

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

Home Federal Bancorp, Inc. of Louisiana
Form 10-Q
May 14, 2018

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: March 31, 2018

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
No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 company) Emerging growth 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 May 11, 2018: The registrant had 1,908,581 shares of common stock outstanding.

INDEX

	<u>Page</u>	
PART I	FINANCIAL INFORMATION	
Item 1:	Financial Statements (Unaudited)	
	Consolidated Statements of Financial Condition	1
	Consolidated Statements of Income	2
	Consolidated Statements of Comprehensive Income	3
	Consolidated Statements of Changes in Stockholders' Equity	4
	Consolidated Statements of Cash Flows	5
	Notes to Consolidated Financial Statements	7
Item 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3:	Quantitative and Qualitative Disclosures About Market Risk	39
Item 4:	Controls and Procedures	39
PART II	OTHER INFORMATION	
Item 1:	Legal Proceedings	39
Item 1A:	Risk Factors	39
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	40
Item 3:	Defaults Upon Senior Securities	40
Item 4:	Mine Safety Disclosures	40
Item 5:	Other Information	40
Item 6:	Exhibits	40

SIGNATURES

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	March 31, 2018	June 30, 2017
	(In Thousands)	
ASSETS		
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$3,451 and \$8,212 for March 31, 2018 and June 30, 2017, Respectively)	\$8,441	\$11,905
Securities Available-for-Sale	31,234	36,935
Securities Held-to-Maturity (Fair Value of \$28,934 and \$27,989, Respectively)	30,100	28,357
Loans Held-for-Sale	5,389	13,631
Loans Receivable, Net of Allowance for Loan Losses of \$3,693 and \$3,729, Respectively	314,167	312,772
Accrued Interest Receivable	1,175	1,094
Premises and Equipment, Net	12,019	12,219
Bank Owned Life Insurance	6,774	6,668
Deferred Tax Asset	1,157	1,601
Other Real Estate Owned	1,139	540
Other Assets	511	884
Total Assets	\$412,106	\$426,606
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	\$347,194	\$329,045
Advances from Borrowers for Taxes and Insurance	515	698
Short-term Federal Home Loan Bank advances	10,000	37,000
Long-term Federal Home Loan Bank advances	6,706	11,907
Other Accrued Expenses and Liabilities	1,281	1,710
Total Liabilities	365,696	380,360
STOCKHOLDERS' EQUITY		
Preferred Stock – \$.01 Par Value; 10,000,000 Shares Authorized; None Issued and Outstanding	--	--
Common Stock – \$.01 Par Value; 40,000,000 Shares Authorized; 1,908,581 and 1,953,066 Shares Issued and Outstanding at March 31, 2018 and June 30, 2017, Respectively	23	23
Additional Paid-in Capital	34,963	34,516
Unearned ESOP Stock	(1,129)	(1,215)
Unearned RRP Trust Stock	(22)	(46)
Retained Earnings	13,639	13,320
Accumulated Other Comprehensive Loss	(1,064)	(352)
Total Stockholders' Equity	46,410	46,246
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$412,106	\$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 March 31, 2018		For the Nine Months Ended March 31, 2017	
	2018	2017	2018	2017
	(In Thousands, Except per Share Data)			
INTEREST INCOME				
Loans, Including Fees	\$4,179	\$3,912	\$12,743	\$11,600
Investment Securities	12	7	35	20
Mortgage-Backed Securities	298	302	826	746
Other Interest-Earning Assets	19	11	84	23
Total Interest Income	4,508	4,232	13,688	12,389
INTEREST EXPENSE				
Deposits	768	591	2,213	1,694
Federal Home Loan Bank Borrowings	92	116	352	300
Other Bank Borrowings	2	6	4	14
Total Interest Expense	862	713	2,569	2,008
Net Interest Income	3,646	3,519	11,119	10,381
PROVISION FOR LOAN LOSSES				
Net Interest Income after Provision for Loan Losses	350	155	850	755
	3,296	3,364	10,269	9,626
NON-INTEREST INCOME				
Gain on Sale of Loans	285	541	1,320	1,926
Gain on Sale of Real Estate	--	--	1	110
Gain on Sale of Securities	--	--	94	--
Income on Bank Owned Life Insurance	35	36	105	110
Service Charges on Deposit Accounts	223	194	660	541
Other Income	13	14	41	37
Total Non-Interest Income	556	785	2,221	2,724
NON-INTEREST EXPENSE				
Compensation and Benefits	1,565	1,778	4,860	5,237
Occupancy and Equipment	345	304	1,017	922
Data Processing	165	128	497	442
Audit and Examination Fees	67	56	194	189
Franchise and Bank Shares Tax	96	91	296	292
Advertising	47	121	117	287
Legal Fees	107	100	396	328
Loan and Collection	53	92	205	240
Deposit Insurance Premium	27	27	95	92
Other Expense	201	172	582	461
Total Non-Interest Expense	2,673	2,869	8,259	8,490
Income Before Income Taxes	1,179	1,280	4,231	3,860

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

PROVISION FOR INCOME TAX EXPENSE	158	428	1,840	1,243
Net Income	\$1,021	\$852	\$2,391	\$2,617
EARNINGS PER SHARE:				
Basic	\$0.57	\$0.47	\$1.33	\$1.44
Diluted	\$0.54	\$0.44	\$1.26	\$1.38
DIVIDENDS DECLARED	\$0.12	\$0.09	\$0.36	\$0.27

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended March 31, 2018		For the Nine Months Ended March 31, 2017	
	(In Thousands)		(In Thousands)	
Net Income	\$1,021	\$852	\$2,391	\$2,617
Other Comprehensive (Loss)/Income, Net of Tax				
Unrealized Holding (Loss)/Gain on Securities Available-for-Sale, Net of Tax of \$179 and \$270 in 2018 and \$40 and \$282 in 2017	(473)	78	(712)	(547)
Total Comprehensive Income	\$548	\$930	\$1,679	\$2,070

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

NINE MONTHS ENDED MARCH 31, 2018 AND 2017

(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	--	--	--	--	2,617	--	2,617
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	(547)	(547)
RRP Shares Earned	--	9	--	219	--	--	228
Stock Options Vested	--	194	--	--	--	--	194
Common Stock Issuance for Share Awards Earned	--	138	--	--	--	--	138
Common Stock Issuance for Stock Option Exercises	--	61	--	--	--	--	61
ESOP Compensation Earned	--	131	87	--	--	--	218
Company Stock Purchased	--	--	--	--	(592)	--	(592)
Dividends Declared	--	--	--	--	(529)	--	(529)
BALANCE – March 31, 2017	\$ 23	\$ 34,396	\$ (1,244)	\$ (46)	\$ 12,514	\$ (463)	\$ 45,180
BALANCE – June 30, 2017	\$ 23	\$ 34,516	\$ (1,215)	\$ (46)	\$ 13,320	\$ (352)	\$ 46,246
Net Income	--	--	--	--	2,391	--	2,391
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	116	(712)	(596)
RRP Shares Earned	--	--	--	24	--	--	24
Stock Options Vested	--	102	--	--	--	--	102

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

Common Stock Issuance for
Stock

Option Exercises	--	191	--	--	--	--	191
ESOP Compensation Earned	--	154	86	--	--	--	240
Company Stock Purchased	--	--	--	--	(1,493)	--	(1,493)
Dividends Declared	--	--	--	--	(695)	--	(695)
BALANCE – March 31, 2018	\$ 23	\$ 34,963	\$ (1,129)	\$ (22)	\$ 13,639	\$ (1,064)	\$ 46,410

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months ended March 31,	
	2018	2017
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$2,391	\$2,617
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Net Amortization and Accretion on Securities	130	28
Gain on Sale of Real Estate	(1)	(110)
Gain on Sale of Loans	(1,320)	(1,926)
Gain on Sale of Securities	(94)	--
Amortization of Deferred Loan Fees	(115)	(51)
Depreciation of Premises and Equipment	378	374
ESOP Expense	240	218
Stock Option Expense	102	194
Recognition and Retention Plan Expense	21	140
Share Awards Expense	101	104
Deferred Income Tax	444	(321)
Provision for Loan Losses	850	755
Real Estate Owned Valuation Adjustment	60	--
Increase in Cash Surrender Value on Bank Owned Life Insurance	(105)	(110)
Bad Debt Recovery	25	12
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(58,068)	(79,773)
Loans Held-for-Sale – Sale and Principal Repayments	67,631	87,741
Accrued Interest Receivable	(81)	(88)
Other Operating Assets	374	38
Other Operating Liabilities	(428)	(276)
Net Cash Provided by Operating Activities	12,535	9,566
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Originations and Purchases, Net of Principal Collections	(2,953)	(19,175)
Deferred Loan Fees Collected	221	105
Acquisition of Premises and Equipment	(178)	(376)
Proceeds from Sale of Real Estate	--	423
Activity in Available-for-Sale Securities:		
Principal Payments on Mortgage-Backed Securities	6,262	10,335
Sale of Securities	3,555	--
Purchases of Securities	(7,717)	--
Activity in Held-to-Maturity Securities:		
Principal Payments on Mortgage-Backed Securities	2,217	1,109
Purchases of Securities	(1,174)	(27,674)
Net Cash Used In Investing Activities	233	(35,253)

See accompanying notes to unaudited consolidated financial statements.

5

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

	Nine Months Ended March 31, 2018 2017 (In Thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	\$18,149	\$38,622
Proceeds from Federal Home Loan Bank Advances	183,775	656,900
Repayments of Advances from Federal Home Loan Bank	(215,976)	(661,892)
Net Decrease in Advances from Borrowers for Taxes and Insurance	(183)	(279)
Dividends Paid	(695)	(529)
Company Stock Purchased	(1,493)	(592)
Proceeds from Stock Options Exercised	191	61
Proceeds from Other Bank Borrowings	350	300
Repayment of Other Borrowings	(350)	(700)
Recognition and Retention Plan Share Distributions	--	--
Net Cash Provided (Used In) Financing Activities	(16,232)	31,891
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,464)	6,204
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	11,905	4,756
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$8,441	\$10,960
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest Paid on Deposits and Borrowed Funds	\$2,407	\$1,998
Income Taxes Paid	1,236	1,522
Market Value Adjustment for Loss on Securities Available-for-Sale	(814)	(829)

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Home Federal Bancorp, Inc. of Louisiana (the "Company") and its subsidiary, Home Federal Bank ("Home Federal Bank" or the "Bank"). These consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the nine month period ended March 31, 2018 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 March 31, 2018. 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 March 31, 2018, 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 \$117,000 and \$287,000 for the nine months ended March 31, 2018 and 2017, 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 nine months ended March 31, 2018 and 2017, 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 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.

In February 2018, the FASB issued Accounting Standards Update ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The ASU allows reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the newly enacted federal corporate tax rate. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of the amendments is permitted, including adoption in any interim period, for public business entities for reporting periods for which financial statements have not yet been issued. The amendments in this update should be applied retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017 is recognized. The Company early adopted this guidance retrospectively, which resulted in a reclassification of \$216,000 from accumulated other comprehensive income to retained earnings reflected in the Company's consolidated statements of financial condition as of March 31, 2018.

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:

	March 31, 2018			
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
	(In Thousands)			
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$7,960	\$ 2	\$ 517	\$7,445
FNMA Mortgage-Backed Certificates	13,414	1	577	12,838
GNMA Mortgage-Backed Certificates	11,207	2	258	10,951
Total Debt Securities	32,581	5	1,352	31,234
Total Securities Available-for-Sale	\$32,581	\$ 5	\$ 1,352	\$31,234
Securities Held-to-Maturity				
Debt Securities				
GNMA Mortgage-Backed Certificates	\$1,165	\$ -	\$ 47	\$1,118
FNMA Mortgage-Backed Certificates	26,101	-	1,119	24,982
Total Debt Securities	27,266	-	1,166	26,100
Equity Securities (Non-Marketable)				
25,840 Shares – Federal Home Loan Bank	2,584	-	-	2,584
630 Shares – First National Bankers Bankshares, Inc.	250	-	-	250
Total Equity Securities	2,834	-	-	2,834
Total Securities Held-to-Maturity	\$30,100	\$ -	\$ 1,166	\$28,934
	June 30, 2017			
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	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

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

Total Debt Securities	37,468	264	797	36,935
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 March 31, 2018 follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In Thousands)				
Debt Securities				
Within One Year or Less	\$2	\$2	\$--	\$--
One through Five Years	25	26	--	--
After Five through Ten Years	40	41	--	--
Over Ten Years	32,514	31,165	27,266	26,100
	32,581	31,234	27,266	26,100
Other Equity Securities	--	--	2,834	2,834
Total	\$32,581	\$31,234	\$30,100	\$28,934

Securities available-for-sale totaling \$3.5 million were sold for \$3.6 million during the nine months ended March 31, 2018 resulting in a gain on sale of securities of \$94,000.

The following tables show information pertaining to gross unrealized losses on securities available-for-sale at March 31, 2018 and June 30, 2017 aggregated by investment category and length of time that individual securities have been in a continuous loss position.

	March 31, 2018			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In Thousands)				
Securities Available-for-Sale				
Debt Securities				
Mortgage-Backed Securities	\$--	\$ --	\$1,352	\$31,119
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$--	\$ --	\$1,352	\$31,119

June 30, 2017	
Less Than Twelve Months	Over Twelve Months

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

	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 March 31, 2018 and June 30, 2017 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 March 31, 2018.

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 March 31, 2018, securities with a carrying value of \$230,903 were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$155.0 million were pledged to secure FHLB advances.

3. Loans Receivable

Loans receivable are summarized as follows:

	March 31, 2018	June 30, 2017
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One-to-Four Family Residential	\$ 123,555	\$ 125,306
Commercial	75,029	77,945
Multi-Family Residential	34,092	21,281
Land	19,690	25,038
Construction	10,264	9,529
Equity and Second Mortgage	1,566	1,710
Equity Lines of Credit	19,538	20,976
 Total Mortgage Loans	 283,734	 281,785
 Commercial Loans	 33,810	 34,429
Consumer Loans		
Loans on Savings Accounts	429	420
Other Consumer Loans	189	63
 Total Consumer Loans	 618	 483
Total Loans	318,162	316,697
 Less: Allowance for Loan Losses	 (3,693)	 (3,729)
Unamortized Loan Fees	(302)	(196)
 Net Loans Receivable	 \$314,167	 \$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:

	Nine Months Ended March 31, 2018 2017 (In Thousands)	
Balance - Beginning of Period	\$3,729	\$2,845
Provision for Loan Losses	850	755
Loan Charge-Offs	(911)	(30)
Recoveries	25	12
Balance - End of Period	\$3,693	\$3,582

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 March 31, 2018 and June 30, 2017:

March 31, 2018	Pass	Special			Total
		Mention	Substandard	Doubtful	
		(In Thousands)			
Real Estate Loans:					
One-to-Four Family Residential	\$122,300	\$108	\$ 1,147	\$ -	\$123,555
Commercial	70,817	-	4,212	-	75,029
Multi-Family Residential	34,092	-	-	-	34,092
Land	19,690	-	-	-	19,690
Construction	10,264	-	-	-	10,264
Equity and Second Mortgage	1,394	59	113	-	1,566
Equity Lines of Credit	19,538	-	-	-	19,538
Commercial Loans	31,749	-	2,061	-	33,810
Consumer Loans	618	-	-	-	618
Total	\$310,462	\$167	\$ 7,533	\$ -	\$318,162

June 30, 2017	Pass	Special			Total
		Mention	Substandard	Doubtful	
		(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	31,926	--	2,503	--	34,429
Consumer Loans	483	--	--	--	483
Total	\$312,663	\$ 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 March 31, 2018 and June 30, 2017:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past due (In Thousands)	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
March 31, 2018							
Real Estate Loans:							
One-to-Four Family							
Residential	\$3,112	\$390	\$1,055	\$4,557	\$118,998	\$123,555	\$86
Commercial	--	--	--	--	75,029	75,029	--
Multi-Family Residential	--	--	--	--	34,092	34,092	--
Land	--	--	--	--	19,690	19,690	--
Construction	--	--	--	--	10,264	10,264	--
Equity and Second Mortgage	87	--	--	87	1,479	1,566	--
Equity Lines of Credit	205	97	190	492	19,046	19,538	170
Commercial Loans	--	--	1,604	1,604	32,206	33,810	--
Consumer Loans	--	--	--	--	618	618	--
Total	\$3,404	\$487	\$2,849	\$6,740	\$311,422	\$318,162	\$256

	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
June 30, 2017							
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

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

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 nine months ended March 31, 2018 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 nine months ended March 31, 2018 and year ended June 30, 2017 was approximately \$78,000 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 nine months ended March 31, 2018 was as follows:

March 31, 2018	Real Estate Loans			Land	Construction	Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi- Family						
Allowance for loan losses:									
Beginning									
Balances	\$ 1,822	\$ 353	\$ 73	\$ 203	\$ 147	\$ 142	\$ 979	\$ 10	\$ 3,729
Charge-Offs	--	--	--	(109)	--	(5)	(797)	--	(911)
Recoveries	5	--	--	20	--	--	--	--	25
Current									
Provision	(735)	146	99	41	67	58	1,181	(7)	850
Ending Balances	\$ 1,092	\$ 499	\$ 172	\$ 155	\$ 214	\$ 195	\$ 1,363	\$ 3	\$ 3,693
Evaluated									
for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	\$ 1,092	\$ 499	\$ 172	\$ 155	214	\$ 195	\$ 1,363	\$ 3	3,693
Loans									
Receivable:									
Ending Balances –									
Total	\$ 123,555	\$ 75,029	\$ 34,092	\$ 19,690	\$ 10,264	\$ 21,104	\$ 33,810	\$ 618	\$ 318,162
Ending Balances									
Evaluated									
for Impairment:									
Individually	1,255	4,212	--	--	--	172	2,061	--	7,700
Collectively	\$ 122,300	\$ 70,817	\$ 34,092	\$ 19,690	\$ 10,264	\$ 20,932	\$ 31,749	\$ 618	\$ 310,462

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

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

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

	(In Thousands)					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	--	2,503	--	4,034
Collectively	\$ 124,450	\$ 77,690	\$ 21,281	\$ 24,915	\$ 9,232	\$ 22,686	\$ 31,926	\$ 483	\$ 312,663

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 nine months ended March 31, 2017 was as follows:

March 31, 2017	Real Estate Loans				Construction	Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Multi- Commercial Family	Land						
Allowance for loan losses:									
Beginning Balances	\$1,517	\$ 321	\$111	\$201	\$ 126	\$117	\$ 444	\$ 8	\$2,845
Charge-Offs	--	--	--	(16)	--	(14)	--	--	(30)
Recoveries	12	--	--	--	--	--	--	--	12
Current Provision	212	17	(31)	14	31	35	485	(8)	755
Ending Balances	\$1,741	\$ 338	\$80	\$199	\$ 157	\$138	\$ 929	\$ --	\$3,582
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,741	338	80	199	157	138	929	--	3,582
Loans Receivable:									
Ending Balances –									
Total	\$120,446	\$ 73,948	\$19,050	\$24,399	\$ 13,821	\$21,636	\$ 35,540	\$ 442	\$309,282
Ending Balances Evaluated for Impairment:									
Individually	803	261	--	123	298	--	2,513	--	3,998
Collectively	\$119,643	\$ 73,687	\$19,050	\$24,276	\$ 13,523	\$21,636	\$ 33,027	\$ 442	\$305,284

The following tables present loans individually evaluated for impairment, segregated by class of loans, as of March 31, 2018 and June 30, 2017:

March 31, 2018	Unpaid Principal Balance	Recorded Investment With	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
----------------	--------------------------	--------------------------	------------------------------------	---------------------------	-------------------	-----------------------------

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

No
Allowance
(In Thousands)

Real Estate Loans:						
One-to-Four Family Residential	\$1,255	\$ 1,255	\$ --	\$ 1,255	\$ --	\$ 1,146
Commercial	4,212	4,212	--	4,212	--	4,205
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	172	172	--	172	--	188
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	2,061	2,061	--	2,061	--	2,102
Consumer Loans	--	--	--	--	--	--
Total	\$7,700	\$ 7,700	\$ --	\$ 7,700	\$ --	\$ 7,641

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Loans Receivable (continued)

June 30, 2017	Unpaid Principal Balance (In Thousands)	Recorded	Recorded	Total Recorded Investment	Related Allowance	Average Recorded Investment
		With No Allowance	Investment 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	--	--	--	--	--	--
Total	\$4,044	\$ 4,044	\$ --	\$ 4,044	\$ --	\$ 4,195

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):

Commercial business	March 31, 2018			
	Current	Past Due Greater Than 30 Days	Nonaccrual TDRs	Total TDRs
	\$4,745	\$1,604	\$ 1,604	\$6,349

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

At both March 31, 2018 and June 30, 2017, the bank had troubled debt restructuring involving nine commercial loan contracts to one borrower with a recorded investment of approximately \$1.6 million along with another troubled debt restructuring classification during the quarter ending March 31, 2018 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 March 31, 2018, there were no commitments to lend additional funds to debtors owing sums to the Company whose terms have been modified in TDRs.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Deposits

Deposits at March 31, 2018 and June 30, 2017 consist of the following classifications:

	March 31, 2018	June 30, 2017
	(In Thousands)	
Non-Interest Bearing	\$53,194	\$54,420
NOW Accounts	32,811	34,500
Money Markets	61,685	42,439
Passbook Savings	36,257	35,050
	183,947	166,409
Certificates of Deposit	163,247	162,636
Total Deposits	\$347,194	\$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 and nine months ended March 31, 2018 and 2017 were calculated as follows:

	Three Months Ended March 31, 2018		Nine Months Ended March 31, 2017	
	(In Thousands, Except Per Share Data)			
Net income	\$1,021	\$852	\$2,391	\$2,617
Weighted average shares outstanding - basic	1,793	1,819	1,804	1,814
Effect of dilutive common stock equivalents	102	109	100	88
Adjusted weighted average shares outstanding - diluted	1,895	1,928	1,904	1,902
Basic earnings per share	\$0.57	\$0.47	\$1.33	\$1.44
Diluted earnings per share	\$0.54	\$0.44	\$1.26	\$1.38

For the three months ended March 31, 2018 and 2017, there were outstanding options to purchase 296,551 and 301,334 shares, respectively, at a weighted average exercise price of \$17.88 and \$17.82 per share, respectively and for the nine months ended March 31, 2018 and 2017, there were outstanding options to purchase 296,551 and 302,517 shares, respectively, at a weighted average exercise price of \$17.88 and \$17.81 per share, respectively. For the quarter ended March 31, 2018 and 2017, 102,413 options and 109,145 options, respectively, were included in the computation of diluted earnings per share.

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

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

	Three Months Ended March 31, 2018		2017		Nine Months Ended March 31, 2018		2017	
	(In Thousands)							
Average common shares issued	3,062	3,062	3,062	3,062				
Average unearned ESOP shares	(114)	(125)	(116)	(129)				
Average unearned RRP shares	(3)	(10)	(3)	(16)				
Average Company stock purchased	(1,152)	(1,108)	(1,139)	(1,103)				
Weighted average shares outstanding	1,793	1,819	1,804	1,814				

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 March 31, 2018.

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 \$21,000 and \$140,000, for the nine months ended March 31, 2018 and 2017, 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.

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 March 31, 2018, 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-Based Compensation (continued)

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 both nine months ended March 31, 2018 and 2017, compensation expense charged to operations was \$101,000.

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 awards. 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. During the nine months ended March 31, 2018 and March 31, 2017 the Company recognized \$102,000 and \$197,000, respectively, 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 \$2.6 million and \$2.8 million at March 31, 2018 and June 30, 2017, respectively.

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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Disclosures (continued)

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 March 31, 2018 and June 30, 2017, the carrying amount and estimated fair values of the Company's financial instruments were as follows:

	March 31, 2018		June 30, 2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(In Thousands)				
Financial Assets				
Cash and Cash Equivalents	\$8,441	\$8,441	\$11,905	\$11,905
Securities Available-for-Sale	31,234	31,234	36,935	36,935
Securities to be Held-to-Maturity	30,100	28,934	28,357	27,989
Loans Held-for-Sale	5,389	5,389	13,631	13,631
Loans Receivable	314,167	310,038	312,772	301,741
Financial Liabilities				
Deposits	347,194	333,617	\$329,045	\$313,514
Advances from FHLB	16,706	16,575	48,907	48,918
Off-Balance Sheet Items				
Mortgage Loan Commitments	\$5,152	\$5,152	\$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:

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Disclosures (continued)

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

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

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

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

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 nine months ended March 31, 2018.

Fair values of assets and liabilities measured on a recurring basis at March 31, 2018 and June 30, 2017 are as follows:

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Significant Identifiable Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
March 31, 2018				
Available-for-Sale Debt Securities				
FHLMC	\$--	\$ 7,445	\$ --	\$7,445
FNMA	--	12,838	--	12,838
GNMA	--	10,951	--	10,951

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

Total \$-- \$ 31,234 \$ -- \$31,234

Fair Value Measurements

Using:

Quoted

Prices

in

Active

Markets Significant

for Other

Identifiable

Assets Inputs Unobservable

(Level Level Inputs

June 30, 2017 1) 2) (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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Subsequent Events

In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated subsequent events through the date that the consolidated financial statements were available to be issued. The effect of all subsequent events that provided additional evidence of conditions that existed at the balance sheet date are recognized in the consolidated financial statements as of March 31, 2018. In preparing these consolidated financial statements, the company evaluated the events and transactions that occurred through the date these consolidated financial statements were 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 March 31, 2018

General

At March 31, 2018, the Company reported total assets of \$412.1 million, a decrease of \$14.5 million, or 3.4%, compared to total assets of \$426.6 million at June 30, 2017. The decrease in assets was comprised primarily of decreases in loans held-for-sale of \$8.2 million, or 60.5%, from \$13.6 million at June 30, 2017 to \$5.4 million at March 31, 2018, investment securities of \$4.0 million, or 6.1%, from \$65.3 million at June 30, 2017 to \$61.3 million

at March 31, 2018, cash and cash equivalents of \$3.5 million, or 29.1%, from \$11.9 million at June 30, 2017 to \$8.4 million at March 31, 2018, deferred tax assets of \$444,000, or 27.7%, from \$1.6 million at June 30, 2017 to \$1.2 at March 31, 2018, and other assets of \$373,000, or 3.4%, from \$884,000 at June 30, 2017 to \$511,000 at March 31, 2018. These decreases were partially offset by an increase in loans receivable, net of \$1.4 million, or 0.4%, from \$312.8 million at June 30, 2017 to \$314.2 million at March 31, 2018. The decrease in investment securities was primarily due to the sale of \$3.5 million of mortgage-backed securities along with \$8.5 million of principal repayments on mortgage-backed securities partially offset by purchases of mortgage-backed securities that totaled \$8.9 million during the nine months ended March 31, 2018.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2017 to March 31, 2018 (continued)

We realized a gain of \$94,000 from the sale of the securities during the nine months ended March 31, 2018. The decrease in loans held-for-sale resulted primarily from a decrease in loans originated for sale during the nine months ended March 31, 2018. The balance of real estate owned increased \$599,000, or 110.9%, from \$540,000 at June 30, 2017 to \$1.1 million at March 31, 2018. The increase in real estate owned was due to the acquisition of two one-to-four family residences during the quarter ended March 31, 2018.

Cash and Cash Equivalents

Cash and cash equivalents decreased \$3.5 million, or 29.1%, from \$11.9 million at June 30, 2017 to \$8.4 million at March 31, 2018. The \$3.5 million decrease in cash and cash equivalents was used in large part to pay down advances from Federal Home Loan Bank.

Loans Receivable, Net

Loans receivable, net, increased by \$1.4 million, or 0.4%, to \$314.2 million at March 31, 2018 compared to \$312.8 million at June 30, 2017. The increase in loans receivable, net was primarily due to increases in multi-family residential loans of \$12.8 million, construction real estate loans of \$735,000, and consumer loans of \$135,000, partially offset by decreases in land loans of \$5.3 million, commercial real estate loans of \$2.9 million, one-to-four family real estate loans of \$1.8 million, home equity lines of credit of \$1.4 million, commercial non-real estate loans of \$619,000, and \$144,000 in home equity and second mortgage real estate loans.

Loans Held-for-Sale

Loans held-for-sale decreased \$8.2 million, or 60.5%, from \$13.6 million at June 30, 2017 to \$5.4 million at March 31, 2018. The decrease in loans held-for-sale results primarily from a decrease in the origination volume during the nine months ended March 31, 2018.

Investment Securities

Investment securities amounted to \$61.3 million at March 31, 2018 compared to \$65.3 million at June 30, 2017, a decrease of \$4.0 million, or 6.1%. 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 \$8.5 million partially offset by purchases of mortgage backed securities that totaled \$8.9 million.

Premises and Equipment, Net

Premises and equipment, net decreased \$200,000, or 1.6%, to \$12.0 million at March 31, 2018 compared to \$12.2 million at June 30, 2017.

Asset Quality

At March 31, 2018, the Company had \$4.0 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 \$3.5 million of non-performing assets at June 30, 2017, consisting of nine commercial business loans to one borrower, five single-family residential loans, four line of credit loans, and one residential lot in other real estate owned along with two single family residential loans in

other real estate owned at March 31, 2018 compared to four single family residential loans, two line of credit loans, one residential lot in other real estate, and fifteen commercial business loans to two borrowers classified as substandard, at June 30, 2017. We had \$7.5 million of loans classified as substandard at March 31, 2018 consisting of seven single-family residential loans, nine commercial non-real estate business loans to one borrower, and five loans to one borrower consisting of two commercial real estate loans, two commercial non-real estate loans, and one single family residential loan classified as substandard compared to four single family

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2017 to March 31, 2018 (continued)

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 March 31, 2018 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 charged off nine of the fifteen commercial business loans in the amount of \$797,000 against the allowance for loan losses during the three months ended September 30, 2017. We received principal payments in March 2017 for \$272,000, May 2017 for \$10,000 and monthly payments of \$15,000 from August 2017 through March 2018 totaling \$90,000 during the nine months ended March 31, 2018 reducing our exposure to \$1.6 million. These loans continue to be classified as substandard and are on non-accrual at March 31, 2018. We are continuing to monitor these credits and presently believe that our allowance for loan losses at March 31, 2018 is adequate.

Total Liabilities

Total liabilities decreased \$14.7 million, or 3.9%, from \$380.4 million at June 30, 2017 to \$365.7 million at March 31, 2018, primarily due to a decrease in advances from the Federal Home Loan Bank of \$32.2 million, or 65.8%, to \$16.7 million at March 31, 2018 compared to \$48.9 million at June 30, 2017, partially offset by an increase of \$18.2 million in total deposits, or 5.5%, in total deposits to \$347.2 million at March 31, 2018 compared to \$329.0 million at June 30, 2017. The increase in deposits was primarily due to a \$19.3 million, or 45.3%, increase in money market deposits from \$42.4 million at June 30, 2017 to \$61.7 million at March 31, 2018, and a \$1.2 million, or 3.4%, increase in savings deposits from \$35.0 million at June 30, 2017 to \$36.3 million at March 31, 2018, and a \$611,000, or 0.4%, increase in certificates of deposit from \$162.6 million at June 30, 2017 to \$163.2 million at March 31, 2018 partially offset by a decrease of \$1.7 million, or 4.9%, in NOW accounts from \$34.5 million at June 30, 2017 to \$32.8 million at March 31, 2018 and a decrease of \$1.2 million, or 2.3%, in non-interest bearing deposits from \$54.4 million at June 30, 2017 to \$53.2 million at March 31, 2018. At March 31, 2018, the Company had \$10.0 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 nine month period ended March 31, 2018. 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 \$429,000 decrease in other liabilities was primarily due to payment of property taxes out of loan escrow accounts.

Shareholders' Equity

Shareholders' equity increased \$164,000, or 0.4%, to \$46.4 million at March 31, 2018 from \$46.2 million at June 30, 2017. The primary reasons for the changes in shareholders' equity from June 30, 2017 were net income of \$2.4 million, the vesting of restricted stock awards, stock options and the release of employee stock ownership plan shares totaling \$366,000, adjustment to retained earnings related to the tax rate change totaling \$116,000, and proceeds from the issuance of common stock from the exercise of stock options of \$191,000. These increases in shareholders' equity were partially offset by dividends paid totaling \$695,000, acquisition of Company stock of \$1.5 million, and a decrease in the Company's accumulated other comprehensive income of \$712,000.

The Bank is required to meet minimum capital standards promulgated by the Office of the Comptroller of the Currency ("OCC"). At March 31, 2018, Home Federal Bank's regulatory capital was well in excess of the minimum capital requirements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2018 and 2017

General

Net income amounted to \$1.0 million for the three months ended March 31, 2018 compared to \$852,000 for the same period in 2017, an increase of \$169,000, or 19.8%. The increase was primarily due to a \$270,000, or 63.1%, decrease in provision for income taxes, a \$196,000, or 6.8%, decrease in non-interest expense along with an increase of \$127,000, or 3.6%, in net interest income, partially offset by a decrease of \$229,000, or 29.2%, in non-interest income along with an increase of \$195,000, or 125.8%, in provision for loan losses.

Net income amounted to \$2.4 million for the nine months ended March 31, 2018 compared to net income of \$2.6 million for the same period in 2017, a decrease of \$226,000, or 8.6%. The decrease was primarily due to a \$597,000, or 48.0%, increase in the provision for income taxes, a \$503,000, or 18.5% decrease in non-interest income, and an increase of \$95,000, or 12.6%, in provision for loan losses, partially offset by an increase of \$738,000, or 7.1%, in net interest income and a decrease of \$231,000, or 2.7%, in non-interest expense.

Net Interest Income

The increase in net income for the three months ended March 31, 2018 resulted primarily from a \$270,000, or 63.1%, decrease in provision for income taxes, a \$196,000, or 6.8%, decrease in non-interest expense along with an increase of \$127,000, or 3.6%, in net interest income partially offset by a decrease of \$229,000, or 29.2%, in non-interest income along with an increase of \$195,000, or 125.8%, in provision for loan losses. The decrease in the provision for income taxes was primarily due to the Tax Cuts and Jobs Act (the "Tax Act") signed into law on December 22, 2017, which reduced the Company's effective tax rate for the quarter ended March 31, 2018. The increase in net interest income for the three months ended March 31, 2018 was primarily due to a \$276,000, or 6.5%, increase in total interest income, partially offset by an increase of \$149,000, or 20.9%, in aggregate interest expense primarily due to an increase in the average volume of interest loans receivable. The Company's average interest rate spread was 3.58% for the three months ended March 31, 2018 compared to 3.49% for the three months ended March 31, 2017. The Company's net interest margin was 3.76% for the three months ended March 31, 2018 compared to 3.65% for the three months ended March 31, 2017. The increase in the average interest rate spread and net interest margin on a comparative quarterly basis was primarily the result of an increase of 26 basis points in average rate on interest-earning assets.

The decrease in net income for the nine months ended March 31, 2018 resulted primarily from an increase of \$597,000, or 48.0%, in the provision for income taxes, a \$503,000, or 18.5%, decrease in non-interest income, and a \$95,000, or 12.6%, increase in provision for loan losses, partially offset by an increase of \$738,000, or 7.1%, in net interest income, and a decrease of \$231,000, or 2.7%, in non-interest expense. The increase in the provision for income taxes for the nine months ended March 31, 2018 over the same prior year period was primarily due to the \$642,000 re-measurement charge of the Company's net deferred tax asset as a result of the Tax Act signed into law on December 22, 2017. The increase in net interest income for the nine month period was primarily due to a \$1.3 million, or 10.5%, increase in total interest income, partially offset by a \$561,000, or 27.9%, increase in interest expense on borrowings and deposits. The Company's average interest rate spread was 3.55% for the nine months ended March 31, 2018 compared to 3.57% for the nine months ended March 31, 2017. The Company's net interest margin was 3.78% for the nine months ended March 31, 2018 compared to 3.74% for the nine months ended March 31, 2017. The decrease in the average interest rate spread is attributable primarily to an increase of 21 basis points in average rate on interest bearing liabilities. The increase in net interest margin was primarily the result of an increase in rates on interest bearing assets for the nine months ended March 31, 2018 compared to the prior year nine month period.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2018 and 2017 (continued)

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 \$350,000 and \$850,000 was made during the three and nine months ended March 31, 2018, respectively, compared to a \$155,000 and \$755,000 provision made during the three and nine months ended March 31, 2017. The allowance for loan losses was \$3.7 million, or 1.16% of total loans receivable, at March 31, 2018 compared to \$3.8 million, or 1.16% of total loans receivable, at March 31, 2017. At March 31, 2018, Home Federal Bank had \$2.6 million in non-performing loans and \$1.1 million in other real estate owned which totaled \$3.7 million in non-performing assets. At March 31, 2017, Home Federal Bank had \$2.8 million in non-performing loans and 3.7 million in real-estate owned. At March 31, 2018, the Company had eight single family residential loans, three line of credit loans, 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 loans classified as substandard compared to two single family residential loans, one commercial real estate loan and fifteen commercial business loans to two borrowers classified as substandard at March 31, 2017. There were no loans classified as doubtful at March 31, 2018 or March 31, 2017. At both March 31, 2018 and March 31, 2017, the Bank had troubled debt restructurings involving nine commercial loan contracts to one borrower with a recorded investment of approximately \$1.6 million along with another troubled debt restructuring at March 31, 2018 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

Total non-interest income amounted to \$556,000 for the three months ended March 31, 2018, a decrease of \$229,000, or 29.2%, compared to \$785,000 for the same period in 2017. The decrease was due to decreases of \$256,000 in gain on sale of loans offset by an increase of \$29,000 in service charges on deposit accounts.

Total non-interest income amounted to \$2.2 million for the nine months ended March 31, 2018, a decrease of \$503,000, or 18.5%, compared to \$2.7 million for the same period in 2017. The decrease was primarily due to decreases of \$606,000 in gain on sale of loans, \$109,000 in gain on sale of real estate, and a \$5,000 decrease in bank owned life insurance income partially offset by a \$119,000 increase in service charges on deposit accounts, \$94,000 increase in gain on sale of securities, and a \$4,000 increase in other 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

Total non-interest expense decreased \$196,000, or 6.8%, for the three months ended March 31, 2018 compared to the prior year period. The decrease in non-interest expense was primarily due to decreases of \$213,000 in compensation and benefits expenses, \$74,000 in advertising expense, and \$39,000 in loan and collection expense. The decreases were partially offset by increases of \$41,000 in occupancy and equipment expense, \$37,000 in data processing expense, \$29,000 in other non-interest expense, \$11,000 in audit and examination fees, \$7,000 in legal fees, and \$5,000 in franchise and bank shares tax expense.

Total non-interest expense decreased \$231,000, or 2.7%, for the nine months ended March 31, 2018 compared to the prior year period. The decrease in non-interest expense for the nine months ended March 31, 2018, compared to the same period in 2017, is primarily attributable to decreases of \$377,000 in compensation and benefits expense, \$170,000 in advertising expense, and \$35,000 in loan and collection expense. These decreases were partially offset by increases of \$121,000 in other non-interest expense, \$95,000 in occupancy and equipment expense, \$68,000 in legal fees, \$55,000 in data processing expense, \$5,000 in audit and examination fees, \$4,000 in franchise and bank shares tax expense and \$3,000 in deposit insurance premiums

The aggregate compensation expense recognized by the Company for its Stock Option, Share Award, ESOP, and Recognition and Retention Plans amounted to \$159,000 and \$464,000 for the three and nine months ended March 31, 2018, respectively, compared to \$187,000 and \$654,000 for the three and nine months ended March 31, 2017, respectively.

The Louisiana bank shares tax is assessed on the Bank's equity and earnings. For the three and nine months ended March 31, 2018, the Company recognized franchise and bank shares tax expense of \$96,000 and \$296,000, respectively, compared to \$91,000 and \$292,000, respectively, for the same periods in 2017.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2018 and 2017 (continued)

Income Taxes

Income taxes amounted to \$158,000 and \$1.8 million for the three and nine months ended March 31, 2018, respectively. Income taxes amounted to \$428,000 and \$1.2 million for the three and nine months ended March 31 2017, respectively. The increase in income taxes for the nine month ended March 31, 2018, is primarily due to the impact of the Tax Cuts and Jobs Act (the "Tax Act") which President Trump signed into law on December 22, 2017. The Tax Act reduced the corporate tax rate to 21% effective January 1, 2018, and resulted in a re-measurement change to the Company's deferred tax asset. The decrease in income taxes for the three month ended March 31, 2018 was due to the recalculation of tax accruals from the 34% tax rate to our blended tax rate of 27.50% for our fiscal year ending on June 30, 2018. In accordance with the Financial Accounting Standards Board (FASB) ASC Topic 740, Income Taxes, the effects of the new legislation are recognized upon enactment, which for federal legislation is the date the President signs a bill into law. Therefore, the Company's deferred tax assets and deferred tax liabilities were re-measured at the enacted tax rate expected to apply when these assets and liabilities are expected to be realized or settled. As a result of the tax law change, the Company recorded a decrease in its net deferred tax assets of \$642,000 with a corresponding increase in income tax expense of \$642,000 for the nine months ended March 31, 2018.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2018 and 2017 (continued)

Average Balances, Net Interest Income, Yields Earned and Rates Paid. The following tables show 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 March 31, 2018		2017					
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate		
(Dollars In Thousands)								
Interest-earning assets:								
Loans receivable	\$319,163	\$4,179	5.19 %	\$309,587	\$3,912	5.01 %		
Investment securities	60,542	310	2.03	67,177	309	1.82		
Interest-earning deposits	4,605	19	1.64	6,072	11	0.72		
Total interest-earning assets	\$384,310	4,508	4.65 %	\$382,836	4,232	4.39 %		
Non-interest-earning assets	26,588			26,589				
Total assets	\$410,898			\$409,425				
Interest-bearing liabilities:								
Savings accounts	\$36,480	48	0.52 %	\$35,646	45	0.50 %		
NOW accounts	30,824	38	0.49	33,503	45	0.53		
Money market accounts	54,205	80	0.59	44,387	34	0.30		
Certificate accounts	166,522	602	1.43	145,998	467	1.27		
Total interest-bearing deposits	288,031	768	1.06	259,534	591	0.90		
Other bank borrowings	226	2	3.51	692	6	3.44		
FHLB advances	30,828	92	1.18	53,156	116	0.87		
Total interest-bearing liabilities	\$319,085	862	1.07 %	\$313,382	713	0.90 %		
Non-interest-bearing liabilities:								
Non-interest bearing demand accounts	56,302			50,401				
Other liabilities	1,460			1,430				
Total liabilities	376,847			365,213				
Total Stockholders' Equity(1)	46,045			44,212				
Total liabilities and equity	\$422,892			\$409,425				
Net interest-earning assets	\$65,225			\$69,454				
Net interest income; average interest rate spread(2)		\$3,646	3.58 %		\$3,519	3.49 %		
Net interest margin(3)			3.76 %			3.65 %		
Average interest-earning assets to average interest-bearing liabilities			120.44 %			122.16 %		

- (1) Includes retained earnings and accumulated other comprehensive loss.
- (2) Interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average rate on interest-bearing liabilities.
- (3) Net interest margin is net interest income divided by net average interest-earning assets.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2018 and 2017 (continued)

	Nine Months Ended March 31,						Average Yield/Rate	
	2018			2017				
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate		
	(Dollars In Thousands)							
Interest-earning assets:								
Loans receivable	\$323,650	\$12,743	5.24 %	\$304,550	\$11,600	5.07 %		
Investment securities	59,941	861	1.91	60,186	766	1.70		
Interest-earning deposits	8,157	84	1.37	5,286	23	0.58		
Total interest-earning assets	\$391,748	13,688	4.65 %	\$370,022	12,389	4.46 %		
Non-interest-earning assets								
Total assets	\$418,895			\$395,533				
Interest-bearing liabilities:								
Savings accounts	\$36,518	146	0.53 %	\$32,456	114	0.47 %		
NOW accounts	32,359	123	0.51	34,929	144	0.55		
Money market accounts	45,780	160	0.47	46,178	109	0.31		
Certificate accounts	166,364	1,784	1.43	139,296	1,327	1.27		
Total interest-bearing deposits	281,021	2,213	1.05	252,859	1,694	0.89		
Other bank borrowings	116	4	4.59	515	14	3.62		
FHLB advances	30,829	352	1.52	47,229	300	0.85		
Total interest-bearing liabilities	\$311,966	2,569	1.10 %	\$300,603	2,008	0.89 %		
Non-interest-bearing liabilities:								
Non-interest bearing demand accounts	58,474			48,855				
Other liabilities	2,156			1,862				
Total liabilities	372,596			351,320				
Total Stockholders' Equity(1)	46,299			44,213				
Total liabilities and equity	\$418,895			\$395,533				
Net interest-earning assets	\$79,782			\$69,419				
Net interest income; average interest rate spread(2)		\$11.119	3.55 %		\$10.381	3.57 %		
Net interest margin(3)			3.78 %			3.74 %		
Average interest-earning assets to average interest-bearing liabilities			125.57 %			123.09 %		

(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.

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 \$401,000 at March 31, 2018.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2018 and 2017 (continued)

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 March 31, 2018, Home Federal Bank had \$16.7 million in advances from the Federal Home Loan Bank of Dallas and had \$144.4 million in additional borrowing capacity. Additionally, at March 31, 2018, 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 March 31, 2018.

At March 31, 2018, Home Federal Bank had outstanding loan commitments of \$49.3 million to originate loans and commitments under unused lines of credit of \$10.9 million. At March 31, 2018, certificates of deposit scheduled to mature in less than one year totaled \$61.9 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 March 31, 2018, Home Federal Bank exceeded each of its regulatory capital requirements with tangible, common equity Tier 1, core, and risk-based capital ratios of 11.38%, 16.34%, 11.38%, and 17.59%, respectively.

Off-Balance Sheet Arrangements

At March 31, 2018, 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.

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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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 March 31, 2018 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)
January 1, 2018 – January 31, 2018	--	\$ --	--	--
February 1, 2018 – February 28, 2018	546	\$ 28.21	546	51,689
March 1, 2018 – March 31, 2018	2,000	\$ 30.04	2,000	49,689
Total	2,546	\$ 29.65	2,546	49,689

Notes to this table:

On October 12, 2016, the Company announced that its Board of Directors approved a seventh stock repurchase (a) 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
<u>31.1</u>	<u>Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer</u>

31.2 Rule 13a-14(a)/15d-14(a) Certification of Principal 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: May 14, 2018 By: /s/ Glen W. Brown

Glen W. Brown

Senior Vice President and Chief Financial Officer

(Duly authorized officer and principal financial and
accounting officer)