

Home Federal Bancorp, Inc. of Louisiana
Form 10-Q
February 12, 2013

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, 2012

or

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

For the transition period from _____ to _____

Commission file number: 001-35019

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

Louisiana
(State or other jurisdiction of incorporation or organization)

02-0815311
(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)

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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

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 8, 2013: The registrant had 2,352,820 shares of common stock outstanding.

INDEX

PART I - FINANCIAL INFORMATION		Page
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	24
Item 3:	Quantitative and Qualitative Disclosures About Market Risk	31
Item 4:	Controls and Procedures	31
PART II - OTHER INFORMATION		
Item 1:	Legal Proceedings	31
Item 1A:	Risk Factors	31
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 3:	Defaults Upon Senior Securities	32
Item 4:	Mine Safety Disclosures	32
Item 5:	Other Information	32
Item 6:	Exhibits	32
SIGNATURES		

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

2,556,829 Shares Outstanding at December 31, 2012;		
2,877,032 Shares Outstanding at June 30, 2012		
Additional Paid-in Capital	31,919	31,199
Treasury Stock, at Cost – 505,557 shares at December 31, 2012;		
185,354 at June 30, 2012	(9,264)	(2,706)
Unearned ESOP Stock	(1,734)	(1,792)
Unearned RRP Trust Stock	(1,105)	(1,114)
Retained Earnings	24,377	22,897
Accumulated Other Comprehensive Income	1,021	1,372
Total Stockholders' Equity	45,246	49,888
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 272,500	\$ 296,183

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

For the Three Months
Ended
December 31,
2012 2011 For the Six Months Ended
December 31,
2012 2011
(In Thousands, Except Per Share Data)

INTEREST INCOME				
Loans, Including Fees	\$2,843	\$2,507	\$5,684	\$4,769
Investment Securities	7	16	14	80
Mortgage-Backed Securities	447	700	932	1,242
Other Interest-Earning Assets	2	3	8	8
Total Interest Income	3,299	3,226	6,638	6,099
INTEREST EXPENSE				
Deposits	557	628	1,150	1,249
Other Bank Borrowings	3	--	3	--
Federal Home Loan Bank Borrowings	87	161	187	337
Total Interest Expense	647	789	1,340	1,586
Net Interest Income	2,652	2,437	5,298	4,513
PROVISION FOR LOAN LOSSES	116	188	227	274
Net Interest Income after Provision for Loan Losses	2,536	2,249	5,071	4,239
NON-INTEREST INCOME				
Gain on Sale of Loans	654	498	1,336	1,091
Gain on Sale of Investments	120	51	215	254
Income on Bank Owned Life Insurance	48	52	97	108
Other Income	97	101	203	192
Total Non-Interest Income	919	702	1,851	1,645
NON-INTEREST EXPENSE				
Compensation and Benefits	1,347	1,205	2,664	2,326
Occupancy and Equipment	187	173	393	369
Data Processing	99	90	187	166
Audit and Examination Fees	58	65	106	115
Franchise and Bank Shares Tax	57	49	141	144
Advertising	60	76	120	136
Legal Fees	159	125	247	202
Loan and Collection	21	26	61	57
Deposit Insurance Premium	32	28	63	53
Other Expense	114	117	213	238
Total Non-Interest Expense	2,134	1,954	4,195	3,806
Income Before Income Taxes	1,321	997	2,727	2,078

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

PROVISION FOR INCOME TAX EXPENSE	440	317	908	596
Net Income	\$881	\$680	\$1,819	\$1,482
EARNINGS PER COMMON SHARE:				
Basic	\$0.36	\$0.24	\$0.73	\$0.52
Diluted	\$0.35	\$0.23	\$0.71	\$0.51
DIVIDENDS DECLARED	\$0.06	\$0.06	\$0.12	\$0.12

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2012	2011	2012	2011
(In Thousands)				
Net Income	\$881	\$680	\$1,819	\$1,482
Other Comprehensive Income (Loss), Net of Tax				
Unrealized Holding Gain (Loss) on Securities Available-for-Sale,				
Net of Tax of \$158 and \$106 in 2012, respectively, and \$242 and \$20 in 2011, respectively	(307)	(470)	(204)	39
Reclassification Adjustment for Gain Included in Net Income, Net of Tax of \$47 and \$75 in 2012, respectively, and \$37 and \$98 in 2011, respectively	(90)	(72)	(147)	(189)
Net Other Comprehensive Income (Loss)	(397)	(542)	(351)	(150)
Total Comprehensive Income	\$484	\$138	\$1,468	\$1,332

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, 2012 AND 2011
(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, 2011	\$ 32	\$ 30,880	\$ (1,907)	\$ (29)	\$ 20,781	\$ --	\$ 1,426	\$ 51,183
Net Income	--	--	--	--	1,482	--	--	1,482
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(150)	(150)
RRP Shares Earned	--	--	--	8	--	--	--	8
Stock Options Vested	--	5	--	--	--	--	--	5
Common Stock Issuance for Stock Option Exercise	--	66	--	--	--	--	--	66
ESOP Compensation Earned	--	18	58	--	--	--	--	76
Dividends Declared	--	--	--	--	(365)	--	--	(365)
BALANCE – December 31, 2011	\$ 32	\$ 30,969	\$ (1,849)	\$ (21)	\$ 21,898	\$ --	\$ 1,276	\$ 52,305
BALANCE – June 30, 2012	\$ 32	\$ 31,199	\$ (1,792)	\$ (1,114)	\$ 22,897	\$ (2,706)	\$ 1,372	\$ 49,888

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

Net Income	--	--	--	--	1,819	--	--	1,819
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(351)	(351)
RRP Shares Earned	--	--	--	9	--	--	--	9
Stock Options Vested	--	83	--	--	--	--	--	83
Common Stock Issuance for Stock Option Exercises	--	597	--	--	--	--	--	597
ESOP Compensation Earned	--	40	58	--	--	--	--	98
Acquisition of Treasury Stock	--	--	--	--	--	(6,558)	--	(6,558)
Dividends Declared	--	--	--	--	(339)	--	--	(339)
BALANCE – December 31, 2012	\$ 32	\$ 31,919	\$ (1,734)	\$ (1,105)	\$ 24,377	\$ (9,264)	\$ 1,021	\$ 45,246

See accompanying notes to consolidated financial statements.

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

	Six Months Ended December 31, 2012 2011 (In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,819	\$ 1,482
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Net Amortization and Accretion on Securities	(8)	(41)
Gain on Sale of Securities	(215)	(254)
Gain on Sale of Loans	(1,336)	(1,091)
Amortization of Deferred Loan Fees	(153)	(307)
Depreciation of Premises and Equipment	102	108
ESOP Expense	98	77
Stock Option Expense	83	5
Recognition and Retention Plan Expense	105	3
Deferred Income Tax	(54)	(121)
Provision for Loan Losses	227	274
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(61,530)	(61,309)
Loans Held-for-Sale – Sale and Principal Repayments	65,647	56,455
Accrued Interest Receivable	24	25
Other Operating Assets	277	52
Other Operating Liabilities	(446)	(251)
Net Cash Provided by (Used in) Operating Activities	4,640	(4,893)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Originations and Purchases, Net of Principal Collections	(17,139)	(15,348)
Deferred Loan Fees Collected	64	467
Acquisition of Premises and Equipment	(726)	(1,106)
Activity in Available-for-Sale Securities:		
Proceeds from Sales of Securities	33,347	39,912
Principal Payments on Mortgage-Backed Securities	7,246	7,238
Purchases of Securities	(31,515)	(48,095)
Activity in Held-to-Maturity Securities:		
Redemption Proceeds	107	--
Principal Payments on Mortgage-Backed Securities	--	525
Purchases of Securities	(359)	(71)
Increase in Cash Surrender Value on Bank Owned Life Insurance	(97)	(108)
Net Cash Used in Investing Activities	(9,072)	(16,586)

See accompanying notes to consolidated financial statements.

5

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

	Six Months Ended December 31,	
	2012	2011
	(In Thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Decrease) Increase in Deposits	\$(25,278)	\$19,845
Proceeds from Federal Home Loan Bank Advances	83,500	16,500
Repayments of Advances from Federal Home Loan Bank	(76,726)	(17,780)
Net Decrease in Advances from Borrowers for Taxes and Insurance	(151)	(127)
Dividends Paid	(339)	(365)
Acquisition of Treasury Stock	(6,416)	--
Proceeds from Stock Options Exercised	454	66
Proceeds from Other Bank Borrowings	1,000	--
Repayment of Other Bank Borrowings	(1,000)	--
Net Cash (Used In) Provided by Financing Activities	(24,956)	18,139
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,388)	(3,340)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	34,863	9,599
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$5,475	\$6,259
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest Paid on Deposits and Borrowed Funds	\$1,354	\$1,605
Income Taxes Paid	1,008	656
Market Value Adjustment for Gain on Securities Available-for-Sale	(533)	(227)
Acquisition of Treasury Stock with Stock Issuance	143	--

See accompanying notes to consolidated financial statements.

6

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, 2012, is not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2013.

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, 2012. 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 four 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, 2012, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which is currently inactive.

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 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 collectibility 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.

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.

2. Securities

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

Securities Available-for-Sale	Amortized Cost	December 31, 2012		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(In Thousands)				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$518	\$26	\$ --	\$ 544
FNMA Mortgage-Backed Certificates	16,172	1,471	--	17,643
GNMA Mortgage-Backed Certificates	39,511	162	116	39,557
Total Debt Securities	56,201	1,659	116	57,744
Equity Securities				
176,612 Shares, AMF ARM Fund	1,291	3	--	1,294
Total Securities Available-for-Sale	\$57,492	\$1,662	\$116	\$59,038
Securities Held-to-Maturity				
Equity Securities (Non-Marketable)				
13,831 Shares – Federal Home Loan Bank	1,383	--	--	1,383
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	1,633	--	--	1,633

Total Securities Held-to-Maturity	\$1,633	\$--	\$--	\$1,633
-----------------------------------	---------	------	------	---------

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Securities (continued)

Securities Available-for-Sale	Amortized Cost	June 30, 2012		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(In Thousands)				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$635	\$33	\$--	\$668
FNMA Mortgage-Backed Certificates	21,099	1,875	--	22,974
GNMA Mortgage-Backed Certificates	43,322	160	--	43,482
Total Debt Securities	65,056	2,068	--	67,124
Equity Securities				
176,612 Shares, AMF ARM Fund	1,291	11	--	1,302
Total Securities Available-for-Sale	\$66,347	\$2,079	\$--	\$68,426
Securities Held-to-Maturity				
Equity Securities (Non-Marketable)				
11,307 Shares – Federal Home Loan Bank	1,131	--	--	1,131
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	1,381	--	--	1,381
Total Securities Held-to-Maturity	\$1,381	\$--	\$--	\$1,381

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2012, 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	166	171	--	--
After Five through Ten Years	505	524	--	--
Over Ten Years	55,530	57,049	--	--
Total	\$56,201	\$57,744	\$--	\$--

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

For the six months ended December 31, 2012, proceeds from the sale of securities available-for-sale amounted to \$33.3—— million. Gross realized gains amounted to \$215,000 for the six months ended December 31, 2012.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Securities (continued)

The following table shows information pertaining to gross unrealized losses on securities available-for-sale at December 31, 2012 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 at June 30, 2012, and there were no unrealized losses on securities held-to-maturity at December 31, 2012.

	December 31, 2012			
	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	\$ 116	\$ 30,922	\$ --	\$ --
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$ 116	\$ 30,922	\$ --	\$ --

The Company's investment in equity securities consists primarily of FHLB stock, a \$1.3 million (book value) investment in an adjustable-rate mortgage fund (referred to as the ARM Fund) and shares of First National Bankers Bankshares, Inc. ("FNBB"). The fair value of the ARM Fund has traditionally correlated with the interest rate environment. At December 31, 2012, the unrealized gain on this investment was \$3,000. Management monitors its investment portfolio to determine whether any investment securities which have unrealized losses should be considered other than temporarily impaired.

At December 31, 2012, securities with a carrying value of \$3.4 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$94.6 million were pledged to secure FHLB advances.

3. Loans Receivable

Loans receivable are summarized as follows:

	December 31, 2012	June 30, 2012
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One-to-Four Family Residential	\$ 63,608	\$ 59,410
Commercial	49,781	39,230
Multi-Family Residential	19,681	12,919
Land	15,022	12,317
Construction	13,403	22,660

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

Equity and Second Mortgage	2,401	2,520
Equity Lines of Credit	9,039	8,461
Total Mortgage Loans	172,935	157,517
Commercial Loans	14,107	12,369
Consumer Loans		
Loans on Savings Accounts	269	227
Automobile and Other Consumer Loans	169	228
Total Consumer and Other Loans	438	455
Total Loans	187,480	170,341
Less: Allowance for Loan Losses	(1,925)	(1,698)
Unamortized Loan Fees	(291)	(380)
Net Loans Receivable	\$ 185,264	\$ 168,263

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Loans Receivable (continued)

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

	Six Months Ended December 31,	
	2012	2011
	(In Thousands)	
Balance - Beginning of Period	\$ 1,698	\$ 842
Provision for Loan Losses	227	274
Loan Charge-Offs	--	--
Balance - End of Period	\$ 1,925	\$ 1,116

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.

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.

13

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Loans Receivable (continued)

Credit Quality Indicators (continued)

The following tables present the grading of loans, segregated by class of loans, as of December 31, 2012 and June 30, 2012:

December 31, 2012	Pass	Special Mention (In Thousands)	Substandard	Doubtful	Total
Real Estate Loans:					
One-to-Four Family Residential	\$ 62,138	\$ 1,109	\$ 361	\$ --	\$ 63,608
Commercial	49,781	--	--	--	49,781
Multi-Family Residential	19,681	--	--	--	19,681
Land	15,022	--	--	--	15,022
Construction	13,403	--	--	--	13,403
Equity and Second Mortgage	2,401	--	--	--	2,401
Equity Lines of Credit	8,907	--	132	--	9,039
Commercial Loans	14,107	--	--	--	14,107
Consumer Loans	438	--	--	--	438
Total	\$ 185,878	\$ 1,109	\$ 493	\$ --	\$ 187,480

June 30, 2012	Pass	Special Mention (In Thousands)	Substandard	Doubtful	Total
Real Estate Loans:					
One-to-Four Family Residential	\$58,531	\$517	\$ 362	\$--	\$59,410
Commercial	39,230	--	--	--	39,230
Multi-Family Residential	12,919	--	--	--	12,919
Land	12,317	--	--	--	12,317
Construction	22,660	--	--	--	22,660
Equity and Second Mortgage	2,520	--	--	--	2,520
Equity Lines of Credit	8,345	27	89	--	8,461
Commercial Loans	12,369	--	--	--	12,369
Consumer Loans	455	--	--	--	455
Total	\$169,346	\$544	\$ 451	\$--	\$170,341

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Loans Receivable (continued)

Credit Quality Indicators (continued)

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, 2012 and June 30, 2012:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due (In Thousands)	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Real Estate Loans:							
One-to-Four Family Residential	\$ 1,675	\$ 507	\$ 1,444	\$ 3,626	\$ 59,982	\$ 63,608	\$ 1,109
Commercial	--	--	--	--	49,781	49,781	--
Multi-Family Residential	--	--	--	--	19,681	19,681	--
Land	--	--	--	--	15,022	15,022	--
Construction	--	--	--	--	13,403	13,403	--
Equity and Second Mortgage	--	--	--	--	2,401	2,401	--
Equity Lines of Credit	--	--	43	43	8,996	9,039	--
Commercial Loans	--	--	--	--	14,107	14,107	--
Consumer Loans	--	--	--	--	438	438	--
Total	\$ 1,675	\$ 507	\$ 1,487	\$ 3,669	\$ 183,811	\$ 187,480	\$ 1,109
June 30, 2012	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	\$ 2,039	\$ 1,024	\$ 14	\$ 3,077	\$ 56,333	