

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

Home Federal Bancorp, Inc. of Louisiana  
Form 10-Q  
November 14, 2017

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, 2017

or

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

For the transition period from to

Commission file number: 001-35019

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

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

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

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

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

Indicate by  
check mark  
whether the  
registrant (1)  
has filed all  
reports  
required to be  
filed by  
Section 13 or  
15(d) of the

Securities  
Exchange Act  
of 1934  
during the  
preceding 12  
months (or for  
such shorter  
period that the  
registrant was  
required to  
file such  
reports), and  
(2) has been  
subject to  
such filing  
requirements  
for the past 90  
days. Yes  
No

Indicate by  
check mark  
whether the  
registrant has  
submitted  
electronically  
and posted on  
its corporate  
Web site, if  
any, every  
Interactive  
Data File  
required to be  
submitted and  
posted  
pursuant to  
Rule 405 of  
Regulation  
S-T  
(§232.405 of  
this chapter)  
during the  
preceding 12  
months (or for  
such shorter  
period that the  
registrant was  
required to  
submit and  
post such  
files). Yes

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

No

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

Large accelerated filer   Accelerated filer  
Non-accelerated filer   Smaller reporting company  
(Do not check if a  
smaller reporting   Emerging growth company  
company)

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Shares of common stock, par value \$.01 per share, outstanding as of November 10, 2017; The registrant had 1,928,160 shares common stock outstanding.

---

INDEX

	<u>Page</u>	
PART I	FINANCIAL INFORMATION	
Item 1:	Financial Statements (Unaudited)	
	Consolidated Statements of Financial Condition	1
	Consolidated Statements of Income	2
	Consolidated Statements of Comprehensive Income	3
	Consolidated Statements of Changes in Stockholders' Equity	4
	Consolidated Statements of Cash Flows	5
	Notes to Consolidated Financial Statements	7
Item 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 3:	Quantitative and Qualitative Disclosures About Market Risk	35
Item 4:	Controls and Procedures	35
PART II	OTHER INFORMATION	
Item 1:	Legal Proceedings	35
Item 1A:	Risk Factors	35
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 3:	Defaults Upon Senior Securities	36
Item 4:	Mine Safety Disclosures	36
Item 5:	Other Information	36
Item 6:	Exhibits	36

SIGNATURES

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	September 30, 2017	June 30, 2017
<b>ASSETS</b>		
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$3,709 and \$8,212 for September 30, 2017 and June 30, 2017, Respectively)	\$7,547	\$11,905
Securities Available-for-Sale	30,805	36,935
Securities Held-to-Maturity (Fair Value of \$27,373 and \$27,989, Respectively)	27,560	28,357
Loans Held-for-Sale	7,988	13,631
Loans Receivable, Net of Allowance for Loan Losses of \$3,231 and \$3,729, Respectively	321,175	312,772
Accrued Interest Receivable	1,121	1,094
Premises and Equipment, Net	12,118	12,219
Bank Owned Life Insurance	6,704	6,668
Deferred Tax Asset	1,690	1,601
Other Real Estate Owned	683	540
Other Assets	655	884
<b>Total Assets</b>	<b>\$418,046</b>	<b>\$426,606</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits	\$333,501	\$329,045
Advances from Borrowers for Taxes and Insurance	909	698
Short-term Federal Home Loan Bank advances	23,000	37,000
Long-term Federal Home Loan Bank advances	11,841	11,907
Other Borrowings	--	--
Other Accrued Expenses and Liabilities	2,432	1,710
<b>Total Liabilities</b>	<b>371,683</b>	<b>380,360</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock – \$.01 Par Value; 10,000,000 Shares Authorized; None Issued and Outstanding	--	--
Common Stock – \$.01 Par Value; 40,000,000 Shares Authorized; 1,927,053 and 1,953,066 Shares Issued and Outstanding at September 30, 2017 and June 30, 2017, Respectively	35	23
Additional Paid-in Capital	34,612	34,516
Unearned ESOP Stock	(1,187 )	(1,215 )
Unearned RRP Trust Stock	(23 )	(46 )
Retained Earnings	13,364	13,320
Accumulated Other Comprehensive Income	(438 )	(352 )
<b>Total Stockholders' Equity</b>	<b>46,363</b>	<b>46,246</b>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$418,046	\$426,606
--	-----------	-----------

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, 2017    2016 (In Thousands, Except per Share Data)	
<b>INTEREST INCOME</b>		
Loans, Including Fees	\$4,284	\$3,894
Investment Securities	11	5
Mortgage-Backed Securities	260	192
Other Interest-Earning Assets	38	4
Total Interest Income	4,593	4,095
<b>INTEREST EXPENSE</b>		
Deposits	707	540
Other Borrowings	--	3
Federal Home Loan Bank Borrowings	144	95
Total Interest Expense	851	638
Net Interest Income	3,742	3,457
<b>PROVISION FOR LOAN LOSSES</b>		
Net Interest Income after Provision for Loan Losses	300	300
<b>NON-INTEREST INCOME</b>		
Gain on Sale of Real Estate	--	110
Gain on Sale of Securities	94	--
Gain on Sale of Loans	605	798
Income on Bank Owned Life Insurance	36	37
Service Charges on deposit accounts	216	163
Other Income	17	10
Total Non-Interest Income	968	1,118
<b>NON-INTEREST EXPENSE</b>		
Compensation and Benefits	1,714	1,722
Occupancy and Equipment	310	307
Data Processing	167	155
Audit and Examination Fees	50	52
Franchise and Bank Shares Tax	98	95
Advertising	40	72
Legal Fees	146	81
Loan and Collection	80	99
Deposit Insurance Premium	28	45
Other Expense	198	147
Total Non-Interest Expense	2,831	2,775
Income Before Income Taxes	1,579	1,500

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

PROVISION FOR INCOME TAX EXPENSE	571	498
Net Income	\$1,008	\$1,002
EARNINGS PER COMMON SHARE:		
Basic	\$0.55	\$0.55
Diluted	\$0.53	\$0.53
DIVIDENDS DECLARED	\$0.12	\$0.09

See accompanying notes to unaudited consolidated financial statements.

2

---



HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended September 30, 2017    2016 (In Thousands)	
Net Income	\$1,008	\$1,002
Other Comprehensive Loss, Net of Tax		
Unrealized Holding Loss on Securities Available-for-Sale, Net of Tax of \$45 in 2017 and \$103 in 2016	(86 )	(198 )
Total Comprehensive Income	\$922	\$804

See accompanying notes to unaudited consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(In Thousands)						
BALANCE – June 30, 2016	\$ 23	\$ 33,863	\$ (1,331 )	\$ (265 )	\$ 11,018	\$ 84	\$ 43,392
Net Income	--	--	--	--	1,002	--	1,002
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	(198 )	(198 )
RRP Shares Earned	--	--	--	24	--	--	24
Stock Options Vested	--	73	--	--	--	--	73
Common Stock Issuance for Stock Option Exercises	--	39	--	--	--	--	39
ESOP Compensation Earned	--	36	29	--	--	--	65
Company Stock Purchased	--	--	--	--	(247 )	--	(247 )
Dividends Declared	--	--	--	--	(177 )	--	(177 )
BALANCE – September 30, 2016	\$ 23	\$ 34,011	\$ (1,302 )	\$ (241 )	\$ 11,596	\$ (114 )	\$ 43,973
BALANCE – June 30, 2017	\$ 23	\$ 34,516	\$ (1,215 )	\$ (46 )	\$ 13,320	\$ (352 )	\$ 46,246
Net Income	--	--	--	--	1,008	--	1,008
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	(86 )	(86 )
RRP Shares Earned	--	--	--	24	--	--	24
Stock Options Vested	--	34	--	--	--	--	34
Common Stock Issuance for Stock Option Exercises	--	13	--	--	--	--	13

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

ESOP Compensation Earned	--	48	29	--	--	--	77
Company Stock Purchased	--	--	--	--	(719 )	--	(719 )
Dividends Declared	--	--	--	--	(234 )	--	(234 )
BALANCE – September 30, 2017	\$ 35	\$ 34,612	\$(1,187 )	\$(23 )	\$ 13,364	\$ (438 )	\$ 46,363

See accompanying notes to unaudited consolidated financial statements.

4

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended September 30, 2017      2016	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$1,008	\$1,002
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Gain on Sale of Real Estate	--	(110 )
Bad Debt Recovery	4	6
Net Amortization and Accretion on Securities	55	5
Gain on Sale of Loans	(605 )	(798 )
Gain on Sale of Securities	(94 )	--
Amortization of Deferred Loan Fees	(26 )	(20 )
Depreciation of Premises and Equipment	128	132
ESOP Expense	77	65
Stock Option Expense	34	73
Recognition and Retention Plan Expense	7	58
Deferred Income Tax	(89 )	(124 )
Provision for Loan Losses	300	300
Increase in Cash Surrender Value on Bank Owned Life Insurance	(36 )	(37 )
Share Awards Expense	34	34
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(25,285 )	(31,710 )
Loans Held-for-Sale – Sale and Principal Repayments	31,279	29,448
Accrued Interest Receivable	(27 )	12
Other Operating Assets	229	(93 )
Other Operating Liabilities	722	871
Net Cash Provided by (Used In) Operating Activities	7,715	(886 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Originations and Purchases, Net of Principal Collections	(8,796 )	2,890
Deferred Loan Fees Collected	115	16
Acquisition of Premises and Equipment	101	(140 )
Proceeds from Sale of Real Estate	--	423
Activity in Available-for-Sale Securities:		
Principal Payments on Mortgage-Backed Securities	2,491	3,759
Sale of Securities	3,555	
Activity in Held-to-Maturity Securities:		
Principal Payments on Mortgage-Backed Securities	800	--
Purchases of Securities	--	(10,489)
Net Cash Used in Investing Activities	(1,734 )	(3,541 )

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, 2017      2016 (In Thousands)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Increase in Deposits	\$4,456	\$11,502
Proceeds from Federal Home Loan Bank Advances	17,400	431,600
Repayments of Advances from Federal Home Loan Bank	(31,466)	(436,963)
Net Increase in Advances from Borrowers for Taxes and Insurance	211	182
Dividends Paid	(234 )	(177 )
Company Stock Purchased	(719 )	(247 )
Proceeds from Stock Options Exercised	13	39
Net Cash (Used in) Provided by Financing Activities	(10,339)	5,936
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,358 )</b>	<b>1,509</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>11,905</b>	<b>4,756</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$7,547</b>	<b>\$6,265</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest Paid on Deposits and Borrowed Funds	\$807	\$625
Income Taxes Paid	1	1
Market Value Adjustment for Loss on Securities Available-for-Sale	(131 )	(301 )

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, 2017 are not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2018.

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, 2017. 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 six full-service banking offices and home 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, 2017, 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 as unpaid principal balances less allowances for loan losses and unamortized deferred loan fees. Net nonrefundable fees (loan origination fees, commitment fees, discount points) and costs associated with lending activities are being deferred and subsequently amortized into income as an adjustment of yield on the related interest earning assets using the interest method. Interest income on contractual loans receivable is recognized on the accrual method. Unearned discount on property improvement and automobile loans is deferred and amortized on the interest method over the life of the loan.

Allowance for Loan Losses

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

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

susceptible to significant revision as more information becomes available.

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 fair value of the collateral of the loan. If the 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. A loan is considered a troubled debt restructuring ("TDR") if the Company, for economic or legal reasons related to a debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. Concessions granted under a TDR typically involve a temporary or permanent reduction in payments or interest rate or an extension of a loan's stated maturity date at less than a current market rate of interest. Loans identified as TDRs are designated as impaired.

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 known and inherent losses in the existing loan portfolio both probable and reasonable to estimate.

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. Estimated useful lives are as follows:

Buildings and Improvements	10 - 40 Years
Furniture and Equipment	3 - 10 Years

Bank-Owned Life Insurance

The Company has purchased life insurance contracts on the lives of certain key employees. The Bank is the beneficiary of these policies. These contracts are reported at their cash surrender value, and changes in the cash surrender value are included in non-interest income.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Allowance for Loan Losses (continued)

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.

The Company follows the provisions of the Income Taxes Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740. ASC 740 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

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.

Earnings per Share

Earnings per share are computed based upon the weighted average number of common shares outstanding during the period.

Non-Direct Response Advertising

The Company expenses all advertising costs, except for direct-response advertising, as incurred. Non-direct response advertising costs were \$40,000 and \$72,000 for the three months ended September 30, 2017 and 2016, respectively.

In the event the Company incurs expense for material direct-response advertising, it will be amortized over the estimated benefit period. Direct-response advertising consists of advertising whose primary purpose is to elicit sales to customers who could be shown to have responded specifically to the advertising and results in probable future benefits. For the three months ended September 30, 2017 and 2016, the Company did not incur any amount of direct-response advertising.

Stock-Based Compensation

GAAP requires all share-based payments to employees, including grants of employee stock options and recognition and retention share awards, to be recognized as expense in the statement of operations based on their fair values. The amount of compensation is measured at the fair value of the options or recognition and retention share awards when granted, and this cost is expensed over the required service period, which is normally the vesting period of the options or recognition and retention awards. This guidance applies to awards granted or modified after January 1, 2006 or any unvested awards outstanding prior to that date.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Reclassification

Certain financial statement balances included in the prior year consolidated financial statements have been reclassified to conform to the current period presentation.

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 balance sheets along with net income, they are components of comprehensive income (loss).

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The amendments in ASU 2014-09 supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The general principle of ASU 2014-09 requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. The guidance sets forth a five step approach to be utilized for revenue recognition. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 making it effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In April 2016, the FASB issued ASU 2016-10 which does not change the core principle of the guidance in Topic 606. The amendments in this Update clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. In May 2016, the FASB issued ASU 2016-12 which does not change the core principle of the guidance in Topic 606. The amendments in this Update affect only certain narrow aspects of Topic 606. Management is currently assessing the impact to the Company's consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This ASU eliminates the requirement to retrospectively account for changes to provisional amounts initially recorded in a business combination. ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined, including the effect of the change in provisional amount as if the accounting had been completed at the acquisition date. The provisions of this ASU are effective for fiscal years beginning after December 15, 2015 and should be applied prospectively to adjustments to provisional amounts that occur after the effective date. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes: Balance Sheet Classification of Deferred Taxes, which simplifies the presentation of deferred taxes by requiring deferred tax assets and liabilities to be classified as non-current on the balance sheet. This update is effective for fiscal years beginning after December 15, 2017. The guidance may be adopted prospectively or retrospectively, and early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories and require



equity securities to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of impairment. The amendments in this Update also simplify the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period. In addition, the amendments in this Update exempt all entities that are not public business entities from disclosing fair value information for financial instruments measured at amortized cost. In addition, for public business entities, the amendments supersede the requirement to disclose the methods and significant assumptions used in calculating the fair value of financial instruments required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The amendments in this Update require public business entities that are required to disclose fair value of financial instruments measured at amortized cost on the balance sheet to measure that fair value using the exit price notion consistent with Topic 820, Fair Value Measurement.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

The provisions within this Update require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option. This amendment excludes from net income gains or losses that the entity may not realize because those financial liabilities are not usually transferred or settled at their fair values before maturity. The amendments in this Update require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements.

For public business entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. From the lessee's perspective, the new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting pattern of expense recognition in the income statement for a lessee.

The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This Update is being issued as part of the Simplification Initiative. The areas of simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some areas only apply to nonpublic entities. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public business entities that are SEC filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods with those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In January 2017, the FASB issued ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments - Equity Method and Joint Ventures (Topic 323). This Update addresses and codifies the practical considerations and application of the required disclosures under SAB Topic 11.M for the implementation of ASU 2014-09, Revenue from Contracts with Customers (Topic 606); ASU 2016-02, Leases (Topic 842); and ASU 2016-13, Financial Instruments-Credit Losses (Topic 326). The SEC Staff has emphasized on a number of occasions, including the December 2016 AICPA National Conference on Current SEC and PCAOB Developments, the requirements to disclose the potential material effects of newly issued standards, and the importance of providing investors with this information. Such disclosures should explain the impact the new standard is expected to have on the financial statements, and how the adoption of the new standard will affect comparability. Entities should discuss both quantitative and qualitative information as available when assessing implementation of a new standard. This ASU was effective immediately for public business entities.

In March 2017, the FASB issued ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20). This Update was issued in response to diversity in practice in the amortization period for premiums of callable debt securities and in how the potential for exercise of a call is factored into current impairment assessments. As such, these amendments reduce the amortization period for certain callable debt securities carried at a premium and require the premium to be amortized over the period not to exceed the earliest call date. These amendments do not apply to securities carried at a discount. The effective date of this Update is for fiscal years beginning on or after December 15, 2018. The Company does not expect ASU 2017-08 to have a material impact on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718). The amendments in this ASU provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in FASB ASC 718. The effective date of this Update is for fiscal years beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company does not expect ASU 2017-09 to have a material impact on its consolidated financial statements.

## 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:

	September 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$8,491	\$ 1	\$ 272	\$8,220
FNMA Mortgage-Backed Certificates	15,467	4	237	15,234
GNMA Mortgage-Backed Certificates	7,511	3	163	7,351
Total Debt Securities	31,469	8	672	30,805
Total Securities Available-for-Sale	\$31,469	\$ 8	672	\$30,805
Securities Held-to-Maturity				
Debt Securities				
FNMA Mortgage-Backed Certificates	\$24,750	\$ 33	\$ 220	\$24,563
Equity Securities (Non-Marketable)				
25,598 Shares – Federal Home Loan Bank	2,560	--	--	2,560
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	2,810	--	--	2,810
Total Securities Held-to-Maturity	\$27,560	\$ 33	\$ 220	\$27,373
	June 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$9,140	\$5	\$ 297	\$8,848
FNMA Mortgage-Backed Certificates	19,986	256	285	19,957
GNMA Mortgage-Backed Certificates	8,342	3	215	8,130
Total Debt Securities	37,468	264	797	36,935

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

Total Securities Available-for-Sale	\$37,468	\$264	\$ 797	\$36,935
Securities Held-to-Maturity				
Debt Securities				
FNMA Mortgage-Backed Securities	\$25,558	\$2	\$ 370	\$25,190
Equity Securities (Non-Marketable)				
25,488 Shares – Federal Home Loan Bank	2,549	--	--	2,549
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	2,799	--	--	2,799
Total Securities Held-to-Maturity	\$28,357	\$2	\$ 370	\$27,989

## 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, 2017 follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In Thousands)				
Debt Securities				
Within One Year or Less	\$7	\$7	\$--	\$--
One through Five Years	49	49	--	--
After Five through Ten Years	44	44	--	--
Over Ten Years	31,369	30,705	24,750	24,563
	31,469	30,805	24,750	24,563
Other Equity Securities	--	--	2,810	2,810
Total	\$31,469	\$30,805	\$27,560	\$27,373

Securities available-for-sale totaling \$3.5 million were sold for \$3.6 million during the three months ending September 30, 2017 resulting in a profit on sale of securities of \$94,000 .

The following tables show information pertaining to gross unrealized losses on securities available-for-sale at September 30, 2017 and June 30, 2017 aggregated by investment category and length of time that individual securities have been in a continuous loss position.

	September 30, 2017			
	Less Than Twelve Months Gross Unrealized Losses (In Thousands)		Over Twelve Months Gross Unrealized Losses Value	
Securities Available-for-Sale				
Debt Securities				
Mortgage-Backed Securities	\$50	\$3,436	\$622	\$24,815
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$50	\$3,436	\$622	\$24,815

June 30, 2017

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

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses Value (In Thousands)		Gross Unrealized Losses Value	
Securities Available-for-Sale				
Debt Securities				
Mortgage-Backed Securities	\$144	\$10,278	\$653	\$21,719
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$144	\$10,278	\$653	\$21,719



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

The unrealized losses on the Company's investment in mortgage-backed securities at September 30, 2017 and June 30, 2016 were caused by interest rate changes. The contractual cash flows of these investments are guaranteed by agencies of the U.S. government. Accordingly, it is expected that these securities would not be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at September 30, 2017.

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.

At September 30, 2017, securities with a carrying value of \$268,000 were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$149.5 million were pledged to secure FHLB advances.

## 3. Loans Receivable

Loans receivable are summarized as follows:

	September 30, 2017	June 30, 2017
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One-to-Four Family Residential	\$ 132,199	\$ 125,306
Commercial	78,339	77,945
Multi-Family Residential	24,269	21,281
Land	23,780	25,038
Construction	10,524	9,529
Equity and Second Mortgage	1,666	1,710
Equity Lines of Credit	19,692	20,976
 Total Mortgage Loans	 290,469	 281,785
 Commercial Loans	 33,698	 34,429
Consumer Loans		
Loans on Savings Accounts	405	420
Other Consumer Loans	119	63
 Total Consumer Loans	 524	 483
Total Loans	324,691	316,697
 Less: Allowance for Loan Losses	 (3,231 )	 (3,729 )
Unamortized Loan Fees	(285 )	(196 )
 Net Loans Receivable	 \$321,175	 \$312,772



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

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

	Three Months Ended September 30, 2017    2016 (In Thousands)	
Balance - Beginning of Period	\$3,729	\$2,845
Provision for Loan Losses	300	300
Loan Charge-Offs	(802 )	(14 )
Recoveries	4	6
Balance - End of Period	\$3,231	\$3,137

## Credit Quality Indicators

The Company segregates loans into risk categories based on the pertinent information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans according to credit risk. Loans classified as substandard or identified as special mention are reviewed quarterly by management to evaluate the level of deterioration, improvement, and impairment, if any, as well as assign the appropriate risk category.

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

**Pass** - Loans classified as pass are well protected by the current net worth or paying capacity of the obligor or by the fair value, less cost to acquire and sell the underlying collateral in a timely manner.

**Pass Watch** - Loans are considered marginal, meaning some weakness has been identified which could cause future impairment of repayment. However, these relationships are currently protected from any apparent loss by collateral.

**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.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The following tables present the grading of loans, segregated by class of loans, as of September 30, 2017 and June 30, 2017:

September 30, 2017	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Real Estate Loans:					
One-to-Four Family Residential	\$ 130,922	\$ 303	\$ 974	\$ --	\$ 132,199
Commercial	74,127	--	4,212	--	78,339
Multi-Family Residential	24,269	--	--	--	24,269
Land	23,557	223	--	--	23,780
Construction	10,524	--	--	--	10,524
Equity and Second Mortgage	1,666	--	--	--	1,666
Equity Lines of Credit	19,641	--	51	--	19,692
Commercial Loans	31,577	--	2,121	--	33,698
Consumer Loans	524	--	--	--	524
Total	\$ 316,807	\$ 526	\$ 7,358	\$ --	\$ 324,691

June 30, 2017	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Real Estate Loans:					
One-to-Four Family Residential	\$ 124,450	\$ 303	\$ 553	\$ --	\$ 125,306
Commercial	77,690	--	255	--	77,945
Multi-Family Residential	21,281	--	--	--	21,281
Land	24,915	123	--	--	25,038
Construction	9,232	297	--	--	9,529
Equity and Second Mortgage	1,710	--	--	--	1,710
Equity Lines of Credit	20,976	--	--	--	20,976
Commercial Loans	31,916	--	2,503	--	34,429
Consumer Loans	483	--	--	--	483
Total	\$ 312,653	\$ 723	\$ 3,311	\$ --	\$ 316,697

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.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The following tables present an aging analysis of past due loans, segregated by class of loans, as of September 30, 2017 and June 30, 2017:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
September 30, 2017	(In Thousands)						
Real Estate Loans:							
One-to-Four							
Family Residential	\$1,374	\$1,218	\$672	\$3,264	\$128,935	\$132,199	\$383
Commercial	65	--	--	65	78,274	78,339	--
Multi-Family Residential	--	--	--	--	24,269	24,269	--
Land	100	--	--	100	23,680	23,780	--
Construction	--	--	--	--	10,524	10,524	--
Equity and Second Mortgage	--	--	--	--	1,666	1,666	--
Equity Lines of Credit	109	15	51	175	19,517	19,692	68
Commercial Loans	--	--	1,664	1,664	32,034	33,698	--
Consumer Loans	--	--	--	--	524	524	--
Total	\$1,648	\$1,233	\$2,387	\$5,268	\$319,423	\$324,691	\$457
June 30, 2017	(In Thousands)						
Real Estate Loans:							
One-to-Four							
Family Residential	\$1,650	\$350	\$662	\$2,662	\$122,644	\$125,306	\$181
Commercial	8	--	--	8	77,937	77,945	--
Multi-Family Residential	--	--	--	--	21,281	21,281	--
Land	--	--	--	--	25,038	25,038	--
Construction	--	--	--	--	9,529	9,529	--
Equity and Second Mortgage	--	--	--	--	1,710	1,710	--
Equity Lines of Credit	194	--	4	198	20,778	20,976	4
Commercial Loans	--	--	2,503	2,503	31,926	34,429	--
Consumer Loans	--	--	--	--	483	483	--
Total	\$1,852	\$350	\$3,169	\$5,371	\$311,326	\$316,697	\$185

There was no interest income recognized on non-accrual loans during the three months ended September 30, 2017 or year ended June 30, 2017. 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, 2017 and year ended June 30, 2017 was approximately \$29,000 and \$79,000, respectively.



## 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 three months ended September 30, 2017 was as follows:

September 30, 2017	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	\$ 1,822	\$ 353	\$ 73	\$ 203	\$ 147	\$ 142	\$ 979	\$ 10	\$ 3,729
Charge-Offs	--	--	--	--	--	(5 )	(797 )	--	(802 )
Recoveries	4	--	--	--	--	--	--	--	4
Current									
Provision	(184 )	--	11	(19 )	16	9	469	(2 )	300
Ending Balances	\$ 1,642	\$ 353	\$ 84	\$ 184	\$ 163	\$ 146	\$ 651	\$ 8	\$ 3,231
Evaluated for									
Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,642	353	84	184	163	146	651	8	3,231
Loans									
Receivable:									
Ending Balances –									
Total	\$ 132,199	\$ 78,339	\$ 24,269	\$ 23,780	\$ 10,524	\$ 21,358	\$ 33,698	\$ 524	\$ 324,691
Ending									
Balances:									
Evaluated for									
Impairment:									
Individually	1,229	4,212	--	223	--	99	2,121	--	7,884
Collectively	\$ 130,970	\$ 74,127	\$ 24,269	\$ 23,557	\$ 10,524	\$ 21,259	\$ 31,577	\$ 524	\$ 316,807

The change in the allowance for loan losses by loan portfolio class and recorded investment in loans for the year ended June 30, 2017 and three months ended September 30, 2017 was as follows:

June 30, 2017	Real Estate Loans					Home Equity Loans	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi- Family	Land	Construction				

	(In Thousands)					and Lines of Credit			
Allowance for loan losses:									
Beginning									
Balances	\$ 1,517	\$ 321	\$ 111	\$ 201	\$ 126	\$ 117	\$ 444	\$ 8	\$ 2,845
Charge-Offs	--	--	--	(16 )	--	(14 )	--	--	(30 )
Recoveries	14	--	--	--	--	--	--	--	14
Current									
Provision	291	32	(38 )	18	21	39	535	2	900
Ending Balances	\$ 1,822	\$ 353	\$ 73	\$ 203	\$ 147	\$ 142	\$ 979	\$ 10	\$ 3,729
Evaluated for									
Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,822	353	73	203	147	142	979	10	3,729
Loans									
Receivable:									
Ending Balances									
- Total	\$ 125,306	\$ 77,945	\$ 21,281	\$ 25,038	\$ 9,529	\$ 22,686	\$ 34,429	\$ 483	\$ 316,697
Ending									
Balances:									
Evaluated for									
Impairment:									
Individually	856	255	--	123	297	--	2,513	--	4,044
Collectively	\$ 124,450	\$ 77,690	\$ 21,281	\$ 24,915	\$ 9,232	\$ 22,686	\$ 31,916	\$ 483	\$ 312,653

## 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, 2017 and June 30, 2017:

September 30, 2017	Recorded Investment		Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	Unpaid Principal Balance (In Thousands)	With Allowance				
Real Estate Loans:						
One-to-Four Family Residential	\$1,229	\$ 1,229	\$ --	\$ 1,229	\$ --	\$ 1,232
Commercial	4,212	4,212	--	4,212	--	4,143
Multi-Family Residential	--	--	--	--	--	--
Land	223	223	--	223	--	223
Construction	--	--	--	--	--	--
Equity and Second Mortgage	48	48	--	48	--	53
Equity Lines of Credit	51	51	--	51	--	51
Commercial Loans	2,121	2,121	--	2,121	--	2,141
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$7,884</b>	<b>\$ 7,884</b>	<b>\$ --</b>	<b>\$ 7,884</b>	<b>\$ --</b>	<b>\$ 7,843</b>

June 30, 2017	Recorded Investment		Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	Unpaid Principal Balance (In Thousands)	With Allowance				
Real Estate Loans:						
One-to-Four Family Residential	\$856	\$ 856	\$ --	\$ 856	\$ --	\$ 861
Commercial	255	255	--	255	--	261
Multi-Family Residential	--	--	--	--	--	--
Land	123	123	--	123	--	125
Construction	297	297	--	297	--	299
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	2,513	2,513	--	2,513	--	2,649
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$4,044</b>	<b>\$ 4,044</b>	<b>\$ --</b>	<b>\$ 4,044</b>	<b>\$ --</b>	<b>\$ 4,195</b>

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

A troubled debt restructuring ("TDR") is a restructuring of a debt made by the Company to a debtor for economic or legal reasons related to the debtor's financial difficulties that it would not otherwise consider. The Company grants the concession in an attempt to protect as much of its investment as possible.

Information about the Company's TDRs is as follows (in thousands):

	September 30, 2017			
	Past	Due	Greater	Total
	Current	Days	TDRs	TDRs
Commercial business	\$4,745	\$1,664	\$ 1,664	\$6,409

	June 30, 2017			
	Past	Due	Greater	Total
	Current	Days	TDRs	TDRs
Commercial business	\$--	\$1,717	\$ 1,717	\$1,717

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

At both September 30, 2017 and June 30, 2017, the bank had troubled debt restructuring involving nine commercial loan contracts to one borrower with a recorded investment of approximately \$1.7 million along with another troubled debt restructuring classification during the quarter ending September 30, 2017 involving five commercial loans totaling \$4.7 million that are current on all interest payments due with no expected losses at this time. For purposes of the determination of an allowance for loan losses on these TDRs, as an identified TDR, the Company considers a loss probable on the loan and, as a result, the loan is reviewed for specific impairment in accordance with the Company's allowance for loan loss methodology. If it is determined losses are probable on such TDRs, either because of delinquency or other credit quality indicator, the Company establishes specific reserves for these loans. As of September 30, 2017, there were no commitments to lend additional funds to debtors owing sums to the Company whose terms have been modified in TDRs.

## 4. Deposits

Deposits at September 30, 2017 and June 30, 2017 consist of the following classifications:

	September 30, 2017	June 30, 2017
	(In Thousands)	
Non-Interest Bearing	\$58,230	\$54,420
NOW Accounts	31,010	34,500
Money Markets	41,542	42,439
Passbook Savings	37,126	35,050
	167,908	166,409
Certificates of Deposit	165,593	162,636
Total Deposits	\$333,501	\$329,045

## 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, 2017 and 2016 were calculated as follows:

Three Months  
Ended  
September 30,  
2017 2016  
(In Thousands,  
Except Per  
Share Data)

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

Net income	\$1,008	\$1,002
Weighted average shares outstanding - basic	1,816	1,813
Effect of dilutive common stock equivalents	159	65
Adjusted weighted average shares outstanding – diluted	1,975	1,878
Basic earnings per share	\$0.55	\$0.55
Diluted earnings per share	\$0.53	\$0.53

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 5. Earnings Per Share (continued)

For the three months ended September 30, 2017 and 2016, there were outstanding options to purchase 300,092 and 302,077 shares, respectively, at a weighted average exercise price of \$17.83 and \$17.79 per share, respectively. For the quarter ended September 30, 2017, 98,637 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, 2017    2016 (In Thousands)	
Average common shares issued	1,940	1,964
Average unearned ESOP shares	(120 )	(131 )
Average unearned RRP shares	(4 )	(20 )
Weighted average shares outstanding	1,816	1,813

## 6. Stock-Based Compensation

## Recognition and Retention Plan

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 "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 Recognition Plan totaled 77,808 shares, all of which were awarded as of September 30, 2017.

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 will 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 cost associated with the Recognition Plan is based on share prices of \$14.70 and \$18.92 on January 31, 2012 and July 31, 2014, respectively, which represents the fair market price of the Company's stock on the dates on which the Recognition Plan shares were granted. The cost of the Recognition Plan is being recognized over the five year vesting period. Compensation expense pertaining to the Recognition Plan was \$7,000 and \$58,000, for the three months ended September 30, 2017 and 2016, respectively.

## 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. The 2005 Stock Option Plan terminated on June 8, 2015, however outstanding stock options will remain in effect for the remainder of their original ten year terms.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-Based Compensation (continued)

Stock Option Plan (continued)

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.

On August 19, 2010 and July 31, 2014, the Company granted 21,616 options and 2,133 options, respectively, under the 2005 Option Plan that were previously forfeited (as adjusted for the conversion) at an exercise price of \$10.93 and \$18.92 per share, respectively. On January 31, 2012 and July 31, 2014, 165,344 options and 29,178 options, respectively, were granted to directors and employees at an exercise price of \$14.70 and \$18.92 per share, respectively, under the 2011 Option Plan. As of September 30, 2017, there were 389 stock options available for future grant under the 2011 Option Plan.

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.

Incentive stock options and non-qualified stock options granted under the Option Plan 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 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 recognizes compensation expense during the vesting period based on the fair value of the option on the date of the grant. For the three months ended September 30, 2017 and 2016, compensation expense charged to operations was \$34,000 and \$42,000, respectively.

Stock Incentive Plan

On November 12, 2014, the shareholders of the Company approved the adoption of the Company's 2014 Stock Incentive Plan (the "Stock Incentive Plan") for the benefit of employees and non-employee directors as an incentive to contribute to the success of the Company and reward employees for outstanding performance and the attainment of targeted goals. The Stock Incentive Plan covers a total of 150,000 shares, of which no more than 37,500 shares, or 25% of the plan, may be share rewards. The balance of the plan is reserved for stock option awards which would total 112,500 stock options, assuming all the share awards are issued. All incentive stock options granted under the Stock Incentive Plan are intended to comply with the requirements of Section 422 of the Internal Revenue Code. On October 26, 2015, the Company granted a total of 34,500 plan share awards and 103,500 stock options to directors, officers, and other key employees vesting ratably over five years. The Stock Incentive Plan cost is recognized over the five year vesting period. For the three months ended September 30, 2016, the Company recognized \$66,000 in

expenses related to the Stock Incentive Plan.

#### 7. Related Party Transactions

Certain directors and executive officers were indebted to the Bank in the approximate aggregate amounts of \$3.9 million and \$2.8 million at September 30, 2017 and June 30, 2017, 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.

Investment Securities

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.

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.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 8. Fair Value Disclosures (continued)

At September 30, 2017 and June 30, 2017, the carrying amount and estimated fair values of the Company's financial instruments were as follows:

	September 30, 2017		June 30, 2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(In Thousands)				
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$7,547	\$7,547	\$11,905	\$11,905
Securities Available-for-Sale	30,805	30,805	36,935	36,935
Securities to be Held-to-Maturity	27,560	27,373	28,357	27,989
Loans Held-for-Sale	7,988	7,988	13,631	13,631
Loans Receivable	321,175	308,530	312,772	301,741
<b>Financial Liabilities</b>				
Deposits	333,501	318,164	\$329,045	\$313,514
Advances from FHLB	34,841	34,858	48,907	48,918
<b>Off-Balance Sheet Items</b>				
Mortgage Loan Commitments	\$6,489	\$6,489	\$457	\$457

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 instruments that are measured at fair value.

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 8. Fair Value Disclosures (continued)

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.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used during the year ended September 30, 2017.

Fair values of assets and liabilities measured on a recurring basis at September 30, 2017 and June 30, 2017 are as follows:

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Significant Identifiable Assets	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
September 30, 2017	1)	(Level 2)	(Level 3)	Total
	(In Thousands)			
Available-for-Sale Debt Securities				
FHLMC	\$--	\$ 8,220	\$ --	\$8,220
FNMA	--	15,264	--	15,234
GNMA	--	7,351	--	7,351
Total	\$--	\$ 30,805	\$ --	\$30,805

June 30, 2017 Fair Value Measurements Using:  
Significant

	Quoted Price in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In Thousands)			
Available-for-Sale Debt Securities				
FHLMC	\$--	\$ 8,848	\$ --	\$8,848
FNMA	--	19,957	--	19,957
GNMA	--	8,130	--	8,130
Total	\$--	\$ 36,935	\$ --	\$36,935

#### 9. Subsequent Events

In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated subsequent events through the date that the financial statements were available to be issued.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF  
2. 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 and an administrative office in Shreveport, Louisiana and five full service branch offices 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.

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, 2017 to September 30, 2017

General

At September 30, 2017, the Company reported total assets of \$418.0 million, a decrease of \$8.6 million, or 2.0%, compared to total assets of \$426.6 million at June 30, 2017. The decrease in assets was comprised primarily of decreases in investment securities of \$6.9 million, or 10.6%, from \$65.3 million at June 30, 2017 to \$58.4 million at September 30, 2017, loans held-for-sale of \$5.6 million, or 41.4%, from \$13.6 million at June 30, 2017 to \$8.0 million at September 30, 2017, cash and cash equivalents of \$4.4 million, or 36.6%, from \$11.9 million at June 30, 2017 to

\$7.5 million at September 30, 2017, premises and equipment of \$101,000, or 0.8%, from \$12.2 million at June 30, 2017 to \$12.1 million at September 30, 2017, and other assets of \$229,000, or 25.9%, from \$884,000 at June 30, 2017 to \$655,000 million at September 30, 2017. These decreases were partially offset by an increase in loans receivable, net of \$8.4 million, or 2.7%, from \$312.8 million at June 30, 2017 to \$321.2 million at September 30, 2017, and other real estate owned of \$143,000, or 26.5%, from \$540,000 at June 30, 2017 to \$683,000 at September 30, 2017. The decrease in investment securities was primarily due to the sale of \$3.5 million of mortgage-backed securities along with \$3.3 million of principal repayments on mortgage-backed securities during the quarter ended September 30, 2017. We realized a profit of \$94,000 from the sale of the securities. The decrease in loans held-for-sale resulted primarily from a decrease in loans originated for sale during the quarter ended September 30, 2017. Other real estate owned increased by \$143,000 during the quarter ended September 30, 2017 due to the foreclosure on a one-to-four family mortgage loan.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2017 to September 30, 2017 (continued)

Cash and Cash Equivalents

Cash and cash equivalents decreased \$4.4 million, or 36.6%, from \$11.9 million at June 30, 2017 to \$7.5 million at September 30, 2017. The \$4.4 million decrease in cash and cash equivalents was due in large part to help fund loan growth.

Loans Receivable, Net

Loans receivable, net, increased by \$8.4 million, or 2.7%, to \$321.2 million at September 30, 2017 compared to \$312.8 million at June 30, 2017. The increase in loans receivable, net was primarily due to increases in one-to-four family residential loans of \$6.9 million, multi-family residential loans of \$3.0 million, construction real estate loans of \$1.0 million, commercial real estate loans of \$394,000, and consumer loans of \$41,000, partially offset by decreases in land loans of \$1.3 million, home equity lines of credit of \$1.3 million, commercial non-real estate loans of \$731,000, and equity and second mortgage loans of \$44,000.

Loans Held-for-Sale

Loans held-for-sale decreased \$5.6 million, or 41.4%, from \$13.6 million at June 30, 2017 to \$8.0 million at September 30, 2017. The decrease in loans held-for-sale results primarily from a decrease in the origination volume during the first quarter of fiscal 2018.

Investment Securities

Investment securities amounted to \$58.4 million at September 30, 2017 compared to \$65.3 million at June 30, 2017, a decrease of \$6.9 million, or 10.6%. The decrease in investment securities was primarily due to the sale of mortgage-backed securities available-for-sale of \$3.5 million and partial principal repayments on mortgage-backed securities of \$3.3 million.

Premises and Equipment, Net

Premises and equipment, net decreased \$101,000, or 0.8%, to \$12.1 million at September 30, 2017 compared to \$12.2 million at June 30, 2017.

Asset Quality

At September 30, 2017, the Company had \$3.3 million of non-performing assets (defined as non-accruing loans, accruing loans 90 days or more past due, and other real estate owned) compared to \$3.6 million of non-performing assets at June 30, 2017, consisting of nine commercial business loans to one borrower, five single-family residential loans, two line of credit loans, one residential lot in other real estate owned, and one single-family loan in other real estate owned at September 30, 2017 compared to four single family residential loans, two line of credit loans, fifteen commercial business loans, and one residential lot in other real estate owned at June 30, 2017. We had \$7.4 million of loans classified as substandard at September 30, 2017 consisting of seven single-family residential loans, one line of credit loan, nine commercial business loans to one borrower, and five loans to one borrower consisting of two commercial real estate loans, two non-real estate loans, and one single family residential loan classified as substandard compared to four single family residential loans, one line of credit loan, one commercial real estate loan, and fifteen commercial business loans to two borrowers classified as substandard at June 30, 2017. There were no loans classified as doubtful at September 30, 2017 or June 30, 2017. During the quarter ended December 31, 2016,

we became aware that one of two related borrowers of fifteen commercial business loans in the aggregate amount of \$2.8 million that were classified as substandard filed for Chapter 11 (reorganization) bankruptcy protection during that period. We received principal payments in March 2017 for \$272,000, May 2017 for \$10,000, August 2017 for \$15,000, and September 2017 for \$15,000 reducing our exposure to \$1.7 million and expect to continue to receive future monthly adequate protection payments. These loans continue to be classified as substandard and are on non-accrual at September 30, 2017. We are continuing to monitor these credits and presently believe that our allowance for loan losses at September 30, 2017 is adequate. No additional losses are currently anticipated with respect to these loans.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2017 to September 30, 2017 (continued)

Total Liabilities

Total liabilities decreased \$8.7 million, or 2.3%, from \$380.4 million at June 30, 2017 to \$371.7 million at September 30, 2017, primarily due to a decrease in advances from the Federal Home Loan Bank of \$14.1 million, or 28.8%, to \$34.8 million at September 30, 2017 compared to \$48.9 million at June 30, 2017, partially offset by an increase of \$4.5 million in total deposits, or 1.4%, to \$333.5 million at September 30, 2017 compared to \$329.0 million at June 30, 2017, and an increase in other liabilities of \$722,000, or 42.2%, to \$2.4 million at September 30, 2017 compared to \$1.7 million at June 30, 2017. The increase in deposits was primarily due to a \$3.8 million, or 7.0%, increase in non-interest bearing demand deposits from \$54.4 million at June 30, 2017 to \$58.2 million at September 30, 2017, a \$3.0 million, or 1.8%, increase in certificates of deposit from \$162.6 million at June 30, 2017 to \$165.6 million at September 30, 2017, and a \$2.1 million, or 5.9%, increase in savings deposits from \$35.0 million at June 30, 2017 to \$37.1 million at September 30, 2017, partially offset by a decrease of \$3.5 million, or 10.1%, in NOW accounts from \$34.5 million at June 30, 2017 to \$31.0 million at September 30, 2017 and a decrease of \$900,000, or 2.1%, in money market deposits from \$42.4 million at June 30, 2017 to \$41.5 million at September 30, 2017. At September 30, 2017, the Company had \$10.7 million in brokered deposits compared to \$11.5 million at June 30, 2017. The decrease in brokered deposits is due to brokered deposits that matured during the quarter. 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 \$722,000 increase in other liabilities was primarily due to increases in accrued income taxes and loan escrow balances.

Shareholders' Equity

Shareholders' equity increased \$117,000, or 0.3%, to \$46.4 million at September 30, 2017 from \$46.2 million at June 30, 2017. The primary reasons for the increase in shareholders' equity from June 30, 2017 were net income of \$1.0 million, the vesting of restricted stock awards, stock options, and the release of employee stock ownership plan shares totaling \$135,000, and proceeds from the issuance of common stock from the exercise of stock options of \$13,000. These increases in shareholders' equity were partially offset by dividends paid totaling \$234,000, acquisition of Company stock of \$719,000, and a decrease in the Company's accumulated other comprehensive income of \$86,000.

The Bank is required to meet minimum capital standards promulgated by the Office of the Comptroller of the Currency ("OCC"). At September 30, 2017, 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, 2017 and 2016

General

Net income amounted to \$1.008 million for the three months ended September 30, 2017 compared to \$1.002 million for the same period in 2016, an increase of \$6,000, or 0.6%. The increase was primarily due to a \$285,000, or 8.2%, increase in net interest income partially offset by a \$150,000, or 13.4%, decrease in non-interest income, a \$56,000 or 2.0%, increase in non-interest expense and a \$73,000, or 14.7%, increase in the provision for income tax expense for the 2017 period compared to the same period in 2016.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three Month Periods Ended September 30, 2017 and 2016 (continued)

Net Interest Income

The increase in net interest income for the three months ended September 30, 2017 was primarily due to a \$498,000, or 12.2%, increase in total interest income, partially offset by an increase of \$213,000, or 33.4%, in aggregate interest expense primarily due to an increase in the average volume of interest bearing liabilities. The cost of funds from Federal Home Loan Bank borrowings increased \$49,000, or 51.6%, compared to the prior year three month period and interest paid on deposits increased \$167,000, or 30.9%, compared to the prior year three month period. Interest paid on other borrowings decreased \$3,000 compared to the prior year three month period.

The Company's average interest rate spread was 3.48% for the three months ended September 30, 2017 compared to 3.60% for the three months ended September 30, 2016. The Company's net interest margin was 3.69% for the three months ended September 30, 2017 compared to 3.78% for the three months ended September 30, 2016. The decrease in the average interest rate spread on a comparative quarterly basis was primarily the result of an increase of nineteen basis points in average rate on interest-bearing liabilities. The decrease in net interest margin was primarily the result of a higher percentage increase in the average volume of interest-earning assets for the three months ended September 30, 2017 compared to the prior year quarterly period.

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 \$300,000 was made during the three months ended for both September 30, 2017 and September 30, 2016. The allowance for loan losses was \$3.2 million, or 1.0% of total loans receivable, at September 30, 2017 compared to \$3.1 million, or 1.08% of total loans receivable, at September 30, 2016. At September 30, 2017, Home federal Bank had \$2.6 million in non-performing loans and \$683,000 in other real estate owned which totaled \$3.3 million in non-performing assets. At September 30, 2016, Home Federal Bank had five non-performing in the amount of \$1.1 million. At September 30, 2017, Home Federal Bank had \$3.3 million in non-performing loans and \$683,000 in real-estate owned. At September 30, 2016, Home Federal had five non-performing loans in the amount of \$1.1 million. At both September 30, 2017 and September 30, 2016, the Bank had troubled debt restructurings involving nine commercial loan contracts to one borrower with a recorded investment of approximately \$1.7 million along with another troubled debt restructuring at September 30, 2017 involving five commercial loans totaling \$4.7 million that are current on all interest payments due with no expected losses at this time. 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

The \$150,000 decrease in non-interest income for the three months ended September 30, 2017 compared to the prior year quarterly period was due to a decrease of \$193,000 in gain on sale of loans, a decrease of \$110,000 in gain on sale of real estate, and a decrease of \$1,000 in income from bank life insurance, partially offset by an increase of \$94,000 in gain on sale of securities, an increase of \$53,000 in service charges on deposit accounts, and an increase of \$7,000 in other non-interest income. The Company sells most of its long term fixed rate residential mortgage loan originations primarily in order to manage interest rate risk.

Non-interest Expense

The \$56,000 increase in non-interest expense for the three months ended September 30, 2017 compared to the same period in 2016 was primarily attributable to increases of \$65,000 in legal fees, \$51,000 in other non-interest expense, \$12,000 in data processing expense, and \$3,000 in occupancy and equipment expense and bank shares tax. The increases were partially offset by decreases of \$32,000 in advertising expense, \$19,000 in loan and collection expense, \$17,000 in deposit insurance premiums, \$8,000 in compensation and benefits expense, and \$2,000 in audit and examination fees.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three Month Periods Ended September 30, 2017 and 2016 (continued)

The aggregate compensation expense recognized by the Company for its Stock Option, Share Award, ESOP, and Recognition and Retention Plans amounted to \$152,000 for the three months ended September 30, 2017 compared to \$230,000 for the three months ended September 30, 2016.

The Louisiana bank shares tax is assessed on the Bank's equity and earnings. For the three months ended September 30, 2017, the Company recognized franchise and bank shares tax expense of \$98,000 compared to \$95,000 for the same period in 2016.

Income Taxes

Income taxes amounted to \$571,000 for the three months ended September 30, 2017 resulting in an effective tax rate of 36.2%. Income taxes amounted to \$498,000 for the three months ended September 30, 2016 resulting in an effective tax rate of 33.2%. The increase in the effective income tax rate for the three months ended September 30, 2017, compared to the prior year period, is primarily the result of the effect of non-taxable income resulting in a 3.0% increase in rate for the three months ended September 30, 2017.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## Comparison of Operating Results for the Three Month Periods Ended September 30, 2017 and 2016 (continued)

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, 2017		Average		2016		Average	
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate		
(Dollars In Thousands)								
Interest-earning assets:								
Investment securities	\$60,539	\$271	1.78	%	\$54,275	\$197	1.44	%
Loans receivable	330,376	4,284	5.14		300,441	3,894	5.14	
Interest-earning deposits	11,637	38	1.30		3,165	4	0.50	
Total interest-earning assets	388,159	4,593	4.53		357,881	4,095	4.54	
Non-interest-earning assets	37,198				27,956			
Total assets	\$425,357				\$385,837			
Interest-bearing liabilities:								
Savings accounts	35,758	47	0.52		29,437	32	0.43	
NOW accounts	36,277	44	0.48		38,964	50	0.51	
Money market accounts	41,466	37	0.35		47,710	38	0.32	
Certificate accounts	164,502	579	1.40		132,820	420	1.25	
Total deposits	278,003	707	1.01		248,931	540	0.86	
Other Borrowings	--	--	--		400	3	2.98	
FHLB advances	42,890	144	1.33		45,898	95	0.82	
Total interest-bearing liabilities	320,893	851	1.05	%	295,229	638	0.86	%
Non-interest-bearing liabilities:								
Non-interest bearing demand accounts	56,577				43,622			
Other liabilities	1,226				2,890			
Total liabilities	378,696				341,741			
Total Stockholders' Equity(1)	46,661				44,096			
Total liabilities and equity	\$425,357				\$385,837			
Net interest-earning assets	\$67,266				\$62,652			
Net interest income; average interest rate spread(2)		\$3,742	3.48	%	\$3,457	3.68	%	
Net interest margin(3)			3.69	%		3.83	%	
Average interest-earning assets to average interest-bearing liabilities			125.45	%		121.22	%	

(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, 2017 and 2016 (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 \$19,000 at September 30, 2017.

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, 2017, Home Federal Bank had \$34.8 million in advances from the Federal Home Loan Bank of Dallas and had \$149.5 million in additional borrowing capacity. Additionally, at September 30, 2017, 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 \$15.5 million. There were no amounts purchased under this agreement as of September 30, 2017.

At September 30, 2017, Home Federal Bank had outstanding loan commitments of \$41.9 million to originate loans and commitments under unused lines of credit of \$10.1 million. At September 30, 2017, certificates of deposit scheduled to mature in less than one year totaled \$67.4 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, 2017, Home Federal Bank exceeded each of its regulatory capital requirements with tangible, common equity Tier 1, core, and risk-based capital ratios of 10.86%, 15.99%, 10.86%, and 17.11%, respectively.

Off-Balance Sheet Arrangements

At September 30, 2017, the Company did not have any off-balance sheet arrangements as defined by Securities and Exchange Commission rules.

Impact of Inflation and Changing Prices

The financial statements and related financial data presented herein have been prepared in accordance with instructions to Form 10-Q which require the measurement of financial position and operating results in terms of historical dollars without considering changes in relative purchasing power over time due to inflation.

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Forward-Looking Statements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosures Controls and Procedures. Under the supervision and with the participation of our management including our President and Chief Executive Officer (principal executive officer) 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 President and Chief Executive 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, 2017 are set forth in the table below, including stock-for-stock option exercises:

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, 2017 – July 31, 2017	--	\$ --	--	103,831
August 1, 2017 – August 31, 2017	26,013	27.25	26,013	77,818
September 1, 2017 – September 30, 2017	--	--	--	77,818
Total	26,013	\$ 27.25	26,013	77,818

## Notes to this table:

On December 9, 2015, the Company announced by press release a repurchase program to repurchase up to 102,000 (a) shares or approximately 5.0% of the Company's outstanding shares of common stock. The repurchase program does not have an expiration date.

On October 12, 2016, the Company announced that its Board of Directors approved a seventh stock repurchase (b) program for the repurchase of up to 97,000 shares to commence after the completion of the sixth stock repurchase program. The repurchase program does not have an expiration date.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.

## ITEM 6. EXHIBITS

No.	Description
-----	-------------

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



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Date: November 14, 2017 By: /s/Glen W. Brown  
Glen W. Brown  
Senior Vice President and Chief Financial Officer  
(Duly authorized officer and principal financial and accounting officer)