

Home Federal Bancorp, Inc. of Louisiana  
Form 10-Q  
November 10, 2014

---

---

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: September 30, 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  
(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

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

(or for such shorter period that the registrant was required to submit and post such files).  [X]

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  [X]

(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  [X] No

Shares of common stock, par value \$.01 per share, outstanding as of November 7, 2014: The registrant had 2,198,442 shares of common stock outstanding.

## INDEX

	Page
<b>PART I</b>	<b>FINANCIAL INFORMATION</b>
<b>Item 1:</b>	
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
<b>Item 2:</b>	<b>Management's Discussion and Analysis of Financial Condition and Results of Operations</b>
	25
<b>Item 3:</b>	<b>Quantitative and Qualitative Disclosures About Market Risk</b>
	31
<b>Item 4:</b>	<b>Controls and Procedures</b>
	31
<b>PART II</b>	<b>OTHER INFORMATION</b>
<b>Item 1:</b>	<b>Legal Proceedings</b>
	31
<b>Item 1A:</b>	<b>Risk Factors</b>
	31
<b>Item 2:</b>	<b>Unregistered Sales of Equity Securities and Use of Proceeds</b>
	32
<b>Item 3:</b>	<b>Defaults Upon Senior Securities</b>
	32
<b>Item 4:</b>	<b>Mine Safety Disclosures</b>
	32

Item 5:	Other Information	32
---------	-------------------	----

Item 6:	Exhibits	32
---------	----------	----

**SIGNATURES**

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(Unaudited)

September 30, 2014

June 30, 2014

(Dollars In Thousands)

## ASSETS

Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$1,859 and \$9,317 for September 30, 2014 and June 30, 2014, Respectively)	\$	4,794	\$	13,633
Securities Available-for-Sale		55,494		48,434
Securities Held-to-Maturity		2,399		1,765
Loans Held-for-Sale		11,035		9,375
Loans Receivable, Net of Allowance for Loan Losses of \$2,285 and \$2,396, Respectively		248,309		239,563
Accrued Interest Receivable		987		965
Premises and Equipment, Net		9,994		8,454
Bank Owned Life Insurance		6,244		6,203
Deferred Tax Asset		776		723
Other Assets		453		414
<b>Total Assets</b>	<b>\$</b>	<b>340,485</b>	<b>\$</b>	<b>329,529</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY

## LIABILITIES

Deposits	\$	252,011	\$	272,295
Advances from Borrowers for Taxes and Insurance		615		428
Advances from Federal Home Loan Bank of Dallas		43,589		12,897
Other Accrued Expenses and Liabilities		1,612		1,130
<b>Total Liabilities</b>		<b>297,827</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 2,203,442 Shares Outstanding at September 30, 2014;				
2,241,967 Shares Outstanding at June 30, 2014		34		34
Additional Paid-in Capital		32,940		32,853
Treasury Stock, at Cost – 858,944 shares at September 30, 2014;				
820,419 at June 30, 2014	(16,454	)	(15,658	)
Unearned ESOP Stock	(1,532	)	(1,561	)
Unearned RRP Trust Stock	(599	)	(609	)

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

Retained Earnings	28,255	27,588
Accumulated Other Comprehensive Income	14	172
Total Stockholders' Equity	42,658	42,779
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 340,485	\$ 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 September 30,	
	2014	2013
	(In Thousands, Except per Share Data)	
<b>INTEREST INCOME</b>		
Loans, Including Fees	\$ 3,307	\$ 3,050
Investment Securities	1	1
Mortgage-Backed Securities	244	276
Other Interest-Earning Assets	3	4
Total Interest Income	3,555	3,331
<b>INTEREST EXPENSE</b>		
Deposits	535	575
Federal Home Loan Bank Borrowings	45	48
Other Bank Borrowings	--	7
Total Interest Expense	580	630
Net Interest Income	2,975	2,701
<b>PROVISION FOR LOAN LOSSES</b>	40	66
Net Interest Income after Provision for Loan Losses	2,935	2,635
<b>NON-INTEREST INCOME</b>		
Gain on Sale of Loans	472	476
Income on Bank Owned Life Insurance	41	44
Service Charges on deposit accounts	101	75
Other Income	15	9
Total Non-Interest Income	629	604
<b>NON-INTEREST EXPENSE</b>		
Compensation and Benefits	1,502	1,384
Occupancy and Equipment	229	195
Data Processing	119	115
Audit and Examination Fees	53	57
Franchise and Bank Shares Tax	73	93
Advertising	75	64
Legal Fees	69	93
Loan and Collection	66	32
Deposit Insurance Premium	31	33
Other Expense	120	116
Total Non-Interest Expense	2,337	2,182
Income Before Income Taxes	1,227	1,057
<b>PROVISION FOR INCOME TAX EXPENSE</b>	404	344

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

Net Income	\$	823	\$	713
EARNINGS PER COMMON SHARE:				
Basic	\$	0.41	\$	0.34
Diluted	\$	0.40	\$	0.33
DIVIDENDS DECLARED	\$	0.07	\$	0.06

See accompanying notes to unaudited consolidated financial statements.



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

	For the Three Months Ended September 30, 2014                  2013 (In Thousands)	
Net Income	\$823	\$713
Other Comprehensive (Loss), Net of Tax		
Unrealized Holding (Loss) on Securities Available-for-Sale, Net of Tax of \$81 in 2014 and \$135 in 2013	(158     )	(262     )
Total Comprehensive Income	\$665	\$451

See accompanying notes to unaudited consolidated financial statements.

3

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013  
(Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock (In Thousands)	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE – June 30, 2013	\$32	\$ 32,218	\$(1,676 )	\$(863 )	\$25,395	\$ (13,168 )	\$ 44	\$ 41,982
Net Income	--	--	--	--	713	--	--	713
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(262 )	(262 )
RRP Shares Earned	--	--	--	10	--	--	--	10
Stock Options Vested	--	41	--	--	--	--	--	41
Common Stock Issuance for Stock Option Exercises	1	245	--	--	--	--	--	246
ESOP Compensation Earned	--	21	28	--	--	--	--	49
Acquisition of Treasury Stock	--	--	--	--	--	(473 )	--	(473 )
Dividends Declared	--	--	--	--	(141 )	--	--	(141 )
BALANCE – September 30, 2013	\$33	\$ 32,525	\$(1,648 )	\$(853 )	\$25,967	\$ (13,641 )	\$ (218 )	\$ 42,165
BALANCE – June 30, 2014	\$ 34	\$ 32,853	\$(1,561 )	\$(609 )	\$27,588	\$ (15,698 )	\$ 172	\$ 42,779

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

Net Income	--	--	--	--	823	--	--	823
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(158 )	(158 )
RRP Shares Earned	--	--	--	10	--	--	--	10
Stock Options Vested	--	43	--	--	--	--	--	43
Common Stock Issuance for Stock Option Exercises	--	17	--	--	--	--	--	17
ESOP Compensation Earned	--	27	29	--	--	--	--	56
Acquisition of Treasury Stock	--	--	--	--	--	(756 )	--	(756 )
Dividends Declared	--	--	--	--	(156 )	--	---	(156 )
BALANCE – September 30, 2014	\$34	\$ 32,940	\$(1,532 )	\$(599 )	\$28,255	\$ (16,454 )	\$ 14	\$ 42,658

See accompanying notes to unaudited consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

Three Months Ended  
September 30,  
2014                  2013  
(In Thousands)

## CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$823	\$713
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities		
Net Amortization and Accretion on Securities	3	18
Gain on Sale of Loans	(472 )	(476 )
Amortization of Deferred Loan Fees	(76 )	(18 )
Depreciation of Premises and Equipment	84	69
ESOP Expense	56	49
Stock Option Expense	44	41
Recognition and Retention Plan Expense	57	53
Deferred Income Tax	29	(17 )
Provision for Loan Losses	40	66
Increase in Cash Surrender Value on Bank Owned Life Insurance	(41 )	(44 )
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(23,062 )	(20,378 )
Loans Held-for-Sale – Sale and Principal Repayments	21,874	18,341
Accrued Interest Receivable	(21 )	(4 )
Other Operating Assets	(40 )	46
Other Operating Liabilities	435	419
Net Cash Used In Operating Activities	(267 )	(1,122 )

## CASH FLOWS FROM INVESTING ACTIVITIES

Loan Originations and Purchases, Net of Principal Collections	(8,714 )	(849 )
Deferred Loan Fees Collected	4	17
Acquisition of Premises and Equipment	(1,624 )	(445 )
Activity in Available-for-Sale Securities:		
Principal Payments on Mortgage-Backed Securities	2,540	3,401
Purchases of Securities	(9,843 )	(8,798 )
Activity in Held-to-Maturity Securities:		
Redemption Proceeds	128	--
Purchases of Securities	(762 )	(134 )
Net Cash Used in Investing Activities	(18,271 )	(6,808 )

See accompanying notes to unaudited consolidated financial statements.

5

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
(Unaudited)

	Three Months Ended September 30, 2014                  2013 (In Thousands)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (Decrease) Increase in Deposits	\$(20,284 )	\$20,603
Proceeds from Federal Home Loan Bank Advances	349,750	217,750
Repayments of Advances from Federal Home Loan Bank	(319,058 )	(223,879 )
Net Increase in Advances from Borrowers for Taxes and Insurance	186	115
Dividends Paid	(156 )	(141 )
Acquisition of Treasury Stock	(756 )	(473 )
Proceeds from Stock Options Exercised	17	245
Proceeds from other Bank Borrowings	--	300
<b>Net Cash Provided by Financing Activities</b>	<b>9,699</b>	<b>14,520</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,839 )</b>	<b>6,590</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>\$4,794</b>	<b>\$10,275</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest Paid on Deposits and Borrowed Funds	\$571	\$ 636
Income Taxes Paid	1	--
Market Value Adjustment for Loss on Securities Available-for-Sale	(240 )	(397 )

See accompanying notes to unaudited 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 three month period ended September 30, 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 September 30, 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 September 30, 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 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.

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:

	Amortized Cost	September 30, 2014 Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In Thousands)				
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$ 301	\$ 11	\$--	\$ 312
FNMA Mortgage-Backed Certificates	33,901	732	121	34,512
GNMA Mortgage-Backed Certificates	21,271	6	607	20,670
Total Debt Securities	55,473	749	728	55,494
Total Securities Available-for-Sale	\$55,473	\$ 749	\$ 728	\$55,494
Securities Held-to-Maturity				
Equity Securities (Non-Marketable)				
21,487 Shares – Federal Home Loan Bank	\$ 2,149	\$--	\$--	\$ 2,149
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	2,399	--	--	2,399
Total Securities Held-to-Maturity	\$ 2,399	\$ --	\$ --	\$ 2,399

	Amortized Cost	June 30, 2014 Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In Thousands)				
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

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

Total Securities Available-for-Sale	\$48,173	\$ 875	\$ 614	\$ 48,434
<b>Securities Held-to-Maturity</b>				
<b>Equity Securities (Non-Marketable)</b>				
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 September 30, 2014, follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In Thousands)				
<b>Debt Securities</b>				
Within One Year or Less	\$--	\$ --	\$ --	\$ --
One through Five Years	239	246	--	--
After Five through Ten Years	152	157	--	--
Over Ten Years	55,082	55,091	--	--
	55,473	55,494	--	--
Other Equity Securities	--	--	2,399	2,399
<b>Total</b>	<b>\$55,473</b>	<b>\$55,494</b>	<b>\$2,399</b>	<b>\$2,399</b>

There were no sales of available-for-sale securities during the three months ended September 30, 2014.

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

	September 30, 2014			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In Thousands)				
<b>Securities Available-for-Sale</b>				
<b>Debt Securities</b>				
Mortgage-Backed Securities	\$ 91	\$ 19,697	\$ 637	\$ 22,471
Marketable Equity Securities	--	--	--	--
<b>Total Securities</b>	<b>\$ 91</b>	<b>\$ 19,697</b>	<b>\$ 637</b>	<b>\$ 22,471</b>

## Available-for-Sale

	June 30, 2014			
	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	\$	24	\$	1,947	\$	590	\$	22,193
----------------------------	----	----	----	-------	----	-----	----	--------

Marketable Equity Securities		--		--		--		--
------------------------------	--	----	--	----	--	----	--	----

Total Securities	\$	24	\$	1,947	\$	590	\$	22,193
------------------	----	----	----	-------	----	-----	----	--------

## Available-for-Sale

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 September 30, 2014, securities with a carrying value of \$9.1 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$149.9 million were pledged to secure FHLB advances.

## 3. Loans Receivable

Loans receivable are summarized as follows:

	September 30, 2014 (In Thousands)	June 30, 2014
Loans Secured by Mortgages on Real Estate		
One- to Four-Family Residential	\$ 96,279	\$ 89,545
Commercial	55,554	56,266
Multi-Family Residential	15,967	20,368
Land	22,513	19,945
Construction	13,366	12,505
Equity and Second Mortgage	2,318	2,563
Equity Lines of Credit	17,380	14,950
Total Mortgage Loans	223,377	216,142
Commercial Loans	27,032	25,749
Consumer Loans		
Loans on Savings Accounts	304	255
Automobile and Other Consumer Loans	107	111
Total Consumer and Other Loans	411	366
Total Loans	250,820	242,257
Less: Allowance for Loan Losses	(2,285 )	(2,396 )
Unamortized Loan Fees	(226 )	(298 )
Net Loans Receivable	\$ 248,309	\$ 239,563

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

	Three Months Ended September 30, 2014		2013	
	(In Thousands)			
Balance - Beginning of Period	\$ 2,396		\$ 2,240	
Provision for Loan Losses	40		66	
Loan Charge-Offs	(151 )		--	
Balance - End of Period	\$ 2,285		\$ 2,306	

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 September 30, 2014 and June 30, 2014:

September 30, 2014	Pass	Special Mention (In Thousands)	Substandard	Doubtful	Total
<b>Real Estate Loans:</b>					
One- to Four-Family Residential	\$96,151	\$115	\$13	\$--	\$96,279
Commercial	54,937	553	--	64	55,554
Multi-Family Residential	15,967	--	--	--	15,967
Land	22,513	--	--	--	22,513
Construction	13,366	--	--	--	13,366
Equity and Second Mortgage	2,318	--	--	--	2,318
Equity Lines of Credit	17,353	--	--	27	17,380
Commercial Loans	27,032	--	--	--	27,032
Consumer Loans	411	--	--	--	411
Total	\$250,048	\$668	\$13	\$91	\$250,820





## 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 (In Thousands)	Doubtful	Total
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 September 30, 2014 and June 30, 2014:

September 30, 2014	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days (In Thousands)	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Real Estate Loans:							
One- to Four-Family Residential	\$1,138	\$923	\$81	\$2,142	\$94,137	\$96,279	\$68
Commercial	--	--	--	--	55,554	55,554	--
Multi-Family Residential	--	--	--	--	15,967	15,967	--

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

Land	--	--	--	--	22,513	22,513	--
Construction	--	--	--	--	13,366	13,366	--
Equity and Second							
Mortgage	--	--	--	--	2,318	2,318	--
Equity Lines of Credit	--	--	27	27	17,353	17,380	--
Commercial Loans	--	--	--	--	27,032	27,032	--
Consumer Loans	--	--	--	--	411	411	--
Total	\$1,138	\$ 923	\$108	\$2,169	\$248,651	\$250,820	\$68

## 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 (In Thousands)	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
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	--
<b>Total</b>	<b>\$ 1,585</b>	<b>\$ 435</b>	<b>\$ 191</b>	<b>\$ 2,211</b>	<b>\$ 240,046</b>	<b>\$ 242,257</b>	<b>\$ 13</b>

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 September 30, 2014 or June 30, 2014.

The change in the allowance for loan losses by loan portfolio class and recorded investment in loans for the three months ended September 30, 2014 was as follows:

Real Estate Loans		Home Equity Loans and Lines of Credit		Commercial Loans	Consumer Loans
September 30, 2014	1-4 Family Residential	Multi-Family Commercial	Land Construction	Commercial Loans	Consumer Loans

(In Thousands)

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

Allowance for loan losses:

Beginning Balances	\$1,224	\$ 464	\$128	\$168	\$105	\$99	\$202	\$6
Charge-Offs	(151 )	--	--	--	--	--	--	--
Recoveries	--	--	--	--	--	--	--	--
Current Provision	96	(108 )	(56 )	12	22	29	45	--
Ending Balances	\$1,169	\$ 356	\$72	\$180	\$127	\$ 128	\$247	\$6

Evaluated for Impairment:

Individually	--	--	--	--	--	--	--	--
Collectively	1,169	356	72	180	127	128	247	6

Loans

Receivable:

Ending

Balances –

Total	\$96,279	\$55,554	\$15,967	\$22,513	\$13,366	\$19,698	\$27,032	\$411
-------	----------	----------	----------	----------	----------	----------	----------	-------

Ending

Balances:

Evaluated for

Impairment:

Individually	128	617	--	--	--	27	--	--
Collectively	\$96,151	\$54,937	\$15,967	\$22,513	\$13,366	\$19,671	\$27,032	\$411

## 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 year ended June 30, 2014 and three months ended September 30, 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

	Real Estate Loans					Home Equity	Commercial Loans	Consumer Loans	Total
	1-4 Family	Commercial	Multi- Family	Land	Construction				

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

	Residential				Loans and Lines of Credit				
September 30, 2013									
	(In Thousands)								
Allowance for loan losses:									
Beginning Balances	\$1,023	\$ 338	\$103	\$127	\$ 146	\$85	\$ 412	\$6	\$2,240
Charge-Offs	--	--	--	--	--	--	--	--	--
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	94	74	(13 )	2	(17 )	(5 )	(71 )	2	66
Ending Balances	\$1,117	\$ 412	\$90	\$129	\$ 129	\$80	\$ 341	\$8	\$2,306
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,117	412	90	129	129	80	341	8	2,306
Loans Receivable:									
Ending Balances									
- Total	\$76,379	\$ 50,310	\$19,567	\$15,317	\$ 16,152	\$14,165	\$ 17,176	\$ 368	\$209,434
Ending Balances:									
Evaluated for Impairment:									
Individually	565	1,699	--	--	--	116	2,937	--	5,317
Collectively	\$75,814	\$ 48,611	\$19,567	\$15,317	\$ 16,152	\$14,049	\$ 14,239	\$ 368	\$204,117

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The following tables present loans individually evaluated for impairment, segregated by class of loans, as of September 30, 2014 and June 30, 2014:

September 30, 2014	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance (In Thousands)	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real Estate Loans:						
One- to Four-Family Residential	\$ 128	\$ 128	\$--	\$128	\$--	\$137
Commercial	617	617	--	617	--	658
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>\$772</b>	<b>\$ 772</b>	<b>\$--</b>	<b>\$772</b>	<b>\$--</b>	<b>\$ 822</b>

June 30, 2014	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance (In Thousands)	Total Recorded Investment	Related Allowance	Average Recorded Investment
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>

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

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 three months ended September 30, 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 three months ended September 30, 2014 and year ended June 30, 2014 was \$0 and \$3,000, respectively.

4. Deposits

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

	September 30, 2014	June 30, 2014
	(In Thousands)	
Non-Interest Bearing	\$ 40,433	\$ 43,447
NOW Accounts	26,278	24,015
Money Markets	45,198	72,240
Passbook Savings	13,195	12,165
	125,104	151,867
Certificates of Deposit	126,907	120,428
Total Deposits	\$ 252,011	\$ 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 months ended September 30, 2014 and 2013 were calculated as follows:

	Three Months Ended September 30,	
	2014	2013
	(In Thousands, Except Per Share Data)	
Net income	\$ 823	\$ 713
Weighted average shares outstanding - basic	2,006	2,113
Effect of dilutive common stock equivalents	52	53
Adjusted weighted average shares outstanding - diluted	2,058	2,166
Basic earnings per share	\$ 0.41	\$ 0.34
Diluted earnings per share	\$ 0.40	\$ 0.33

For the three months ended September 30, 2014 and 2013, there were outstanding options to purchase 228,259 and 241,886 shares, respectively, at a weighted average exercise price of \$14.68 and \$13.25 per share, respectively. For the quarter ended September 30, 2014, 52,316 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 September 30,	
	2014	2013
	(In Thousands)	
Average common shares issued	3,062	3,062
Average unearned ESOP shares	(154 )	(165 )
Average unearned RRP shares	(50 )	(64 )
Average treasury shares	(852 )	(720 )
Weighted average shares outstanding	2,006	2,113

## 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 three months ended September 30, 2014, 561 shares vested and were released from the 2005 Recognition Plan Trust and 564 shares remained in the 2005 Recognition Plan Trust at September 30, 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 three months ended September 30, 2014, 8,557 shares were awarded under the 2011 Recognition Plan and no shares are available for future awards. At September 30, 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 three months ended September 30, 2014, the Company recognized \$57,000 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 three months ended September 30, 2014, 2,133 options were granted under the 2005 Option Plan at an exercise price of \$18.92. As of September 30, 2014, 37,543 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 three months ended September 30, 2014, 29,178 options were granted under the 2011 Option Plan at an exercise price of \$18.92. As of September 30, 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 \$2.8 million and \$2.5 million at September 30, 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:

	September 30, 2014		June 30, 2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(In Thousands)				
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$4,794	\$4,794	\$13,633	\$13,633
Securities Available-for-Sale	55,494	55,494	48,434	48,434
Securities to be Held-to-Maturity	2,399	2,399	1,765	1,765
Loans Held-for-Sale	11,035	11,035	9,375	9,375
Loans Receivable	248,309	248,301	239,563	242,240
<b>Financial Liabilities</b>				
Deposits	252,011	238,510	272,295	259,411
Advances from FHLB	43,589	43,574	12,897	13,266
<b>Off-Balance Sheet Items</b>				
Mortgage Loan Commitments	319	319	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;
-

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 September 30, 2014 and June 30, 2014 are as follows:

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
September 30, 2014				
Available-for-Sale				
Debt Securities				
FHLMC	\$ --	\$ 312	\$ --	\$ 312
FNMA	--	34,512	--	34,512
GNMA	--	20,670	--	20,670
Total	\$ --	\$ 55,494	\$ --	\$ 55,494

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

June 30, 2014	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (In Thousands)	Unobservable Inputs (Level 3)	
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 September 30, 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 quarter ended September 30, 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 September 30, 2014

General

At September 30, 2014, total assets amounted to \$340.5 million compared to \$329.5 million at June 30, 2014, an increase of approximately \$11.0 million, or 3.3%. The increase in assets was comprised primarily of increases in

investment securities of \$7.7 million, or 15.3%, from \$50.2 million at June 30, 2014, to \$57.9 million at September 30, 2014, loans held-for-sale of \$1.7 million, or 17.7%, from \$9.4 million at June 30, 2014 to \$11.0 million at September 30, 2014, and loans receivable net of \$8.7 million, or 3.7%, from \$239.6 million at June 30, 2014, to \$248.3 million at September 30, 2014, partially offset by a decrease in cash and cash equivalents of \$8.8 million, or 64.8%, from \$13.6 million at June 30, 2014 to \$4.8 million at September 30, 2014.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

Cash and Cash Equivalents

Cash and cash equivalents decreased \$8.8 million, or 64.8%, from \$13.6 million at June 30, 2014 to \$4.8 million at September 30, 2014. The \$8.8 million decrease in cash and cash equivalents was due in large part to a 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 \$8.7 million, or 3.7%, to \$248.3 million at September 30, 2014 compared to \$239.6 million at June 30, 2014. During the three months ended September 30, 2014, our total loan originations amounted to \$71.9 million compared to \$54.6 million for the three months ended September 30, 2013. The increase in loans receivable, net, was primarily due to increases in one- to four-family residential loans of \$6.7 million, home equity lines of credit of \$2.4 million, land loans of \$2.6 million, commercial business loans of \$1.3 million, residential construction loans of \$861,000 and consumer loans of \$45,000, partially offset by decreases in multi-family residential loans of \$4.4 million, commercial real estate loans of \$712,000 and equity and second mortgage loans of \$245,000.

Loans Held-for-Sale

Loans held-for-sale increased \$1.7 million, or 17.7%, from \$9.4 million at June 30, 2014 to \$11.0 million at September 30, 2014. The increase in loans held-for-sale results primarily from an increase at September 30, 2014 in receivables from financial institutions purchasing the Company's loans held-for-sale and an increase in the origination volume during the first quarter of fiscal 2015.

Investment Securities

Investment securities amounted to \$57.9 million at September 30, 2014 compared to \$50.2 million at June 30, 2014, an increase of \$7.7 million, or 15.3%. 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 \$2.5 million.

Premises and Equipment, Net

Premises and equipment, net, increased \$1.5 million, to \$10.0 million at September 30, 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 September 30, 2014, the Company had \$108,000 of non-performing assets compared to \$178,000 of non-performing assets at June 30, 2014, consisting of two single-family residential loans and one non-performing line of credit at September 30, 2014, compared to one single family residential loan and one non-performing line of credit at June 30, 2014. At September 30, 2014, the Company had one single family residential loan classified as substandard compared to none at June 30, 2014. The Company had one commercial loan secured by real estate

classified as doubtful at September 30, 2014 in the amount of \$64,000, one single-family residential loan classified as doubtful in the amount of \$151,000 at June 30, 2014 and one line of credit classified as doubtful in the amount of \$27,000 at both September 30, 2014 and June 30, 2014.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

Total Liabilities

Total liabilities increased \$11.1 million, or 3.9%, from \$286.8 million at June 30, 2014, to \$297.8 million at September 30, 2014, primarily due to an increase in advances from the Federal Home Loan Bank in Dallas of \$30.7 million, or 238.0%, to \$43.6 million at September 30, 2014, compared to \$12.9 million at June 30, 2014, partially offset by a decrease in total deposits of \$20.3 million, or 7.4%, to \$252.0 million at September 30, 2014, compared to \$272.3 million at June 30, 2014. The decrease in deposits was primarily due to a \$27.0 million, or 37.4% decrease in money market deposits from \$72.2 million at June 30, 2014 to \$45.2 million at September 30, 2014, and a decrease in non-interest bearing demand deposits of \$3.0 million, or 6.9%, from \$43.4 million at June 30, 2014 to \$40.4 million at September 30, 2014, partially offset by increases in certificates of deposit of \$6.5 million, or 5.4%, from \$120.4 million at June 30, 2014 to \$126.9 million at September 30, 2014 and NOW accounts of \$2.3 million, or 9.4%, from \$24.0 million at June 30, 2014 to \$26.3 million at September 30, 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 September 30, 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 decreased \$121,000, or 0.3%, to \$42.7 million at September 30, 2014, from \$42.8 million at June 30, 2014. The primary reasons for the decrease in shareholders' equity from June 30, 2014, were the acquisition of treasury stock in the amount of \$756,000, a decrease in the Company's accumulated other comprehensive income of \$158,000, and dividends paid of \$156,000. These decreases were partially offset by net income of \$823,000, the vesting of restricted stock awards, stock options and the release of employee stock ownership shares totaling \$109,000, and proceeds from the issuance of common stock from the exercise of stock options of \$17,000. The Company's book value per share increased from \$19.08 at June 30, 2014 to \$19.36 at September 30, 2014 based on shares outstanding of 2,241,967 and 2,203,442, respectively.

The Bank is required to meet minimum capital standards promulgated by the Office of the Comptroller of the Currency ("OCC"). At September 30, 2014, Home Federal Bank's regulatory capital was well in excess of the minimum capital requirements.

Comparison of Operating Results for the Three Month Periods Ended September 30, 2014 and 2013

General

Net income amounted to \$823,000 for the three months ended September 30, 2014 compared to \$713,000 for the same period in 2013, an increase of \$110,000 or 15.4%. The increase was primarily due to a \$274,000 or 10.1% increase in net interest income, a \$25,000 or 4.1% increase in non-interest income, and a \$26,000 or 39.4% decrease in the provision for loan losses, partially offset by an increase of \$155,000, or 7.1%, in non-interest expense and a \$60,000 or 17.4% increase in income tax expense for the 2014 period compared to the same period in 2013.



The increase in net interest income for the three months ended September 30, 2014 was primarily due to an increase in total interest income and a decrease in the Company's cost of funds for the three months ended September 30, 2014, compared to the prior year period. The increase in non-interest expense was primarily due to increases in compensation and benefit expense, loan and collection expense, data processing expense, advertising, occupancy and equipment expense and other non-interest expense, partially offset by decreases in legal fees, audit and examination fees, deposit insurance premiums and franchise and bank shares tax.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three Month Periods Ended September 30, 2014 and 2013 (continued)

Net Interest Income

Net interest income for the three months ended September 30, 2014 was \$3.0 million, an increase of \$274,000, or 10.1%, in comparison to \$2.7 million for the three months ended September 30, 2013. This increase was primarily due to an increase of \$224,000, or 6.7%, in total interest income and a decrease of \$50,000 or 7.9%, in the Company's cost of funds. The cost of funds from Federal Home Loan Bank borrowings decreased \$3,000, or 6.3%, compared to the prior year three month period while interest paid on deposits decreased \$40,000, or 7.0%, compared to the prior year three month period.

The Company's average interest rate spread was 3.63% for the three months ended September 30, 2014, compared to 3.65% for the three months ended September 30, 2013. The Company's net interest margin was 3.83% for the three months ended September 30, 2014 compared to 3.91% for the three months ended September 30, 2013. The decrease in net interest margin and average interest rate spread for the three month periods is attributable primarily to a higher volume of interest earning assets and decreasing interest rates.

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 \$40,000 was made during the three months ended September 30, 2014, compared to a \$66,000 provision made during the three months ended September 30, 2013. The allowance for loan losses was \$2.3 million, or 0.91% of total loans receivable, at September 30, 2014 compared to \$2.3 million, or 1.10%, of total loans receivable at September 30, 2013. At September 30, 2014, Home Federal Bank had three non-performing loans in the aggregate amount of \$108,000 and no other non-performing assets or troubled-debt restructurings. At June 30, 2014, Home Federal had two non-performing loans in the amount of \$178,000. 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 \$629,000 for the three months ended September 30, 2014, an increase of \$25,000 or 4.1% compared to \$604,000 for the same period in 2013. The increase was due to an increase of \$26,000 in service charges on deposit accounts and \$6,000 in other non-interest income, partially offset by decreases of \$4,000 in gain on sale of loans and \$3,000 in income on bank owned life insurance compared to the same period in 2013.

Non-interest Expense

Total non-interest expense increased \$155,000, or 7.1%, for the three months ended September 30, 2014 compared to the prior year period. The increase in non-interest expense was primarily due to increases of \$118,000 in compensation and benefits expense, \$34,000 in occupancy and equipment expense, \$34,000 in loan collection expense, \$11,000 in advertising expense, \$4,000 in other non-interest expense and \$4,000 in data processing expense. These increases were partially offset by decreases of \$24,000 in legal fees, \$20,000 in franchise and bank shares tax, \$4,000 in audit and examination fees, and \$2,000 in deposit insurance premiums.

The increases in compensation and benefits expense 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 for the three months ended September 30, 2014, compared to \$143,000 for the three months ended September 30, 2013.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## Comparison of Operating Results for the Three Month Periods Ended September 30, 2014 and 2013 (continued)

The Louisiana bank shares tax is assessed on the Bank's equity and earnings. For the three months ended September 30, 2014, the Company recognized franchise and bank shares tax expense of \$73,000 compared to \$93,000 for the same period in 2013.

## Income Taxes

Income taxes amounted to \$404,000 for the three months ended September 30, 2014, resulting in an effective tax rate of 32.9%. Income taxes amounted to \$344,000 for the three months ended September 30, 2013, resulting in an effective tax rate of 32.5%. The increase in the effective income tax rate for the three months ended September 30, 2014, compared to the prior year period, is primarily the result of the effect of non-taxable income resulting in a 0.4% increase, in rate for the three months ended September 30, 2014.

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.

	Three Months Ended September 30,					
	2014			2013		
	Average Balance	Interest	Average Yield/ Rate (Dollars In Thousands)	Average Balance	Interest	Average Yield/ Rate
<b>Interest-earning assets:</b>						
Investment securities	\$53,820	\$245	1.82 %	\$55,312	\$277	2.00 %
Loans receivable	252,870	3,307	5.23	215,741	3,050	5.65
Interest-earning deposits	4,191	3	0.28	5,314	4	0.31
Total interest-earning assets	310,881	3,555	4.57	276,367	3,331	4.82
Non-interest-earning assets	22,595			19,241		
Total assets	\$333,476			\$295,608		
<b>Interest-bearing liabilities:</b>						
Savings accounts	12,788	6	0.20	10,001	6	0.24
NOW accounts	26,227	45	0.69	25,535	68	1.06
Money market accounts	45,002	41	0.36	44,026	45	0.41
Certificate accounts	125,386	443	1.41	113,641	456	1.61
Total deposits	209,403	535	1.02	193,203	575	1.19
Other Borrowings	--	--	--	733	7	4.01
FHLB advances	36,608	45	0.49	21,864	48	0.88
Total interest-bearing liabilities	246,011	580	0.94 %	215,800	630	1.17 %
Non-interest-bearing liabilities:						

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

Non-interest bearing demand accounts	38,805			33,963		
Other liabilities	2,278			1,601		
Total liabilities	287,094			251,364		
Total Stockholders' Equity(1)	46,382			44,244		
Total liabilities and equity	\$333,476			\$295,608		
Net interest-earning assets	\$64,870			\$60,567		
Net interest income; average interest rate spread(2)	\$2,975	3.63	%	\$2,701	3.65	%
Net interest margin(3)		3.83	%		3.91	%
Average interest-earning assets to average interest-bearing liabilities		126.37	%		128.07	%

(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 Month Periods Ended September 30, 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 \$40,000 at September 30, 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 September 30, 2014, Home Federal Bank had \$43.6 million in advances from the Federal Home Loan Bank of Dallas and had \$106.4 million in additional borrowing capacity. Additionally, at September 30, 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 September 30, 2014.

At September 30, 2014, Home Federal Bank had outstanding loan commitments of \$31.9 million to originate loans. At September 30, 2014, certificates of deposit scheduled to mature in less than one year totaled \$58.7 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 September 30, 2014, Home Federal Bank exceeded each of its regulatory capital requirements with tangible, core and risk-based capital ratios of 12.29%, 12.29% and 20.83%, respectively.

Off-Balance Sheet Arrangements

At September 30, 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,” “sho” 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 September 30, 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 Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (a)
July 1, 2014 – July 31, 2014	31,000	\$ 18.83	31,000	74,772
August 1, 2014 – August 31, 2014	9,057	19.05	9,057	65,712
September 1, 2014 – September 30, 2014	--	--	--	65,715
<b>Total</b>	<b>40,057</b>	<b>\$ 18.88</b>	<b>40,057</b>	<b>65,715</b>

Notes to this table:

- (a) On January 28, 2014, the Company announced by press release a repurchase program to repurchase up to 115,000 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
-----	-------------

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

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
	XBRL Taxonomy Extension Schema Document
101.SCH	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
	XBRL Taxonomy Extension Label Linkbase Document
101.LAB	
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: November 10, 2014

By:

/s/Glen W. Brown

Glen W. Brown

Senior Vice President and Chief Financial  
Officer

(Duly authorized officer and principal  
financial and  
accounting officer)