

HOME FEDERAL BANCORP, INC. OF LOUISIANA  
Form 10-Q  
February 16, 2010

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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, 2009

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-51117

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

Federal  
(State or other jurisdiction of incorporation or organization)

86-1127166  
(IRS Employer Identification No.)

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

71101  
(Zip Code)

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

(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 (§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  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(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 16, 2010: The registrant had 3,348,237 shares of common stock outstanding, of which 2,135,375 shares were held by Home Federal Mutual Holding Company of Louisiana, the registrant's mutual holding company, and 1,212,862 shares were held by the public and directors, officers and employees of the registrant, and the registrant's employee benefit plans.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December	
	31, 2009	June 30, 2009
ASSETS	(Unaudited)	(Audited)
	(In Thousands)	
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$12,052 and \$8,508 for December 31, 2009 and June 30, 2009, Respectively)	\$ 13,416	\$ 10,007
Securities Available-for-Sale	80,861	92,647
Securities Held-to-Maturity	2,177	2,184
Loans Held-for-Sale	1,540	1,277
Loans Receivable, Net	70,417	46,948
Accrued Interest Receivable	562	543
Premises and Equipment, Net	2,878	982
Other Assets	391	178
<b>Total Assets</b>	<b>\$ 172,242</b>	<b>\$ 154,766</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits	95,794	86,146
Advances from Borrowers for Taxes and Insurance	65	137
Advances from Federal Home Loan Bank of Dallas	42,542	35,997
Other Accrued Expenses and Liabilities	1,039	1,082
Deferred Tax Liability	456	94
<b>Total Liabilities</b>	<b>139,896</b>	<b>123,456</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock – No Par Value; 2,000,000 Shares Authorized; None Issued and Outstanding	--	--
Common stock – 8,000,000 Shares of \$.01 Par Value Authorized; 3,558,958 Shares Issued; 3,348,237 Shares and 3,373,464 Shares Outstanding at December 31, 2009 and June 30, 2009, respectively	14	14
Additional paid-in capital	13,631	13,608
Treasury Stock, at Cost – 210,721 Shares and 185,494 Shares at December 31, 2009 and at June 30, 2009, respectively	(2,094 )	(1,887 )
Unearned ESOP Stock	(854 )	(883 )
Unearned RRP Trust Stock	(145 )	(269 )
Retained Earnings	20,642	20,288
Accumulated Other Comprehensive Income	1,152	439
<b>Total Stockholders' Equity</b>	<b>32,346</b>	<b>31,310</b>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 172,242	\$ 154,766
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See accompanying notes to consolidated financial statements.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
(In Thousands, Except Per Share Data)				
<b>INTEREST INCOME</b>				
Loans, Including Fees	\$ 1,189	\$ 510	\$ 2,228	\$ 1,038
Investment Securities	17	31	36	71
Mortgage-Backed Securities	1,027	1,326	2,157	2,592
Other Interest-Earning Assets	2	4	4	20
Total Interest Income	2,235	1,871	4,425	3,721
<b>INTEREST EXPENSE</b>				
Deposits	556	638	1,134	1,312
Federal Home Loan Bank Borrowings	----- - 312	353	643	659
Total Interest Expense	868	991	1,777	1,971
Net Interest Income	1,367	880	2,648	1,750
<b>PROVISION FOR LOAN LOSSES</b>				
Net Interest Income after Provision for Loan Losses	1,367	880	2,648	1,750
<b>NON-INTEREST INCOME</b>				
Gain on Sale of Loans	85	--	129	--
Gain on Sale of Investments	186	--	186	33
Other Income	14	10	24	20
Total Non-Interest Income	285	10	339	53
<b>NON-INTEREST EXPENSE</b>				
Merger and Stock Issuance Costs	--	1	--	133
Compensation and Benefits	817	409	1,429	806
Occupancy and Equipment	87	44	180	90
Data Processing	22	16	46	36
Audit and Professional Fees	117	75	177	110
Franchise and Bank Shares Tax	37	37	75	75
Other Expense	195	97	321	177
Total Non-Interest Expense	1,275	679	2,228	1,427
Income Before Income Taxes	377	211	759	376
<b>PROVISION FOR INCOME TAX EXPENSE</b>				
Net Income	\$ 128	\$ 72	\$ 258	\$ 128
Net Income	\$ 249	\$ 139	\$ 501	\$ 248
<b>EARNINGS PER COMMON SHARE:</b>				

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Basic	\$ 0.08	\$ 0.04	\$ 0.15	\$ 0.08
Diluted	\$ 0.08	\$ 0.04	\$ 0.15	\$ 0.08
DIVIDENDS DECLARED	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12

See accompanying notes to consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Six Months Ended December 31, 2009 and 2008

(Unaudited)

	For the Six Months Ended December 31,	
	2009	2008
	(In Thousands)	
Net Income	\$501	\$248
Other Comprehensive Income, Net of Tax		
Unrealized Holding Gains Arising During the Period	1,067	5,898
Reclassification Adjustment for Gains Included in Net Income	(354 )	(160 )
Total Other Comprehensive Income	713	5,738
Total Comprehensive Income	\$1,214	\$5,986

See accompanying notes to consolidated financial statements.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008  
(Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	(In Thousands)							
BALANCE – June 30, 2008	\$14	\$ 13,567	\$(940 )	\$(395 )	\$20,071	\$ (1,809 )	\$ (2,634 )	\$ 27,874
Net Income	--	--	--	--	248	--	--	248
Other Comprehensive Income:								
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	5,738	5,738
RRP Shares Earned	--	--	--	126	--	--	--	126
Stock Options Vested	--	29	--	--	--	--	--	29
ESOP Compensation Earned	--	(7 )	29	--	--	--	--	22
Dividends Declared	--	--	--	--	(149 )	--	--	(149 )
Acquisition of Treasury Stock	--	--	--	--	--	(49 )	--	(49 )
BALANCE – December 31, 2008	\$14	\$ 13,589	\$(911 )	\$(269 )	\$20,170	\$ (1,858 )	\$ 3,104	\$ 33,839
BALANCE – June 30, 2009	\$14	\$ 13,608	\$(883 )	\$(269 )	\$20,288	\$ (1,887 )	\$ 439	\$ 31,310
Net Income	--	--	--	--	501	--	--	501

Other Comprehensive Income:								
Changes in Unrealized Gain on Securities Available-for-Sale, Net of Tax Effects	--	--	--	--	--	--	713	713
RRP Shares Earned	--	--	--	124	--	--	--	124
Stock Options Vested	--	28	--	--	--	--	--	28
ESOP Compensation Earned	--	(5 )	29	--	--	--	--	24
Dividends Declared	--	--	--	--	(147 )	--	--	(147 )
Acquisition of Treasury Stock	--	--	--	--	--	(207 )	--	(207 )
BALANCE – December 31, 2009	\$14	\$ 13,631	\$(854 )	\$(145 )	\$20,642	\$ (2,094 )	\$ 1,152	\$ 32,346

See accompanying notes to consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six Months Ended December 31,	
	2009	2008
	(In Thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$501	\$248
Adjustments to Reconcile Net Income to Net Cash (Used in) Provided by Operating Activities		
Net Amortization and Accretion on Securities	(168 )	(127 )
Gain on Sale of Securities	(186 )	(33 )
Amortization of Deferred Loan Fees	(103 )	(4 )
Depreciation of Premises and Equipment	48	26
ESOP Expense	23	22
Stock Option Expense	29	29
Recognition and Retention Plan Expense	63	63
Deferred Income Tax Benefit	(5 )	(7 )
Gain on Sale of Loans	(129 )	--
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(21,364 )	(6,963 )
Loans Held-for-Sale – Sale and Principal Repayments	21,230	7,030
Accrued Interest Receivable	(20 )	(51 )
Other Operating Assets	(226 )	27
Other Operating Liabilities	18	90
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(289 )</b>	<b>350</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Originations and Purchases, Net of Principal Collections	(23,474 )	70
Deferred Loan Fees Collected	121	6
Acquisition of Premises and Equipment	(1,945 )	(6 )
Activity in Available-for-Sale Securities:		
Proceeds from Sales of Securities	4,663	2,035
Principal Payments on Mortgage-backed Securities	8,558	4,626
Purchases of Securities	--	(21,648 )
Activity in Held-to-Maturity Securities:		
Principal Payments on Mortgage-Backed Securities	39	64
Purchases of Securities	(31 )	(561 )
Proceeds from Disposition of Foreclosed Real Estate	--	42
<b>Net Cash Used in Investing Activities</b>	<b>\$(12,069 )</b>	<b>\$(15,372 )</b>

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
(Unaudited)

	Six Months Ended December 31,	
	2009	2008
(In Thousands)		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Increase in Deposits	9,648	332
Proceeds from Federal Home Loan Bank Advances	15,500	25,200
Repayments of Advances from Federal Home Loan Bank	(8,955 )	(11,249 )
Net Decrease in Mortgage-Escrow Funds	(72 )	(117 )
Dividends Paid	(147 )	(149 )
Acquisition of Treasury Stock	(207 )	(49 )
Stock Purchase Deposit Received	--	(8,131 )
Stock Purchase Deposit Refunded	--	4,556
Net Cash Provided by Financing Activities	15,767	10,393
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,409</b>	<b>(4,629 )</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD</b>	<b>10,007</b>	<b>7,363</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$13,416</b>	<b>\$2,734</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest Paid on Deposits and Borrowed Funds	\$1,817	\$1,969
Income Taxes Paid	177	--
Market Value Adjustment for Gain on Securities Available-for-Sale	1,081	8,694

See accompanying notes to 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 (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, 2009, is not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2010.

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”). The FASB established the Codification as the source of authoritative accounting principles effective for interim and annual periods ending on or after September 15, 2009. Prior FASB standards are no longer being referenced by the FASB, and the Company adopted the Codification as of September 30, 2009. The adoption did not have an impact on our financial position or results of operations.

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 effects 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, 2009. In preparing these financial statements, the Company evaluated the events and transactions that occurred from December 31, 2009 through February 16, 2010, 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

On January 18, 2005, Home Federal Bank, formerly named Home Federal Savings and Loan Association, completed its reorganization to the mutual holding company form of organization and formed Home Federal Bancorp, Inc. of Louisiana (the “Company”) to serve as the stock holding company for the Bank. In connection with the reorganization, the Company sold 1,423,583 shares of its common stock in a subscription and community offering at a price of \$10.00 per share. The Company also issued 2,135,375 shares of common stock in the reorganization to Home Federal Mutual Holding Company of Louisiana, or 63.8% of our outstanding common stock at December 31, 2009. 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 Thrift Supervision. Services are provided to its customers by three banking offices and one agency office, all of which are located in the City of Shreveport, 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.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Nature of Operations (continued)

In December 2009, Home Federal Bank acquired land in North Bossier which is expected to include a full service branch office and leasable Class A office space. The Bank expects to open a temporary office in North Bossier by the second half of calendar year 2010, followed by construction of the permanent facility. The Bank currently owns land in South Bossier and expects to begin construction of a branch office on that site immediately following development of the North Bossier site.

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.

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.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

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 uncollectibility 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.

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. Loans are classified as substandard and placed on non-accrual status when they are in excess of ninety days delinquent. 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 will pay its pro-rata share of income taxes in accordance with a written tax-sharing agreement.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 1. Summary of Accounting Policies (continued)

## Income Taxes (continued)

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.

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.

## Note 2. Securities

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

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In Thousands)				
<b>Securities Available-for-Sale:</b>				
<b>Debt Securities</b>				
FHLMC Mortgage-Backed Certificates	\$10,791	\$401	\$2	\$11,190
FNMA Mortgage-Backed Certificates	65,779	1,979	2	67,756
GNMA Mortgage-Backed Certificates	130	1	1	130
<b>Total Debt Securities</b>	<b>76,700</b>	<b>2,381</b>	<b>5</b>	<b>79,076</b>
<b>Equity Securities</b>				
244,550 Shares, AMF ARM Fund	2,415	--	630	1,785
<b>Total Securities Available-for-Sale</b>	<b>\$79,115</b>	<b>\$2,381</b>	<b>\$635</b>	<b>\$80,861</b>

## Securities Held-to-Maturity:

## Debt Securities

GNMA Mortgage-Backed Certificates	\$228	\$11	--	\$239
FNMA Mortgage-Backed Certificates	82	2	--	84
FHLMC Mortgage-Backed Certificates	29	--	--	29

Total Debt Securities	339	13	--	352
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## Equity Securities (Non-Marketable)

18,378 Shares - Federal Home Loan Bank	1,838	--	--	1,838
--	-------	----	----	-------

Total Securities Held-to-Maturity	\$2,177	\$13	--	\$2,190
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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2.

Securities (continued)

	June 30, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:	(In Thousands)			
<b>Debt Securities</b>				
FHLMC Mortgage-Backed Certificates	\$ 14,237	\$ 333	\$ 10	\$ 14,560
FNMA Mortgage-Backed Certificates	75,194	1,197	166	76,225
GNMA Mortgage-Backed Certificates	136	1	2	135
<b>Total Debt Securities</b>	<b>89,567</b>	<b>1,531</b>	<b>178</b>	<b>90,920</b>
<b>Equity Securities</b>				
244,550 Shares, AMF ARM Fund	2,415	--	688	1,727
<b>Total Securities Available-for-Sale</b>	<b>\$91,982</b>	<b>\$ 1,531</b>	<b>\$ 866</b>	<b>\$92,647</b>
<b>Securities Held-to-Maturity:</b>				
<b>Debt Securities</b>				
GNMA Mortgage-Backed Certificates	\$ 260	\$ 10	--	\$ 270
FNMA Mortgage-Backed Certificates	88	1	--	89
FHLMC Mortgage-Backed Certificates	30	--	--	30
<b>Total Debt Securities</b>	<b>378</b>	<b>11</b>	<b>--</b>	<b>389</b>
<b>Equity Securities (Non-Marketable)</b>				
18,064 Shares - Federal Home Loan Bank	1,806	--	--	1,806
<b>Total Securities Held-to-Maturity</b>	<b>\$2,184</b>	<b>\$ 11</b>	<b>\$--</b>	<b>\$2,195</b>

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2.

## Securities (continued)

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2009, follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In Thousands)				
Within One Year or Less	\$ --	\$ --	\$ --	\$ --
One through Five Years	--	--	26	26
After Five through Ten Years	687	695	128	131
Over Ten Years	76,013	78,381	185	195
<b>Total</b>	<b>\$ 76,700</b>	<b>\$ 79,076</b>	<b>\$ 339</b>	<b>\$ 352</b>

For the six months ended December 31, 2009 and 2008, proceeds from the sale of securities available-for-sale amounted to \$4.7 million and \$2.0 million, respectively. Gross realized gains amounted to \$186,000 and \$33,000, respectively.

The following tables show information pertaining to gross unrealized losses on securities available-for-sale at December 31, 2009 and June 30, 2009, aggregated by investment category and length of time that individual securities have been in a continuous loss position. There were no unrealized losses on securities held-to-maturity at December 31, 2009 or June 30, 2009.

	December 31, 2009			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In Thousands)				
Securities Available-for-Sale:				
Debt Securities				
Mortgage-Backed Securities	\$1	\$137	\$4	\$1,640
Marketable Equity Securities	--	--	630	1,785
<b>Total Securities Available-for-Sale</b>	<b>\$1</b>	<b>\$137</b>	<b>\$634</b>	<b>\$3,425</b>

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Note 2. Securities (Continued)

	June 30, 2009			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:	(In Thousands)			
Debt Securities				
Mortgage-Backed Securities	\$ 10	\$ 864	\$ 168	\$ 23,801
Marketable Equity Securities	--	--	688	1,727
<b>Total Securities Available-for-Sale</b>	<b>\$ 10</b>	<b>\$ 864</b>	<b>\$ 856</b>	<b>\$ 25,528</b>

The Company's investment in equity securities consists primarily of shares of an adjustable rate mortgage loan mutual fund. The unrealized losses associated with this fund were primarily caused by the investment downgrade of certain non-agency private label mortgage-backed securities held by the fund and uncertainty in spreads in the bond market for mortgage-related securities along with the performance of a small number of the bonds within the fund. Based on management's assessment of the financial condition of the Company, the Company has the ability and intent to hold these securities until a recovery of fair value occurs, and accordingly, the Company does not consider this investment to be other-than-temporarily impaired at December 31, 2009.

The unrealized losses on the Company's investment in mortgage-backed securities were caused by interest rate changes. The contractual cash flows of these investments are guaranteed by agencies of the U.S. government. Accordingly, it is expected that these securities would not be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2009.

At December 31, 2009, securities with a carrying value of \$3.9 million were pledged to secure public deposits, and securities with a carrying value of \$33.3 million were pledged to secure FHLB advances.

## 3. 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, 2009 and 2008 were calculated as follows:

Three Months Ended December 31, 2009		Three Months Ended December 31, 2008	
Basic	Diluted	Basic	Diluted