350

See accompanying notes to unaudited consolidated financial statements.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

SIX MONTHS ENDED DECEMBER 31, 2014 AND 2013

(Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(In Thousands)							
BALANCE – June 30, 2013	\$ 32	\$ 32,218	\$(1,676 )	\$(863)	\$25,395	\$(13,168 )	\$ 44	\$ 41,982
Net Income	--	--	--	--	1,358	--	--	1,358
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(8 )	(8 )
RRP Shares Earned	--	--	--	10	--	--	--	10
Stock Options Vested	--	81	--	--	--	--	--	81
Common Stock Issuance for Stock Option Exercises	1	249	--	--	--	--	--	250
ESOP Compensation Earned	--	43	57	--	--	--	--	100
Acquisition of Treasury Stock	--	--	--	--	--	(2,171 )	--	(2,171 )
Dividends Declared	--	--	--	--	(282 )	--	--	(282 )
BALANCE – December 31, 2013	\$ 33	\$ 32,591	\$(1,619 )	\$(853)	\$26,471	\$(15,339 )	\$ 36	\$ 41,320
BALANCE – June 30, 2014	\$ 34	\$ 32,853	\$(1,561 )	\$(609)	\$27,588	\$(15,698 )	\$ 172	\$ 42,779
Net Income	--	--	--	--	1,658	--	--	1,658
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(35 )	(35 )
RRP Shares Earned	--	--	--	10	--	--	--	10

Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

Stock Options Vested	--	88	--	--	--	--	--	88
Common Stock Issuance for Stock Option Exercises	--	42	--	--	--	--	--	42
ESOP Compensation Earned	--	54	58	--	--	--	--	112
Acquisition of Treasury Stock	--	--	--	--	--	(1,052 )	--	(1,052 )
Dividends Declared	--	--	--	--	(310 )	--	---	(310 )
BALANCE – December 31, 2014	\$ 34	\$ 33,037	\$( 1,503 )	\$(599)	\$28,936	\$(16,750)	\$ 137	\$ 43,292

See accompanying notes to unaudited consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended December 31,	
	2014	2013
	(In Thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$1,658	\$1,358
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities		
Net Amortization and Accretion on Securities	7	38
Gain on Sale of Securities	(10 )	(34 )
Gain on Sale of Loans	(887 )	(880 )
Amortization of Deferred Loan Fees	(101 )	(40 )
Depreciation of Premises and Equipment	179	145
ESOP Expense	112	100
Stock Option Expense	88	81
Recognition and Retention Plan Expense	117	105
Deferred Income Tax	(6 )	(29 )
Provision for Loan Losses	120	88
Increase in Cash Surrender Value on Bank Owned Life Insurance	(83 )	(88 )
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(40,827 )	(35,178 )
Loans Held-for-Sale – Sale and Principal Repayments	41,329	33,921
Accrued Interest Receivable	23	(52 )
Other Operating Assets	(138 )	(99 )
Other Operating Liabilities	(281 )	(344 )
Net Cash Provided by (Used In) Operating Activities	1,300	(908 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Originations and Purchases, Net of Principal Collections	(20,611 )	(6,025 )
Deferred Loan Fees Collected	7	44
Acquisition of Premises and Equipment	(1,810 )	(1,726 )
Activity in Available-for-Sale Securities:		
Proceeds from Sale of Securities	1,964	6,782
Principal Payments on Mortgage-Backed Securities	5,464	6,259
Purchases of Securities	( 9,843 )	(8,798 )
Activity in Held-to-Maturity Securities:		
Redemption Proceeds	297	341
Purchases of Securities	( 908 )	(135 )
Net Cash Used in Investing Activities	( 25,440 )	(3,258 )

See accompanying notes to unaudited consolidated financial statements.

5

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

	Six Months Ended December 31,	
	2014	2013
	(In Thousands)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (Decrease) Increase in Deposits	\$( 19,531 )	\$13,417
Proceeds from Federal Home Loan Bank Advances	523,700	296,350
Repayments of Advances from Federal Home Loan Bank	( 487,567 )	(299,555)
Net Increase in Advances from Borrowers for Taxes and Insurance	(164 )	(148 )
Dividends Paid	(310 )	(282 )
Acquisition of Treasury Stock	(1,031 )	(1,983 )
Proceeds from Stock Options Exercised	21	63
Proceeds from other Bank Borrowings	--	300
Repayment of other Bank Borrowings	--	(800 )
Net Cash Provided by Financing Activities	15,118	7,362
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>( 9,022 )</b>	<b>3,196</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>13,633</b>	<b>3,685</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$4,611</b>	<b>\$6,881</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest Paid on Deposits and Borrowed Funds	\$1,153	\$1,344
Income Taxes Paid	785	691
Market Value Adjustment for Loss on Securities Available-for-Sale	( 53 )	(12 )

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Home Federal Bancorp, Inc. of Louisiana (the "Company") and its subsidiary, Home Federal Bank ("Home Federal Bank" or the "Bank"). These consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the six month period ended December 31, 2014, is not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2015.

The Company follows accounting standards set by the Financial Accounting Standards Board (the "FASB"). The FASB sets generally accepted accounting principles ("GAAP") that we follow to ensure we consistently report our financial condition, results of operations and cash flows. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (the "Codification" or the "ASC").

In accordance with the subsequent events topic of the ASC, the Company evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of December 31, 2014. In preparing these financial statements, the Company evaluated the events and transactions that occurred through the date these financial statements were issued.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Statements of Financial Condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the allowance for loan losses.

Nature of Operations

Home Federal Bancorp, Inc. of Louisiana, a Louisiana corporation, is the fully public stock holding company for Home Federal Bank located in Shreveport, Louisiana. The Bank is a federally chartered, stock savings and loan association and is subject to federal regulation by the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. The Company is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. Services are provided to the Bank's customers by five full-service banking offices and one agency office, located in Caddo and Bossier Parishes, Louisiana. The area served by the Bank is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found dispersed in a wider geographical area covering much of northwest Louisiana. As of December 31, 2014, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which previously engaged in the sale of annuity contracts and does not currently engage in a meaningful amount of business.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, balances due from banks, and federal funds sold, all of which mature within ninety days.

7

---

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Securities

The Company classifies its debt and equity investment securities into one of three categories: held-to-maturity, available-for-sale, or trading. Investments in nonmarketable equity securities and debt securities, in which the Company has the positive intent and ability to hold to maturity, are classified as held-to-maturity and carried at amortized cost. Investments in debt securities that are not classified as held-to-maturity and marketable equity securities that have readily determinable fair values are classified as either trading or available-for-sale securities. Securities that are acquired and held principally for the purpose of selling in the near term are classified as trading securities. Investments in securities not classified as trading or held-to-maturity are classified as available-for-sale.

Trading account and available-for-sale securities are carried at fair value. Unrealized holding gains and losses on trading securities are included in earnings while net unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the term of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans Held-for-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Loans

Loans receivable are stated at unpaid principal balances, less allowances for loan losses and unamortized deferred loan fees. Net nonrefundable fees (loan origination fees, commitment fees, discount points) and costs associated with lending activities are being deferred and subsequently amortized into income as an adjustment of yield on the related interest earning assets using the interest method. Interest income on contractual loans receivable is recognized on the accrual method. Unearned discount on property improvement and automobile loans is deferred and amortized on the interest method over the life of the loan.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral and prevailing economic conditions. The evaluation is inherently subjective as it requires estimates that are



susceptible to significant revision as more information becomes available.

8

---

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Allowance for Loan Losses (continued)

A loan is considered impaired when, based on current information or events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. When a loan is impaired, the measurement of such impairment is based upon the present value of expected future cash flows or the fair value of the collateral of the loan. If the present value of expected future cash flows or fair value of the collateral is less than the recorded investment in the loan, the Bank will recognize the impairment by creating a valuation allowance with a corresponding charge against earnings.

An allowance is also established for uncollectible interest on loans classified as substandard. The allowance is established by a charge to interest income equal to all interest previously accrued and income is subsequently recognized only to the extent that cash payments are received. When, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, the loan is returned to accrual status.

It should be understood that estimates of future loan losses involve an exercise of judgment. While it is possible that in particular periods the Company may sustain losses which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses reflected in the accompanying statements of condition is adequate to absorb possible losses in the existing loan portfolio.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held-for-sale and are transferred to other real estate owned at the lower of cost or current fair value minus estimated cost to sell as of the date of foreclosure. Cost is defined as the lower of the fair value of the property or the recorded investment in the loan. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Company and its wholly-owned subsidiary file a consolidated Federal income tax return on a fiscal year basis. Each entity pays its pro-rata share of income taxes in accordance with a written tax-sharing agreement.

The Company accounts for income taxes on the asset and liability method. Deferred tax assets and liabilities are recorded based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to

the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. Current taxes are measured by applying the provisions of enacted tax laws to taxable income to determine the amount of taxes receivable or payable.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Income Taxes (continued)

While the Bank is exempt from Louisiana income tax, it is subject to the Louisiana Ad Valorem Tax, commonly referred to as the Louisiana Shares Tax, which is based on stockholders' equity and net income.

Comprehensive Income

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the Consolidated Statements of Financial Condition, such items, along with net income, are components of comprehensive income.

Recent Accounting Pronouncements

In January 2014, the FASB issued ASU 2014-04, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The amendments in this Update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in this Update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. An entity can elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. This ASU is not expected to have a significant impact on the Company's financial statements.

In June 2014, the FASB issued ASU No. 2014-12, Compensation-Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The new guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. The Company's current accounting treatment of performance conditions for employees who are or become eligible prior to the achievement of the performance target are consistent with ASU 2014-12, and as such does not expect the new guidance to have a material effect on the Corporation's financial condition and results of operations. The Company expects to prospectively adopt ASU 2014-12 in the first quarter of 2015.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	December 31, 2014			
	Amortized Cost (In Thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$289	\$ 18	\$ --	\$307
FNMA Mortgage-Backed Certificates	30,364	851	128	31,087
GNMA Mortgage-Backed Certificates	19,938	6	539	19,405
Total Debt Securities	50,591	875	667	50,799
Total Securities Available-for-Sale	\$50,591	\$ 875	\$ 667	\$50,799
Securities Held-to-Maturity				
Equity Securities (Non-Marketable)				
21,262 Shares – Federal Home Loan Bank	\$2,126	\$ --	\$ --	\$2,126
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	2,376	--	--	2,376
Total Securities Held-to-Maturity	\$2,376	\$ --	\$ --	\$2,376
	June 30, 2014			
	Amortized Cost (In Thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$311	\$ 12	\$ --	\$323
FNMA Mortgage-Backed Certificates	24,947	857	24	25,780
GNMA Mortgage-Backed Certificates	22,915	6	590	22,331
Total Debt Securities	48,173	875	614	48,434
Total Securities Available-for-Sale	\$48,173	\$ 875	\$ 614	\$48,434

Securities Held-to-Maturity

Equity Securities (Non-Marketable)

15,145 Shares – Federal Home Loan Bank	\$ 1,515	\$ --	\$ --	\$ 1,515
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	1,765	--	--	1,765
Total Securities Held-to-Maturity	\$ 1,765	\$ --	\$ --	\$ 1,765

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

The amortized cost and fair value of securities by contractual maturity at December 31, 2014, follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Debt Securities				
Within One Year or Less	\$2	\$2	\$--	\$--
One through Five Years	216	220	--	--
After Five through Ten Years	143	147	--	--
Over Ten Years	50,230	50,430	--	--
	50,591	50,799	--	--
Other Equity Securities	--	--	2,376	2,376
Total	\$50,591	\$50,799	\$2,376	\$2,376

For the six months ended December 31, 2014, proceeds from the sale of securities available-for-sale amounted to \$2.0 million and gross realized gains amounted to \$10,000 for the six months ended December 31, 2014.

The following tables show information pertaining to gross unrealized losses on securities available-for-sale for the six months ended December 31, 2014 and at June 30, 2014 aggregated by investment category and length of time that individual securities have been in a continuous loss position.

	December 31, 2014			
	Less Than Twelve Months Gross Unrealized Losses Value		Over Twelve Months Gross Unrealized Losses Value	
	(In Thousands)			
Securities Available-for-Sale				
Debt Securities				
Mortgage-Backed Securities	\$128	\$3,778	\$539	\$19,279
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$128	\$3,778	\$539	\$19,279

June 30, 2014



	Less Than Twelve Months Gross Unrealized Losses Value (In Thousands)		Over Twelve Months Gross Unrealized Losses Value	
Securities Available-for-Sale				
Debt Securities				
Mortgage-Backed Securities	\$24	\$1,947	\$590	\$22,193
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$24	\$1,947	\$590	\$22,193

The Company's investment in equity securities consists primarily of FHLB stock, and shares of First National Bankers Bankshares, Inc. ("FNBB"). Management monitors its investment portfolio to determine whether any investment securities which have unrealized losses should be considered other than temporarily impaired.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

At December 31, 2014, securities with a carrying value of \$806,000 were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$166.9 million were pledged to secure FHLB advances.

## 3. Loans Receivable

Loans receivable are summarized as follows:

	December 31, 2014	June 30, 2014
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One- to Four-Family Residential	\$98,472	\$89,545
Commercial	55,787	56,266
Multi-Family Residential	15,845	20,368
Land	23,283	19,945
Construction	16,228	12,505
Equity and Second Mortgage	2,926	2,563
Equity Lines of Credit	21,224	14,950
	233,765	216,142
Commercial Loans	28,607	25,749
Consumer Loans		
Loans on Savings Accounts	242	255
Automobile and Other Consumer Loans	103	111
Total Consumer and Other Loans	345	366
Total Loans	262,717	242,257
Less: Allowance for Loan Losses	(2,365 )	(2,396 )
Unamortized Loan Fees	(205 )	(298 )
Net Loans Receivable	\$260,147	\$239,563

Following is a summary of changes in the allowance for loan losses:

	Six Months Ended December 31, 2014 2013 (In Thousands)	
Balance - Beginning of Period	\$2,396	\$2,240
Provision for Loan Losses	120	88
Loan Charge-Offs	(151 )	(12 )
Balance - End of Period	\$2,365	\$2,316

Credit Quality Indicators

The Company segregates loans into risk categories based on the pertinent 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. The Company analyzes loans individually by classifying the loans according to credit risk. Loans classified as substandard or identified as special mention are reviewed quarterly by management to evaluate the level of deterioration, improvement, and impairment, if any, as well as assign the appropriate risk category.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

Loans excluded from the scope of the quarterly review process above are generally identified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification and the need to allocate reserves or charge-off. The Company uses the following definitions for risk ratings:

**Special Mention** - Loans identified as special mention 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 institution's credit position at some future date.

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

**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** - This classification includes those loans which are considered uncollectible and of such little value that their continuance as loans is not warranted. Even though partial recovery may be possible in the future, it is not practical or desirable to defer writing off these basically worthless loans. Accordingly, these loans are charged-off before period end.

The following tables present the grading of loans, segregated by class of loans, as of December 31, 2014 and June 30, 2014:

December 31, 2014	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
<b>Real Estate Loans:</b>					
One- to Four-Family Residential	\$98,345	\$ 114	\$ 13	\$ -	\$98,472
Commercial	55,178	546	-	63	55,787
Multi-Family Residential	15,845	-	-	-	15,845
Land	23,283	-	-	-	23,283
Construction	16,228	-	-	-	16,228
Equity and Second Mortgage	2,926	-	-	-	2,926
Equity Lines of Credit	21,197	-	-	27	21,224
Commercial Loans	28,607	-	-	-	28,607
Consumer Loans	345	-	-	-	345
Total	\$261,954	\$660	\$ 13	\$ 90	\$262,717



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

June 30, 2014	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Real Estate Loans:					
One- to Four-Family Residential	\$89,345	\$ 49	\$ --	\$ 151	\$89,545
Commercial	53,621	2,645	--	--	56,266
Multi-Family Residential	20,368	--	--	--	20,368
Land	19,945	--	--	--	19,945
Construction	12,505	--	--	--	12,505
Equity and Second Mortgage	2,563	--	--	--	2,563
Equity Lines of Credit	14,923	--	--	27	14,950
Commercial Loans	25,749	--	--	--	25,749
Consumer Loans	366	--	--	--	366
<b>Total</b>	<b>\$239,385</b>	<b>\$ 2,694</b>	<b>\$ --</b>	<b>\$ 178</b>	<b>\$242,257</b>

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when contractually due. Loans that experience insignificant payment delays or payment shortfalls are generally not classified as impaired. On a case-by-case basis, management determines the significance of payment delays and payment shortfalls, taking into consideration all of the circumstances related to the loan, including: the length of the payment delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The following tables present an aging analysis of past due loans, segregated by class of loans, as of December 31, 2014 and June 30, 2014:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
	(In Thousands)						
Real Estate Loans:							
One- to Four-Family							
Residential	\$1,214	\$ 861	\$ 80	\$2,155	\$96,317	\$98,472	\$ 67
Commercial	--	--	64	64	55,723	55,787	--
Multi-Family Residential	--	--	--	--	15,845	15,845	--
Land	--	--	--	--	23,283	23,283	--
Construction	--	--	--	--	16,228	16,228	--
Equity and Second Mortgage	--	--	--	--	2,926	2,926	--
Equity Lines of Credit	100	--	--	100	21,124	21,224	--
Commercial Loans	--	--	--	--	28,607	28,607	--

Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

Consumer Loans	4	--	--	4	341	345	--
	\$1,318	\$ 861	\$ 144	\$2,323	\$260,394	\$262,717	\$ 67

15

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

June 30, 2014	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
(In Thousands)							
Real Estate Loans:							
One- to Four-Family							
Residential	\$1,326	\$ 435	\$ 164	\$1,925	\$87,620	\$ 89,545	\$ 13
Commercial	--	--	--	--	56,266	56,266	--
Multi-Family Residential	--	--	--	--	20,368	20,368	--
Land	--	--	--	--	19,945	19,945	--
Construction	--	--	--	--	12,505	12,505	--
Equity and Second Mortgage	--	--	--	--	2,563	2,563	--
Equity Lines of Credit	--	--	27	27	14,923	14,950	--
Commercial Loans	259	--	--	259	25,490	25,749	--
Consumer Loans	--	--	--	--	366	366	--
Total	\$1,585	\$ 435	\$ 191	\$2,211	\$240,046	\$ 242,257	\$ 13

Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties are considered troubled debt restructurings and designated as impaired. There were no troubled debt restructurings as of December 31, 2014 or June 30, 2014.

The change in the allowance for loan losses by loan portfolio class and recorded investment in loans for the six months ended December 31, 2014 was as follows:

December 31, 2014	Real Estate Loans				Home Equity Loans and Lines of Credit		Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Multi- Commercial Family	Land	Construction					
(In Thousands)									
Allowance for loan losses:									
Beginning Balances	\$1,224	\$ 464	\$128	\$168	\$ 105	\$99	\$ 202	\$ 6	\$2,396
Charge-Offs	(151 )	--	--	--	--	--	--	--	(151 )
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	73	(89 )	(49 )	19	49	59	59	(1 )	120



Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

Ending Balances	\$1,146	\$ 375	\$79	\$187	\$ 154	\$158	\$ 261	\$ 5	\$2,365
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,146	375	79	187	154	158	261	5	2,365
Loans Receivable:									
Ending Balances – Total	\$98,472	\$ 55,787	\$15,845	\$23,283	\$ 16,228	\$24,150	\$ 28,607	\$ 345	\$262,717
Ending Balances: Evaluated for Impairment:									
Individually	127	609	--	--	--	27	--	--	763
Collectively	\$98,345	\$ 55,178	\$15,845	\$23,283	\$ 16,228	\$24,123	\$ 28,607	\$ 345	\$261,954

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The change in the allowance for loan losses by loan portfolio class and recorded investment in loans for the twelve months ended June 30, 2014 and the six months ended December 31, 2013, was as follows:

June 30, 2014	Real Estate Loans					Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi- Family	Land	Construction				
Allowance for loan losses:									
Beginning Balances	\$ 1,023	\$ 338	\$ 103	\$ 127	\$ 146	\$ 85	\$ 412	\$ 6	\$ 2,240
Charge-Offs	--	--	--	--	--	(12 )	--	--	(12 )
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	201	126	25	41	(41 )	26	(210 )	--	168
Ending Balances	\$ 1,224	\$ 464	\$ 128	\$ 168	\$ 105	\$ 99	\$ 202	\$ 6	\$ 2,396
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,224	464	128	168	105	99	202	6	2,396
Loans Receivable:									
Ending Balances - Total	\$ 89,545	\$ 56,266	\$ 20,368	\$ 19,945	\$ 12,505	\$ 17,513	\$ 25,749	\$ 366	\$ 242,257
Ending Balances:									
Evaluated for Impairment:									
Individually	200	2,645	--	--	--	27	--	--	2,872
Collectively	\$ 89,345	\$ 53,621	\$ 20,368	\$ 19,945	\$ 12,505	\$ 17,486	\$ 25,749	\$ 366	\$ 239,385
December 31, 2013	Real Estate Loans					Home Equity Loans	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi-Family	and	Construction				

Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

	(In Thousands)									And Lines of Credit
Allowance for loan losses:										
Beginning										
Balances	\$ 1,023	\$ 338	\$ 103	\$ 127	\$ 146	\$ 85	\$ 412	\$ 6	\$ 2,240	
Charge-Offs	--	--	--	--	--	--	(12 )	--	(12 )	)
Recoveries	--	--	--	--	--	--	--	--	--	
Current Provision	204	(8 )	(11 )	1	(19 )	(3 )	(77 )	1	88	
Ending Balances	\$ 1,227	\$ 330	\$ 92	\$ 128	\$ 127	\$ 82	\$ 323	\$ 7	\$ 2,316	
Evaluated for Impairment:										
Individually	--	--	--	--	--	--	--	--	--	
Collectively	1,227	330	92	128	127	82	323	7	2,316	
Loans Receivable:										
Ending Balances -										
Total	\$ 80,371	\$ 47,863	\$ 19,674	\$ 14,964	\$ 15,715	\$ 14,306	\$ 21,238	\$ 467	\$ 214,598	
Ending Balances:										
Evaluated for Impairment:										
Individually	612	--	--	--	--	116	--	--	728	
Collectively	\$ 79,759	\$ 47,863	\$ 19,674	\$ 14,964	\$ 15,715	\$ 14,190	\$ 21,238	\$ 467	\$ 213,870	

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The following table's present loans individually evaluated for impairment, segregated by class of loans, as of December 31, 2014 and June 30, 2014:

December 31, 2014	Recorded Investment		Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	Unpaid Principal Balance	With No Allowance				
Real Estate Loans:						
One- to Four-Family Residential	\$ 127	\$ 127	\$ --	\$ 127	\$ --	\$ 134
Commercial	609	609	--	609	--	629
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	27	27	--	27	--	27
Commercial Loans	--	--	--	--	--	--
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$763</b>	<b>\$ 763</b>	<b>\$ --</b>	<b>\$ 763</b>	<b>\$ --</b>	<b>\$ 790</b>
June 30, 2014	Recorded Investment		Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	Unpaid Principal Balance	With No Allowance				
Real Estate Loans:						
One- to Four-Family Residential	\$200	\$ 200	\$ --	\$ 200	\$ --	\$ 216
Commercial	2,645	2,645	--	2,645	--	2,661
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	27	27	--	27	--	27
Commercial Loans	--	--	--	--	--	--
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$2,872</b>	<b>\$ 2,872</b>	<b>\$ --</b>	<b>\$ 2,872</b>	<b>\$ --</b>	<b>\$ 2,904</b>

The Bank has no commitments to loan additional funds to borrowers whose loans were previously in non-accrual status.

There was no interest income recognized on non-accrual loans during the six months ended December 31, 2014 or year ended June 30, 2014. If the non-accrual loans had been accruing interest at their original contracted rates, gross interest income that would have been recorded for the six months ended December 31, 2014 and year ended June 30, 2014 was \$2,000 and \$3,000, respectively.

4. Deposits

Deposits at December 31, 2014 and June 30, 2014 consist of the following classifications:

	December 31, 2014	June 30, 2014
	(In Thousands)	
Non-Interest Bearing	\$35,976	\$43,447
NOW Accounts	30,402	24,015
Money Markets	41,738	72,240
Passbook Savings	13,123	12,165
	121,239	151,867
Certificates of Deposit	131,525	120,428
Total Deposits	\$252,764	\$272,295

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 5. Earnings Per Share

Basic earnings per common share are computed based on the weighted average number of shares outstanding. Diluted earnings per share is computed based on the weighted average number of shares outstanding and common share equivalents that would arise from the exercise of dilutive securities. Earnings per share for the three and six months ended December 31, 2014 and 2013 were calculated as follows:

	Three Months Ended December 31, 2014 2013		Six Months Ended December 31, 2014 2013	
	(In Thousands, Except Per Share Data)			
Net income	\$835	\$645	\$1,658	\$1,358
Weighted average shares outstanding - basic	1,997	2,099	2,001	2,106
Effect of dilutive common stock equivalents	56	44	55	48
Adjusted weighted average shares outstanding - diluted	2,053	2,143	2,056	2,154
Basic earnings per share	\$0.42	\$0.31	\$0.83	\$0.64
Diluted earnings per share	\$0.41	\$0.30	\$0.81	\$0.63

For the three months ended December 31, 2014 and 2013, there were outstanding options to purchase 227,038 and 239,046 shares, respectively, at a weighted average exercise price of \$14.70 and \$13.90 per share, respectively, and for the six months ended December 31, 2014 and 2013, there were outstanding options to purchase 227,550 and 247,006 shares, respectively, at a weighted average exercise price of \$14.69 and \$13.83 per share, respectively. For the quarter ended December 31, 2014, 56,411 and 44,050 options, were included in the computation of diluted earnings per share.

The following table presents the components of weighted average outstanding shares for purposes of calculating earnings per share:

	Three Months Ended December 31, 2014 2013		Six Months Ended December 31 2014 2013	
	(In Thousands)			
Average common shares issued	3,062	3,062	3,062	3,062
Average unearned ESOP shares	(151 )	(163 )	(153 )	(164 )
Average unearned RRP shares	(50 )	(64 )	(50 )	(64 )
Average treasury shares	(864 )	(736 )	(858 )	(728 )
Weighted average shares outstanding	1,997	2,099	2,001	2,106

## 6. Stock-Based Compensation

### Recognition and Retention Plan

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Recognition and Retention Plan and Trust Agreement (the "2005 Recognition Plan") as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's common stock subject to award under the 2005 Recognition Plan totaled 63,547 shares (as adjusted for the exchange ratio of 0.9110 on December 22, 2010). As the shares were acquired for the 2005 Recognition Plan, the purchase price of these shares was recorded as a contra equity account. As the shares are distributed, the contra equity account is reduced. During the six months ended December 31, 2014, 561 shares vested and were released from the 2005 Recognition Plan Trust and 564 shares remained in the 2005 Recognition Plan Trust at December 31, 2014.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock – Based Compensation (continued)

Recognition and Retention Plan (continued)

On December 23, 2011, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2011 Recognition and Retention Plan and Trust Agreement (the "2011 Recognition Plan", together with the 2005 Recognition Plan, the "Recognition Plan") as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's common stock available for award under the 2011 Recognition Plan totaled 77,808 shares. During the six months ended December 31, 2014, 8,557 shares were awarded under the 2011 Recognition Plan and no shares are available for future awards. At December 31, 2014, 50,124 unvested awards remained in the 2011 Recognition Plan Trust.

Recognition Plan shares are earned by recipients at a rate of 20% of the aggregate number of shares covered by the Recognition Plan award over five years. Generally, if the employment of an employee or service as a non-employee director is terminated prior to the fifth anniversary of the date of grant of Recognition Plan share award, the recipient shall forfeit the right to any shares subject to the award that have not been earned. In the case of death or disability of the recipient or a change in control of the Company, the Recognition Plan awards will be vested and shall be distributed as soon as practicable thereafter.

The Recognition Plan cost is recognized over the five year vesting period. During the six months ended December 31, 2014, the Company recognized \$117,000 in expense related to the Recognition Plans.

Stock Option Plan

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Stock Option Plan (the "2005 Option Plan") for the benefit of directors, officers, and other key employees. The aggregate number of shares of common stock reserved for issuance under the 2005 Option Plan totaled 158,868 (as adjusted for the exchange ratio). Both incentive stock options and non-qualified stock options may be granted under the 2005 Option Plan. During the six months ended December 31, 2014, 2,133 options were granted under the 2005 Option Plan at an exercise price of \$18.92. As of December 31, 2014, 35,251 options were outstanding under the 2005 Option Plan and none were available for future grant.

On December 23, 2011, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2011 Stock Option Plan (the "2011 Option Plan", together with the 2005 Option Plan, the "Option Plans") for the benefit of directors, officers, and other key employees. The aggregate number of shares of common stock reserved for issuance under the 2011 Option Plan totaled 194,522. Both incentive stock options and non-qualified stock options may be granted under the 2011 Option Plan. During the six months ended December 31, 2014, 29,178 options were granted under the 2011 Option Plan at an exercise price of \$18.92. As of December 31, 2014, 190,715 options were outstanding under the 2011 Option Plan and none were available for future grant.

Under the Option Plans, the exercise price of each option cannot be less than the fair market value of the underlying common stock as of the date of the option grant and the maximum term is ten years. Incentive stock options and non-qualified stock options granted under the Option Plans become vested and exercisable at a rate of 20% per year over five years, commencing one year from the date of the grant, with an additional 20% vesting on each successive anniversary of the date the option was granted. No vesting shall occur after an employee's employment or service as a director is terminated. In the event of the death or disability of an employee or director or change in control of the Company, the unvested options shall become vested and exercisable. The Company accounts for the Option Plans



under the guidance of FASB ASC Topic 718, Compensation – Stock Compensation.

7. Related Party Transactions

Certain directors and executive officers were indebted to the Bank in the approximate aggregate amounts of \$2.1 million and \$2.5 million at December 31, 2014 and June 30, 2014, respectively.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Disclosures

The following disclosure is made in accordance with the requirements of ASC 825, Financial Instruments. Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash. In cases where quoted market prices are not available, fair values have been estimated using the present value of future cash flows or other valuation techniques. The results of these techniques are highly sensitive to the assumptions used, such as those concerning appropriate discount rates and estimates of future cash flows, which require considerable judgment. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current settlement of the underlying financial instruments.

ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. These disclosures should not be interpreted as representing an aggregate measure of the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

Cash and Cash Equivalents

The carrying amount approximates the fair value of cash and cash equivalents.

Securities to be Held-to-Maturity and Available-for-Sale

Fair values for investment securities, including mortgage-backed securities, are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The carrying values of restricted or non-marketable equity securities approximate their fair values. The carrying amount of accrued investment income approximates its fair value.

Mortgage Loans Held-for-Sale

Because these loans are normally disposed of within ninety days of origination, their carrying value closely approximates the fair value of such loans.

Loans Receivable

For variable-rate loans that re-price frequently and with no significant changes in credit risk, fair value approximates the carrying value. Fair values for other loans are estimated using the discounted value of expected future cash flows. Interest rates used are those being offered currently for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest receivable approximates its fair value.

Deposit Liabilities

The fair values for demand deposit accounts are, by definition, equal to the amount payable on demand at the reporting date, that is, their carrying amounts. Fair values for other deposit accounts are estimated using the discounted value of expected future cash flows. The discount rate is estimated using the rates currently offered for deposits of similar maturities.

Advances from Federal Home Loan Bank

The carrying amount of short-term borrowings approximates their fair value. The fair value of long-term debt is estimated using discounted cash flow analyses based on current incremental borrowing rates for similar borrowing arrangements.

Off-Balance Sheet Credit-Related Instruments

Fair values for outstanding mortgage loan commitments to lend are based on fees currently charged to enter into similar agreements, taking into account the remaining term of the agreements, customer credit quality, and changes in lending rates.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 8. Fair Value Disclosures (continued)

The fair value of interest rate floors and caps contained in some loan servicing agreements and variable rate mortgage loan contracts are considered immaterial within the context of fair value disclosure requirements. Accordingly, no fair value estimate is provided for these instruments.

The carrying amount and estimated fair values of the Company's financial instruments were as follows:

	December 31, 2014		June 30, 2014	
	Carrying Value (In Thousands)	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$4,611	\$4,611	\$13,633	\$13,633
Securities Available-for-Sale	50,799	50,799	48,434	48,434
Securities to be Held-to-Maturity	2,376	2,376	1,765	1,765
Loans Held-for-Sale	9,761	9,761	9,375	9,375
Loans Receivable	260,147	260,215	239,563	242,240
<b>Financial Liabilities</b>				
Deposits	252,764	240,630	272,295	259,411
Advances from FHLB	49,030	49,370	12,897	13,266
<b>Off-Balance Sheet Items</b>				
Mortgage Loan Commitments	282	282	349	349

The estimated fair values presented above could be materially different than net realizable value and are only indicative of the individual financial instrument's fair value. Accordingly, these estimates should not be considered an indication of the fair value of the Company taken as a whole.

The Company follows the guidance of FASB ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 affirms a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 was issued to establish a uniform definition of fair value. The definition of fair value is market-based as opposed to company-specific, and includes the following:

Defines fair value as the price that would be received to sell an asset or paid to transfer a liability, in either case, through an orderly transaction between market participants at a measurement date and establishes a framework for measuring fair value;

Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;

Nullifies the guidance in EITF 02-3, which required the deferral of profit at inception of a transaction involving a derivative financial instrument in the absence of observable data supporting the valuation technique;

Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

Eliminates large position discounts for financial instruments quoted in active markets and requires consideration of the company's creditworthiness when valuing liabilities; and

·Expands disclosures about instrument that are measured at fair value.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 8. Fair Value Disclosures (continued)

The standard establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy favors the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Fair value is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets in which the Company can participate.

Level 2 – Fair value is based upon (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; (c) inputs other than quoted prices that are observable for the asset or liability or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Fair value is based upon inputs that are unobservable for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs are adjusted if information indicates that market participants would use different assumptions.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2014 and June 30, 2014 are as follows:

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Significant Identifiable Assets (Level 1) (In Thousands)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
December 31, 2014				
Available-for-Sale Debt Securities				
FHLMC	\$--	\$ 307	\$ --	\$307
FNMA	--	31,087	--	31,087
GNMA	--	19,405	--	19,405

Total \$-- \$ 50,799 \$ -- \$50,799

Fair Value Measurements Using:

Quoted

Prices

in

Active

Markets

for Significant

Identifiable

Assets

(Level 1)

(Level 2)

(In

Thousands)

Observable

Inputs

(Level 3)

Unobservable

Inputs

Total

June 30, 2014

Available-for-Sale

Debt Securities

FHLMC	\$--	\$ 323	\$ --	\$323
FNMA	--	25,780	--	25,780
GNMA	--	22,331	--	22,331

Total	\$--	\$ 48,434	\$ --	\$48,434
-------	------	-----------	-------	----------

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Subsequent Events

In accordance with FASB ASC 855, Subsequent Events, the Company evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of December 31, 2014. In preparing these financial statements, the Company evaluated the events and transactions that occurred through the date these financial statements were issued.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Company's results of operations are primarily dependent on the results of the Bank, which became a wholly owned subsidiary upon completion of the second-step conversion and reorganization of the Bank on December 22, 2010. The Bank's results of operations depend, to a large extent, on net interest income, which is the difference between the income earned on its loan and investment portfolios and the cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by provisions for loan losses and loan sale activities. Non-interest expense principally consists of compensation and employee benefits, office occupancy and equipment expense, data processing and other expense. Our results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, government policies and actions of regulatory authorities. Future changes in applicable law, regulations or government policies may materially impact our financial conditions and results of operations.

Home Federal Bank operates from its main office in Shreveport, Louisiana, four full service branch offices and an agency office located in Shreveport and Bossier City, Louisiana. The Company's primary market area is the Shreveport-Bossier City metropolitan area. The Company offers security brokerage and advisory services through a third party provider at its agency office, which also serves as the office for the commercial lending division and as a loan production office. During the six months ended December 31, 2014, the Bank opened its fifth full service banking office in Bossier City, Louisiana.

Critical Accounting Policies

**Allowance for Loan Losses.** The Company has identified the calculation of the allowance for loan losses as a critical accounting policy, due to the higher degree of judgment and complexity than its other significant accounting policies. Provisions for loan losses are based upon management's periodic valuation and assessment of the overall loan portfolio and the underlying collateral, trends in non-performing loans, current economic conditions and other relevant factors in order to maintain the allowance for loan losses at a level believed by management to represent all known and inherent losses in the portfolio that are both probable and reasonably estimable. Although management uses the best information available, the level of the allowance for loan losses remains an estimate which is subject to significant judgment and short-term change.

**Income Taxes.** Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various assets and liabilities and gives current recognition to changes in tax rates and laws. The realization of our deferred tax assets principally depends upon our achieving projected future taxable income. We may change our judgments regarding future profitability due to future market conditions and other factors. We may adjust our deferred tax asset balances if our judgments change.

Discussion of Financial Condition Changes from June 30, 2014 to December 31, 2014

General

At December 31, 2014, total assets amounted to \$346.3 million, an increase of \$16.8 million, or 5.1%, compared to total assets of \$329.5 million at June 30, 2014. The increase in assets was comprised primarily of increases in loan receivables, net of \$20.6 million, or 8.6%, from \$239.6 million at June 30, 2014, to \$260.1 million at December 31,

Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

2014, investment securities of \$3.0 million, or 5.9%, from \$50.2 million at June 30, 2014, to \$53.2 million at December 31, 2014, premises and equipment of \$1.6 million, or 19.3%, from \$8.5 million at June 30, 2014, to \$10.1 million at December 31, 2014 and an increase in loans held-for-sale of \$386,000, or 4.1%, from \$9.4 million at June 30, 2014, to \$9.8 million at December 31, 2014. These increases were partially offset by a decrease in cash and cash equivalents of \$9.0 million, or 66.2%, from \$13.6 million at June 30, 2014 to \$4.6 million at December 31, 2014.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2014 to December 31, 2014 (continued)

Cash and Cash Equivalents

Cash and cash equivalents decreased \$9.0 million, or 66.2%, from \$13.6 million at June 30, 2014 to \$4.6 million at December 31, 2014. The \$9.0 million decrease in cash and cash equivalents was due in large part to single deposit relationship with a transitory deposit during the fourth quarter which had a balance of approximately \$30.6 million at June 30, 2014, that was fully withdrawn at September 30, 2014.

Loans Receivable, Net

Loans receivable, net, increased by \$20.6 million, or 8.6%, to \$260.1 million at December 31, 2014 compared to \$239.6 million at June 30, 2014. During the six months ended December 31, 2014, our total loan originations amounted to \$134.0 million compared to \$109.3 million for the six months ended December 31, 2013. The increase in loans receivable, net, was primarily due to increases in one-to-four-family residential loans of \$8.9 million, home equity lines of credit of \$6.3 million, residential construction loans of \$3.7 million, land loans of \$3.3 million, commercial business loans of \$2.9 million and equity and second mortgage loans of \$363,000, partially offset by decreases in multi-family residential loans of \$4.5 million, commercial real estate loans of \$479,000, and consumer loans of \$21,000.

Loans Held-for-Sale

Loans held-for-sale increased \$386,000, or 4.1%, from \$9.4 million at June 30, 2014 to \$9.8 million at December 31, 2014. The increase in loans held-for-sale resulted primarily from an increase at December 31, 2014 in receivables from financial institutions purchasing the Company's loans held-for-sale.

Investment Securities

Investment securities, which include mortgage-backed securities and equity securities amounted to \$53.2 million at December 31, 2014 compared to \$50.2 million at June 30, 2014, an increase of \$3.0 million, or 5.9%. The increase in investment securities was primarily due to the acquisition of mortgage backed securities in the amount of \$9.8 million, partially offset by principal payments on securities of \$5.5 million.

Premises and Equipment, Net

Premises and equipment, net, increased \$1.6 million, to \$10.1 million at December 31, 2014, compared to \$8.5 million at June 30, 2014, primarily due to the completion costs on a new branch location in Bossier City and the acquisition of real estate for a future branch location.

Asset Quality

At December 31, 2014, the Company had \$171,000 of non-performing assets compared to \$178,000 of non-performing assets at June 30, 2014, consisting of two single-family residential loans, one commercial real estate loan and one non-performing line of credit at December 31, 2014, compared to one single family residential loan and one non-performing line of credit at June 30, 2014. At December 31, 2014, the Company had one single family residential loan classified as substandard compared to none at June 30, 2014. The Company had one single-family residential loan classified as doubtful in the amount of \$151,000 at June 30, 2014, one line of credit classified as doubtful in the amount of \$27,000 at both December 31, 2014 and June 30, 2014, and one commercial loan secured by

real estate classified as doubtful at December 31, 2014 in the amount of \$64,000.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2014 to December 31, 2014 (continued)

Total Liabilities

Total liabilities increased \$16.3 million, or 5.7%, from \$286.8 million at June 30, 2014, to \$303.0 million at December 31, 2014, primarily due to an increase in advances from the Federal Home Loan Bank in Dallas of \$36.1 million, or 280.2%, to \$49.0 million at December 31, 2014, compared to \$12.9 million at June 30, 2014, partially offset by a decrease in total deposits of \$19.5 million, or 7.2%, to \$252.8 million at December 31, 2014, compared to \$272.3 million at June 30, 2014. The decrease in deposits was primarily due to a \$30.5 million, or 42.2% decrease in money market deposits from \$72.2 million at June 30, 2014 to \$41.7 million at December 31, 2014, and a decrease in non-interest bearing demand deposits of \$7.5 million, or 17.2%, from \$43.4 million at June 30, 2014 to \$36.0 million at December 31, 2014, partially offset by increases in certificates of deposit of \$11.1 million, or 9.2%, from \$120.4 million at June 30, 2014 to \$131.5 million at December 31, 2014 and NOW accounts of \$6.4 million, or 26.6%, from \$24.0 million at June 30, 2014 to \$30.4 million at December 31, 2014. The decrease in money market deposits was primarily due to a transitory deposit in the fourth quarter of fiscal 2014 which had a balance of approximately \$30.6 million at June 30, 2014. The deposit was short-term in nature and was fully withdrawn as of September 30, 2014. At both December 31, 2014 and June 30, 2014 the Company had \$12.7 million in brokered deposits. The Company utilizes brokered certificates of deposit as a component of its strategy for lowering Home Federal Bank's overall cost of funds. The brokered certificates of deposit which have maturity dates greater than twelve months are callable by Home Federal Bank after twelve months pursuant to early redemption provisions. The increase in advances from the Federal Home Loan Bank of Dallas was related to the \$30.6 million withdrawal from a money market account as described above.

Shareholders' Equity

Shareholders' equity increased \$513,000, or 1.2%, to \$43.3 million at December 31, 2014, from \$42.8 million at June 30, 2014. The primary reasons for the increase in shareholders' equity from June 30, 2014, were net income of \$1.7 million, the vesting of restricted stock awards, stock options and the release of employee stock ownership shares totaling \$210,000 and proceeds from the issuance of common stock from the exercise of stock options of \$42,000. These increases in shareholders' equity were partially offset by dividends paid totaling \$310,000, acquisition of treasury stock of \$1.1 million and a decrease in the Company's accumulated other comprehensive income of \$35,000. The Company's book value per share increased from \$19.08 at June 30, 2014 to \$19.76 at December 31, 2014 based on shares outstanding of 2,241,967 and 2,190,812, respectively.

The Bank is required to meet minimum capital standards promulgated by the Office of the Comptroller of the Currency ("OCC"). At December 31, 2014, Home Federal Bank's regulatory capital was well in excess of the minimum capital requirements.

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2014 and 2013

General

Net income amounted to \$835,000 for the three months ended December 31, 2014 compared to \$645,000 for the same period in 2013, an increase of \$190,000, or 29.5%. The increase was primarily due to a \$473,000, or 18.0%, increase in net interest income and a \$25,000, or 4.4% increase in non-interest income, partially offset by an increase of \$150,000, or 6.7%, in non-interest expense, a \$100,000, or 32.4%, increase in income tax expense and a \$58,000, or 263.3%, increase in the provision for loan losses for the 2014 period compared to the same period in 2013.

Edgar Filing: Home Federal Bancorp, Inc. of Louisiana - Form 10-Q

Net income amounted to \$1.7 million for the six months ended December 31, 2014 compared to net income of \$1.4 million for the same period in 2013, an increase of \$300,000, or 22.1%. The increase was primarily due to a \$746,000, or 14.0%, increase in net interest income, and a \$52,000, or 4.4%, increase in non-interest income, partially offset by an increase of \$306,000, or 6.9%, in non-interest expense, a \$160,000, or 24.5%, increase in income tax expense and a \$32,000, or 36.4%, increase in income tax expense.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2014 and 2013  
(continued)

Net Interest Income

Net interest income for the three months ended December 31, 2014 was \$3.1 million, an increase of \$473,000, or 18.0%, in comparison to \$2.6 million for the three months ended December 31, 2013. This increase was primarily due to an increase of \$488,000, or 15.1%, in total interest income partially offset by an increase of \$15,000, or 2.5%, in the Company's cost of funds. The cost of funds from Federal Home Loan Bank borrowings increased \$26,000, or 65.0% compared to the prior year quarterly period while interest paid on deposits decreased \$4,000, or 0.7%, compared to the prior quarterly period.

Net interest income for the six months ended December 31, 2014 was \$6.1 million, an increase of \$746,000, or 14.0%, in comparison to the six months ended December 31, 2013. The increase in net interest income for the six month period was primarily due to a \$711,000, or 10.8%, increase in total interest income and a \$35,000, or 2.8%, decrease in interest expense on borrowings and deposits due to an overall decline in the average cost of funds. The Company's average interest rate spread was 3.64% for the six months ended December 31, 2014, compared to 3.66% for the six months ended December 31, 2013. The Company's net interest margin was 3.83% for the six months ended December 31, 2014, compared to 3.91% for the six months ended December 31, 2013. The decrease in net interest margin and average interest rate spread is attributable primarily to a lower average yield on interest earning assets.

Provision for Losses on Loans

Based on an analysis of historical experience, the volume and type of lending conducted by Home Federal Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to our market area and other factors related to the collectability of Home Federal Bank's loan portfolio, a provision for loan losses of \$80,000 and \$120,000 was made during the three and six months ended December 31, 2014, respectively, compared to a \$22,000 and \$88,000 provision made during the three and six months ended December 31, 2013, respectively. The allowance for loan losses was \$2.4 million, or 0.90% of total loans, at December 31, 2014 compared to \$2.3 million, or 1.08%, of total loans at December 31, 2013. At December 31, 2014, Home Federal Bank had four non-performing loans in the aggregate amount of \$171,000 and no other non-performing assets or troubled-debt restructurings. At December 31, 2013, Home Federal had five non-performing loans in the aggregate amount of \$565,000. There can be no assurance that the loan loss allowance will be sufficient to cover losses on non-performing assets in the future.

Non-interest Income

Total non-interest income amounted to \$594,000 for the three months ended December 31, 2014, an increase of \$25,000 or 4.4% compared to \$569,000 for the same period in 2013. The increase was due to an increase of \$34,000 in service charges on deposit accounts, \$11,000 in gain on sale of loans and \$7,000 in other non-interest income, partially offset by decreases of \$24,000 in gain on sale of securities and \$3,000 in income on bank owned life insurance compared to the same period in 2013.

Total non-interest income amounted to \$1.22 million for the six months ended December 31, 2014, an increase of \$52,000, or 4.4%, compared to \$1.17 million for the same period in 2013. The increase was primarily due to increases of \$59,000 in service charges on deposit accounts, \$15,000 in other non-interest income and \$7,000 in gain on sale of loans, partially offset by a \$24,000 decrease in gain on sale of securities and a \$5,000 decrease in income on bank owned life insurance.





HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2014 and 2013  
(continued)

Non-interest Expense

Total non-interest expense increased \$150,000, or 6.7%, for the three months ended December 31, 2014 compared to the prior year period. The increase in non-interest expense was primarily due to increases of \$99,000 in compensation and benefits expense, \$38,000 in data processing expenses, \$33,000 in occupancy and equipment expense, \$18,000 in loan collection expense, \$11,000 in other non-interest expense and \$9,000 in deposit insurance premiums. These increases were partially offset by decreases of \$38,000 in franchise and bank shares tax, \$10,000 in legal fees, \$9,000 in advertising expense and \$1,000 in audit and examination fees.

Total non-interest expense increased \$306,000, or 6.9%, for the six months ended December 31, 2014 compared to the prior year period. The increase in non-interest expense for the six months ended December 31, 2014, compared to the same period in 2013, is primarily attributable to increases of \$217,000 in compensation and benefits expense, \$67,000 in occupancy and equipment expense, \$53,000 in loan collection expense, \$42,000 in data processing, \$14,000 in other non-interest expenses and \$2,000 in advertising expense. These increases were partially offset by decreases of \$56,000 in franchise and bank shares taxes, \$35,000 in legal fees and \$5,000 in audit and examination fees.

The increases in compensation and benefits expense for the six month period were a result of normal compensation and benefits increases, including stock option and recognition and retention plan expense, and the hiring of additional commercial and residential loan officers. The aggregate compensation expense recognized by the Company for its Stock Option, ESOP and Recognition and Retention Plans amounted to \$157,000 and \$317,000 for the three and six months ended December 31, 2014, compared to \$143,000 and \$286,000 for the three and six months ended December 31, 2013.

The Louisiana bank shares tax is assessed on the Bank's equity and earnings. For the three and six months ended December 31, 2014, the Company recognized franchise and bank shares tax expense of \$47,000 and \$122,000 compared to \$85,000 and \$178,000, respectively, for the same period in 2013.

Income taxes amounted to \$409,000 and \$813,000 for the three and six months ended December 31, 2014, respectively, resulting in effective tax rates of 32.9% for both periods. Income taxes amounted to \$309,000 and \$653,000 for the three and six months ended December 31, 2013, respectively, resulting in effective tax rates of 32.4% and 32.5%, respectively. The increase in the effective income tax rate for the six months ended December 31, 2014, is primarily the result of the effect of non-taxable income resulting in a 0.4% increase in the effective rate compared to the six months ended December 31, 2013.

Average Balances, Net Interest Income, Yields Earned and Rates Paid. The following table shows for the periods indicated the total dollar amount of interest from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. Tax-exempt income and yields have not been adjusted to a tax-equivalent basis. All average balances are based on monthly balances. Management does not believe that the monthly averages differ significantly from what the daily averages would be.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2014 and 2013  
(continued)

	Three Months Ended December 31, 2014			2013			
	Average Balance (Dollars In Thousands)	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate	
Interest-earning assets:							
Investment securities	\$54,706	\$285	2.08	% \$45,919	\$271	2.36	%
Loans receivable	268,376	3,436	5.12	216,626	2,961	5.47	
Interest-earning deposits	1,479	2	0.11	6,963	3	0.20	
Total interest-earning assets	324,561	3,723	4.59	269,508	3,235	4.80	
Non-interest-earning assets	21,798			19,699			
Total assets	\$346,359			\$289,207			
Interest-bearing liabilities:							
Savings accounts	13,363	7	0.20	10,949	5	0.20	
NOW accounts	30,540	55	0.72	26,858	69	1.03	
Money market accounts	41,971	33	0.32	41,597	34	0.33	
Certificate accounts	129,428	457	1.41	114,461	448	1.56	
Total deposits	215,302	552	1.03	193,865	556	1.15	
Other Borrowings	--	--	--	267	7	5.18	
FHLB advances	46,966	66	0.56	17,958	40	0.89	
Total interest-bearing liabilities	262,268	618	0.94	% 212,090	603	1.14	%
Non-interest-bearing liabilities:							
Non-interest bearing demand accounts	37,551			31,916			
Other liabilities	2,029			1,403			
Total liabilities	301,848			245,409			
Total Stockholders' Equity(1)	44,511			43,798			
Total liabilities and equity	\$346,359			\$289,207			
Net interest-earning assets	\$62,293			\$57,418			
Net interest income; average interest rate spread(2)		\$3,105	3.65	%	\$2,632	3.66	%
Net interest margin(3)			3.83	%		3.91	%
Average interest-earning assets to average interest-bearing liabilities			123.75	%		127.07	%

(1) Includes retained earnings and accumulated other comprehensive loss.

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

(3) Net interest margin is net interest income divided by net average interest-earning assets.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2014 and 2013  
(continued)

	Six Months Ended December 31,						
	2014			2013			
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate	
	(Dollars In Thousands)						
Interest-earning assets:							
Investment securities	\$54,263	\$530	1.95	% \$50,616	\$548	2.17	%
Loans receivable	260,623	6,744	5.18	216,183	6,011	5.56	
Interest-earning deposits	2,835	4	0.32	6,138	8	0.25	
Total interest-earning assets	317,721	7,278	4.58	272,937	6,567	4.81	
Non-interest-earning assets	22,197			19,470			
Total assets	\$339,918			\$292,407			
Interest-bearing liabilities:							
Savings accounts	13,076	13	0.20	10,475	12	0.22	
NOW accounts	28,383	100	0.70	26,197	137	1.04	
Money market accounts	43,486	74	0.34	42,811	79	0.37	
Certificate accounts	127,407	900	1.41	114,051	903	1.58	
Total deposits	212,352	1,087	1.02	193,534	1,131	1.17	
Other bank borrowings	--	--	--	500	14	5.71	
FHLB advances	41,788	111	0.53	19,911	88	0.89	
Total interest-bearing liabilities	254,140	1,198	0.94	% 213,945	1,233	1.15	%
Non-interest-bearing liabilities:							
Non-interest bearing demand accounts	38,178			32,940			
Other liabilities	2,153			1,502			
Total liabilities	294,471			248,387			
Total Stockholders' Equity(1)	45,447			44,020			
Total liabilities and equity	\$339,918			\$292,407			
Net interest-earning assets	\$63,581			\$58,992			
Net interest income; average interest rate spread(2)		\$6,080	3.64	%	\$5,334	3.66	%
Net interest margin(3)			3.83	%		3.91	%
Average interest-earning assets to average interest-bearing liabilities			125.02	%		127.57	%

(1) Includes retained earnings and accumulated other comprehensive loss.

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

(3) Net interest margin is net interest income divided by net average interest-earning assets.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three Month Periods Ended December 31, 2014 and 2013 (continued)

Liquidity and Capital Resources

Home Federal Bank maintains levels of liquid assets deemed adequate by management. The Bank adjusts its liquidity levels to fund deposit outflows, repay its borrowings and to fund loan commitments. Home Federal Bank also adjusts liquidity as appropriate to meet asset and liability management objectives.

Home Federal Bank's primary sources of funds are deposits, amortization and prepayment of loans and mortgage-backed securities, maturities of investment securities and other short-term investments, loan sales and earnings and funds provided from operations. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. The Bank sets the interest rates on its deposits to maintain a desired level of total deposits. In addition, Home Federal Bank invests excess funds in short-term interest-earning accounts and other assets, which provide liquidity to meet lending requirements. Home Federal Bank's deposit accounts with the Federal Home Loan Bank of Dallas amounted to \$159,000 at December 31, 2014.

A significant portion of Home Federal Bank's liquidity consists of securities classified as available-for-sale and cash and cash equivalents. Home Federal Bank's primary sources of cash are net income, principal repayments on loans and mortgage-backed securities and increases in deposit accounts. If Home Federal Bank requires funds beyond its ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of Dallas which provides an additional source of funds. At December 31, 2014, Home Federal Bank had \$49.0 million in advances from the Federal Home Loan Bank of Dallas and had \$103.4 million in additional borrowing capacity. Additionally, at December 31, 2014, Home Federal Bank was a party to a Master Purchase Agreement with First National Bankers Bank whereby Home Federal Bank may purchase Federal Funds from First National Bankers Bank in an amount not to exceed \$16.3 million. There were no amounts purchased under this agreement as of December 31, 2014.

At December 31, 2014, Home Federal Bank had outstanding loan commitments of \$28.2 million to originate loans. At December 31, 2014, certificates of deposit scheduled to mature in less than one year totaled \$64.3 million. Based on prior experience, management believes that a significant portion of such deposits will remain with us, although there can be no assurance that this will be the case. In addition, the cost of such deposits could be significantly higher upon renewal in a rising interest rate environment. Home Federal Bank intends to utilize its high levels of liquidity to fund its lending activities. If additional funds are required to fund lending activities, Home Federal Bank intends to sell its securities classified as available-for-sale as needed.

At December 31, 2014, Home Federal Bank exceeded each of its regulatory capital requirements with tangible, core and risk-based capital ratios of 12.35%, 12.35% and 20.28%, respectively.

Off-Balance Sheet Arrangements

At December 31, 2014, the Company did not have any off-balance sheet arrangements, as defined by Securities and Exchange Commission rules.

Impact of Inflation and Changing Prices

The financial statements and related financial data presented herein have been prepared in accordance with instructions to Form 10-Q, which require the measurement of financial position and operating results in terms of

historical dollars, without considering changes in relative purchasing power over time due to inflation.

Unlike most industrial companies, virtually all of the Company's assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does the effect of inflation.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to management. In addition, in those and other portions of this document, the words "anticipate," "believe," "estimate," "except," "intend," "should" and similar expressions, or the negative thereof, as they relate to the Company or the Company's management, are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future looking events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosures Controls and Procedures. Under the supervision and with the participation of our management, including our Chief Executive Officer and our President and Chief Operating Officer (together, the co-principal executive officers) and our Chief Financial Officer (principal financial officer), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer, the President and Chief Operating Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the applicable time periods specified by the Securities and Exchange Commission's rules and forms.

Changes in Internal Control over Financial Reporting. There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business, which involve amounts in the aggregate believed by management to be immaterial to the financial condition of the Company.

ITEM 1A. RISK FACTORS

Not applicable.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (a) Not applicable.  
 (b) Not applicable.  
 (c) Purchases of Equity Securities

The Company's repurchases of its common stock made during the quarter ended December 31, 2014 are set forth in the table below:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (a)
October 1, 2014 – October 31, 2014	--	\$ --	--	65,715
November 1, 2014 – November 30, 2014	5,841	19.58	5,841	59,874
December 1, 2014 – December 31, 2014	8,000	20.05	8,000	51,874
Total	13,841	19.85	13,841	51,874

Notes to this table:

On January 28, 2014, the Company announced by press release a repurchase program to repurchase up to 115,000 (a) shares, or approximately 5.0% of the Company's outstanding shares of common stock. The repurchase program does not have an expiration date.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.

## ITEM 6. EXHIBITS

No. Description  
 31.1

- Rule 13a-14(a)/15d-14(a) Certification of Co-Principal Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Co-Principal Executive Officer
- 31.3 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
- 32.0 Certification Pursuant to 18 U.S.C Section 1350
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definitions Linkbase Document

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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Date: February 12, 2015 By: /s/Glen W. Brown  
Glen W. Brown  
Senior Vice President and Chief Financial Officer  
(Duly authorized officer and principal financial and accounting officer)