

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

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2013

or

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

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

Commission file number: 001-35019

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

Louisiana  
(State or other jurisdiction of incorporation or organization)

02-0815311  
(IRS Employer Identification No.)

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

71101  
(Zip Code)

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

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Shares of common stock, par value \$.01 per share, outstanding as of May 10, 2013: The registrant had 2,351,950 shares of common stock outstanding.

---

## INDEX

PART I - FINANCIAL INFORMATION		Page
Item 1:	Financial Statements (Unaudited)	
	Consolidated Statements of Financial Condition	1
	Consolidated Statements of Income	2
	Consolidated Statements of Comprehensive Income	3
	Consolidated Statements of Changes in Stockholders' Equity	4
	Consolidated Statements of Cash Flows	5
	Notes to Consolidated Financial Statements	7
Item 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3:	Quantitative and Qualitative Disclosures About Market Risk	31
Item 4:	Controls and Procedures	31
PART II - OTHER INFORMATION		
Item 1:	Legal Proceedings	31
Item 1A:	Risk Factors	31
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 3:	Defaults Upon Senior Securities	32
Item 4:	Mine Safety Disclosures	32
Item 5:	Other Information	32
Item 6:	Exhibits	32
SIGNATURES		



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(Unaudited)March 31,  
2013June 30,  
2012

(Dollars In Thousands)

## ASSETS

Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$1,104 and \$31,486 for March 31, 2013 and June 30, 2012, Respectively)	\$ 7,024	\$ 34,863
Securities Available-for-Sale	53,313	68,426
Securities Held-to-Maturity	1,920	1,381
Loans Held-for-Sale	4,173	11,157
Loans Receivable, Net of Allowance for Loan Losses of \$2,124 and \$1,698, Respectively	196,419	168,263
Accrued Interest Receivable	790	826
Premises and Equipment, Net	5,987	4,872
Bank Owned Life Insurance	5,984	5,844
Other Assets	222	551
Deferred Tax Asset	393	--
<b>Total Assets</b>	<b>\$ 276,225</b>	<b>\$ 296,183</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY

## LIABILITIES

Deposits	\$ 203,069	\$ 221,436
Advances from Borrowers for Taxes and Insurance	217	256
Advances from Federal Home Loan Bank of Dallas	29,745	23,469
Other Bank Borrowings	500	--
Other Accrued Expenses and Liabilities	380	1,098
Deferred Tax Liability	--	36
<b>Total Liabilities</b>	<b>233,911</b>	<b>246,295</b>

## STOCKHOLDERS' EQUITY

Preferred Stock – 10,000,000 Shares of \$.01 Par Value		
Authorized; None Issued and Outstanding	--	--
Common Stock – 40,000,000 Shares of \$.01 Par Value	32	32

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

Authorized; 3,062,386 Shares Issued and 2,361,879 Shares Outstanding at March 31, 2013;		
2,877,032 Shares Outstanding at June 30, 2012		
Additional Paid-in Capital	32,128	31,199
Treasury Stock, at Cost – 700,507 shares at March 31, 2013;		
185,354 at June 30, 2012	(12,950 )	(2,706 )
Unearned ESOP Stock	(1,705 )	(1,792 )
Unearned RRP Trust Stock	(863 )	(1,114 )
Retained Earnings	24,900	22,897
Accumulated Other Comprehensive Income	772	1,372
<b>Total Stockholders' Equity</b>	<b>42,314</b>	<b>49,888</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 276,225</b>	<b>\$ 296,183</b>

See accompanying notes to consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2013	2012	2013	2012
(In Thousands, Except Per Share Data)				
<b>INTEREST INCOME</b>				
Loans, Including Fees	\$2,880	\$2,624	\$8,564	\$7,394
Investment Securities	5	8	20	88
Mortgage-Backed Securities	383	635	1,314	1,877
Other Interest-Earning Assets	2	3	10	11
Total Interest Income	3,270	3,270	9,908	9,370
<b>INTEREST EXPENSE</b>				
Deposits	543	609	1,693	1,859
Other Bank Borrowings	1	--	4	--
Federal Home Loan Bank Borrowings	76	137	263	474
Total Interest Expense	620	746	1,960	2,333
Net Interest Income	2,650	2,524	7,948	7,037
<b>PROVISION FOR LOAN LOSSES</b>	214	216	441	490
Net Interest Income after Provision for Loan Losses	2,436	2,308	7,507	6,547
<b>NON-INTEREST INCOME</b>				
Gain on Sale of Loans	655	674	1,992	1,764
Gain on Sale of Investments	--	--	215	254
Income on Bank Owned Life Insurance	44	50	141	158
Other Income	71	102	273	295
Total Non-Interest Income	770	826	2,621	2,471
<b>NON-INTEREST EXPENSE</b>				
Compensation and Benefits	1,403	1,432	4,068	3,758
Occupancy and Equipment	148	190	540	559
Data Processing	126	80	313	246
Audit and Examination Fees	52	103	158	218
Franchise and Bank Shares Tax	84	87	224	230
Advertising	61	70	181	207
Legal Fees	151	113	398	316
Loan and Collection	25	60	87	117
Deposit Insurance Premium	32	30	95	83
Other Expense	125	123	338	360
Total Non-Interest Expense	2,207	2,288	6,402	6,094
Income Before Income Taxes	999	846	3,726	2,924

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

PROVISION FOR INCOME TAX EXPENSE	323	259	1,231	855
Net Income	\$676	\$587	\$2,495	\$2,069
EARNINGS PER COMMON SHARE:				
Basic	\$0.31	\$0.21	\$1.04	\$0.73
Diluted	\$0.30	\$0.21	\$1.01	\$0.73
DIVIDENDS DECLARED	\$0.06	\$0.06	\$0.18	\$0.18

See accompanying notes to consolidated financial statements.

2

---



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2013	2012	2013	2012
	(In Thousands)			
Net Income	\$676	\$587	\$2,495	\$2,069
Other Comprehensive Income (Loss), Net of Tax				
Unrealized Holding Gain (Loss) on Securities Available-for-Sale, Net of Tax of \$121 and \$240 in 2013, respectively, and \$39 and \$19 in 2012, respectively	(234 )	(76 )	(466 )	(37 )
Reclassification Adjustment for Gain Included in Net Income, Net of Tax of \$7 and \$69 in 2013, respectively, and \$8 and \$105 in 2012, respectively	(14 )	(15 )	(134 )	(204 )
Net Other Comprehensive Income (Loss)	(248 )	(91 )	(600 )	(241 )
Total Comprehensive Income	\$428	\$496	\$1,895	\$1,828

See accompanying notes to consolidated financial statements.

3

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 NINE MONTHS ENDED MARCH 31, 2013 AND 2012  
 (Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
(In Thousands)								
BALANCE – June 30, 2011	\$ 32	\$ 30,880	\$ (1,907)	\$ (29 )	\$ 20,781	\$ --	\$ 1,426	\$ 51,183
Net Income	--	--	--	--	2,069	--	--	2,069
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(241 )	(241 )
RRP Shares Earned	--	--	--	8	--	--	--	8
Acquisition of Common Stock for RRP Trust	--	--	--	(1,093 )	--	--	--	(1,093 )
Stock Options Vested	--	34	--	--	--	--	--	34
Common Stock Issuance for Stock Option Exercises	--	168	--	--	--	--	--	168
ESOP Compensation Earned	--	31	86	--	--	--	--	117
Acquisition of Treasury Stock	--	--	--	--	--	(1,302 )	--	(1,302 )
Dividends Declared	--	--	--	--	(549 )	--	--	(549 )
BALANCE – March 31, 2012	\$ 32	\$ 31,113	\$ (1,821)	\$ (1,114 )	\$ 22,301	\$ (1,302 )	\$ 1,185	\$ 50,394

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

BALANCE – June 30, 2012	32	31,199	(1,792 )	(1,114 )	22,897	(2,706 )	1,372	49,888
Net Income	--	--	--	--	2,495	--	--	2,495
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(600 )	(600 )
RRP Shares Earned	--	--	--	251	--	--	--	251
Stock Options Vested	--	125	--	--	--	--	--	125
Common Stock Issuance for Stock Option Exercises	--	742	--	--	--	--	--	742
ESOP Compensation Earned	--	62	87	--	--	--	--	149
Acquisition of Treasury Stock	--	--	--	--	--	(10,244)	--	(10,244)
Dividends Declared	--	--	--	--	(492 )	--	--	(492 )
BALANCE – March 31, 2013	\$ 32	\$ 32,128	\$ (1,705)	\$ (863 )	\$ 24,900	\$ (12,950)	\$ 772	\$ 42,314

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended March 31,	
	2013	2012
	(In Thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$2,495	\$2,069
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Net Amortization and Accretion on Securities	13	(64 )
Gain on Sale of Securities	(215 )	(254 )
Gain on Sale of Loans	(1,991 )	(1,764 )
Amortization of Deferred Loan Fees	(197 )	(376 )
Depreciation of Premises and Equipment	156	163
ESOP Expense	149	117
Stock Option Expense	125	33
Recognition and Retention Plan Expense	157	38
Deferred Income Tax	(120 )	(208 )
Provision for Loan Losses	441	490
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(84,719 )	(93,266 )
Loans Held-for-Sale – Sale and Principal Repayments	93,693	89,284
Accrued Interest Receivable	37	2
Other Operating Assets	329	6
Other Operating Liabilities	(623 )	(152 )
Net Cash Provided by (Used in) Operating Activities	9,730	(3,882 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Originations and Purchases, Net of Principal Collections	(28,480 )	(28,983 )
Deferred Loan Fees Collected	81	524
Acquisition of Premises and Equipment	(1,270 )	(1,116 )
Activity in Available-for-Sale Securities:		
Proceeds from Sales of Securities	34,638	39,912
Principal Payments on Mortgage-Backed Securities	11,282	11,122
Purchases of Securities	(31,515 )	(48,096 )
Activity in Held-to-Maturity Securities:		
Redemption Proceeds	107	268
Principal Payments on Mortgage-Backed Securities	--	563
Purchases of Securities	(646 )	(318 )
Increase in Cash Surrender Value on Bank Owned Life Insurance	(141 )	(158 )
Net Cash Used in Investing Activities	(15,944 )	(26,282 )



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

	2013	Nine Months Ended March 31, (In Thousands)	2012
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (Decrease) Increase in Deposits	\$ (18,368 )		\$ 31,836
Proceeds from Federal Home Loan Bank Advances	162,400		35,000
Repayments of Advances from Federal Home Loan Bank	(156,123 )		(32,592 )
Net Decrease in Mortgage-Escrow Funds	(40 )		(38 )
Dividends Paid	(492 )		(549 )
Acquisition of Treasury Stock	(10,085 )		(1,199 )
Proceeds from Stock Options Exercised	583		66
Acquisition of RRP Trust Stock	--		(1,093 )
Proceeds from other Bank Borrowings	1,500		--
Repayment or other Bank Borrowings	(1,000 )		--
Net Cash (Used In) Provided by Financing Activities	(21,625 )		31,431
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(27,839 )</b>		<b>1,267</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>34,863</b>		<b>9,599</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 7,024</b>		<b>\$ 10,866</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>			
Interest Paid on Deposits and Borrowed Funds	\$ 1,979		\$ 2,359
Income Taxes Paid	1,353		1,048
Market Value Adjustment for Gain on Securities Available-for-Sale	(909 )		(365 )
Acquisition of Treasury Stock with Stock Issuance	159		103





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

The Company follows accounting standards set by the Financial Accounting Standards Board (the “FASB”). The FASB sets generally accepted accounting principles (“GAAP”) that we follow to ensure we consistently report our financial condition, results of operations and cash flows. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (the “Codification” or the “ASC”).

In accordance with the subsequent events topic of the ASC, the Company evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of March 31, 2013. In preparing these financial statements, the Company evaluated the events and transactions that occurred through the date these financial statements were issued.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Statements of Financial Condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the allowance for loan losses.

Nature of Operations

Home Federal Bancorp, Inc. of Louisiana, a Louisiana corporation, is the fully public stock holding company for Home Federal Bank located in Shreveport, Louisiana. The Bank is a federally chartered, stock savings and loan association and is subject to federal regulation by the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. The Company is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. Services are provided to the Bank’s customers by four full-service banking offices and one agency office, located in Caddo and Bossier Parishes, Louisiana. The area served by the Bank is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found dispersed in a wider geographical area covering much of northwest Louisiana. As of March 31, 2013, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which is currently inactive.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, balances due from banks, and federal funds sold, all of which mature within ninety days.

7

---

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Securities

The Company classifies its debt and equity investment securities into one of three categories: held-to-maturity, available-for-sale, or trading. Investments in nonmarketable equity securities and debt securities, in which the Company has the positive intent and ability to hold to maturity, are classified as held-to-maturity and carried at amortized cost. Investments in debt securities that are not classified as held-to-maturity and marketable equity securities that have readily determinable fair values are classified as either trading or available-for-sale securities. Securities that are acquired and held principally for the purpose of selling in the near term are classified as trading securities. Investments in securities not classified as trading or held-to-maturity are classified as available-for-sale.

Trading account and available-for-sale securities are carried at fair value. Unrealized holding gains and losses on trading securities are included in earnings while net unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the term of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans Held-for-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Loans

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

Allowance for Loan Losses

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

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Allowance for Loan Losses (continued)

A loan is considered impaired when, based on current information or events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. When a loan is impaired, the measurement of such impairment is based upon the present value of expected future cash flows or the fair value of the collateral of the loan. If the present value of expected future cash flows or fair value of the collateral is less than the recorded investment in the loan, the Bank will recognize the impairment by creating a valuation allowance with a corresponding charge against earnings.

An allowance is also established for uncollectible interest on loans classified as substandard. The allowance is established by a charge to interest income equal to all interest previously accrued and income is subsequently recognized only to the extent that cash payments are received. When, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, the loan is returned to accrual status.

It should be understood that estimates of future loan losses involve an exercise of judgment. While it is possible that in particular periods the Company may sustain losses which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses reflected in the accompanying statements of condition is adequate to absorb possible losses in the existing loan portfolio.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held-for-sale and are transferred to other real estate owned at the lower of cost or current fair value minus estimated cost to sell as of the date of foreclosure. Cost is defined as the lower of the fair value of the property or the recorded investment in the loan. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Company and its wholly-owned subsidiary file a consolidated Federal income tax return on a fiscal year basis. Each entity pays its pro-rata share of income taxes in accordance with a written tax-sharing agreement.

The Company accounts for income taxes on the asset and liability method. Deferred tax assets and liabilities are recorded based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. Current taxes are measured by applying the provisions of enacted tax laws to taxable income to determine the amount of taxes receivable or payable.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 1. Summary of Accounting Policies (continued)

## Income Taxes (continued)

While the Bank is exempt from Louisiana income tax, it is subject to the Louisiana Ad Valorem Tax, commonly referred to as the Louisiana Shares Tax, which is based on stockholders' equity and net income.

## Comprehensive Income

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the Consolidated Statements of Financial Condition, such items, along with net income, are components of comprehensive income.

## 2. Securities

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

Securities Available-for-Sale	Amortized Cost	March 31, 2013		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
		(In Thousands)		
<b>Debt Securities</b>				
FHLMC Mortgage-Backed Certificates	\$425	\$20	\$ --	\$ 445
FNMA Mortgage-Backed Certificates	13,441	1,144	--	14,585
GNMA Mortgage-Backed Certificates	38,277	159	(153 )	38,283
<b>Total Debt Securities</b>	<b>52,143</b>	<b>1,323</b>	<b>(153 )</b>	<b>53,313</b>
<b>Total Securities Available-for-Sale</b>	<b>\$52,143</b>	<b>\$ 1,323</b>	<b>\$(153 )</b>	<b>\$53,313</b>
<b>Securities Held-to-Maturity</b>				
<b>Equity Securities (Non-Marketable)</b>				
16,699 Shares – Federal Home Loan Bank	1,670	--	--	1,670
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
<b>Total Equity Securities</b>	<b>1,920</b>	<b>--</b>	<b>--</b>	<b>1,920</b>
<b>Total Securities Held-to-Maturity</b>	<b>\$1,920</b>	<b>\$--</b>	<b>\$--</b>	<b>\$1,920</b>





## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

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

The amortized cost and fair value of debt securities by contractual maturity at March 31, 2013, follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In Thousands)				
Within One Year or Less	\$--	\$ --	\$--	\$ --
One through Five Years	297	305	--	--
After Five through Ten Years	335	350	--	--
Over Ten Years	51,511	52,658	--	--
<b>Total</b>	<b>\$52,143</b>	<b>\$53,313</b>	<b>\$--</b>	<b>\$--</b>

For the nine months ended March 31, 2013, proceeds from the sale of securities available-for-sale amounted to \$34.6 million. Gross realized gains amounted to \$215,000 for the nine months ended March 31, 2013.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

The following table shows information pertaining to gross unrealized losses on securities available-for-sale at March 31, 2013 aggregated by investment category and length of time that individual securities have been in a continuous loss position. There were no unrealized losses on securities at June 30, 2012, and there were no unrealized losses on securities held-to-maturity at March 31, 2013.

	March 31, 2013			
	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	\$153	\$30,035	\$--	\$--
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$153	\$30,035	\$--	\$--

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, 2013, securities with a carrying value of \$8.9 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$95.4 million were pledged to secure FHLB advances.

## 3. Loans Receivable

Loans receivable are summarized as follows:

	March 31, 2013	June 30, 2012
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One-to-Four Family Residential	\$67,352	\$ 59,410
Commercial	51,450	39,230
Multi-Family Residential	19,976	12,919
Land	15,899	12,317
Construction	15,298	22,660
Equity and Second Mortgage	2,349	2,520
Equity Lines of Credit	10,479	8,461
Total Mortgage Loans	182,803	157,517

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

Commercial Loans	15,600	12,369
Consumer Loans		
Loans on Savings Accounts	270	227
Automobile and Other Consumer Loans	134	228
Total Consumer and Other Loans	404	455
Total Loans	198,807	170,341
Less: Allowance for Loan Losses	(2,124)	(1,698)
Unamortized Loan Fees	(264)	(380)
Net Loans Receivable	\$ 196,419	\$ 168,263

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

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

	Nine Months Ended March 31,	
	2013	2012
	(In Thousands)	
Balance - Beginning of Period	\$ 1,698	\$ 842
Provision for Loan Losses	441	490
Loan Charge-Offs	(15 )	--
Balance - End of Period	\$ 2,124	\$ 1,332

## Credit Quality Indicators

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

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

**Special Mention** - Loans identified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

**Substandard** - Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

**Doubtful** - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

**Loss** - This classification includes those loans which are considered uncollectible and of such little value that their continuance as loans is not warranted. Even though partial recovery may be possible in the future, it is not practical or desirable to defer writing off these basically worthless loans. Accordingly, these loans are charged-off before period end.



## 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, 2013 and June 30, 2012:

March 31, 2013	Pass	Special Mention (In Thousands)	Substandard	Doubtful	Total
Real Estate Loans:					
One-to-Four Family Residential	\$ 66,585	\$ 433	\$ 334	\$ --	\$ 67,352
Commercial	50,478	--	972	--	51,450
Multi-Family Residential	19,976	--	--	--	19,976
Land	15,899	--	--	--	15,899
Construction	15,298	--	--	--	15,298
Equity and Second Mortgage	2,349	--	--	--	2,349
Equity Lines of Credit	10,363	89	--	27	10,479
Commercial Loans	11,896	--	3,704	--	15,600
Consumer Loans	404	--	--	--	404
Total	\$ 193,248	\$ 522	\$ 5,010	\$ 27	\$ 198,807

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





## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when contractually due. Loans that experience insignificant payment delays or payment shortfalls are generally not classified as impaired. On a case-by-case basis, management determines the significance of payment delays and payment shortfalls, taking into consideration all of the circumstances related to the loan, including: the length of the payment delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The following tables present an aging analysis of past due loans, segregated by class of loans, as of March 31, 2013 and June 30, 2012:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due (In Thousands)	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
March 31, 2013							
Real Estate Loans:							
One-to-Four Family Residential	\$ 1,106	\$ 1,174	\$ 741	\$ 3,021	\$ 64,331	\$ 67,352	\$ 407
Commercial	--	--	--	--	51,450	51,450	--
Multi-Family Residential	--	--	--	--	19,976	19,976	--
Land	--	--	--	--	15,899	15,899	--
Construction	--	--	--	--	15,298	15,298	--
Equity and Second Mortgage	--	--	--	--	2,349	2,349	--
Equity Lines of Credit	--	--	--	--	10,479	10,479	--
Commercial Loans	--	--	--	--	15,600	15,600	--
Consumer Loans	--	--	--	--	404	404	--
Total	\$ 1,106	\$ 1,174	\$ 741	\$ 3,021	\$ 195,786	\$ 198,807	\$ 407
June 30, 2012	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment >

90 Days  
and  
Accruing

(In Thousands)

## Real Estate

## Loans:

One-to-Four Family							
Residential	\$ 2,039	\$ 1,024	\$ 14	\$ 3,077	\$ 56,333	\$ 59,410	\$ --
Commercial	--	--	--	--	39,230	39,230	--
Multi-Family							
Residential	--	--	--	--	12,919	12,919	--
Land	--	--	--	--	12,317	12,317	--
Construction	--	--	--	--	22,660	22,660	--
Equity and Second							
Mortgage	--	--	--	--	2,520	2,520	--
Equity Lines of							
Credit	--	--	--	--	8,461	8,461	--
Commercial							
Loans	--	--	--	--	12,369	12,369	--
Consumer Loans	--	--	--	--	455	455	--
Total	\$ 2,039	\$ 1,024	\$ 14	\$ 3,077	\$ 167,264	\$ 170,341	\$ --

Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties are considered troubled debt restructurings and designated as impaired. There were no troubled debt restructurings as of March 31, 2013 or June 30, 2012.

## 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, 2013 and the year ended June 30, 2012, was as follows:

March 31, 2013	Real Estate Loans					Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi- Family	Land	Construction				
Allowance for loan losses:									
Beginning									
Balances	\$ 306	\$ 185	\$ 205	\$ 270	\$ 311	\$ 110	\$ 281	\$ 30	\$ 1,698
Charge-Offs	--	--	--	--	--	(15 )	--	--	(15 )
Recoveries	--	--	--	--	--	--	--	--	--
Current									
Provision	610	149	(110 )	(138 )	(150 )	(10 )	114	(24 )	441
Ending									
Balances	\$ 916	\$ 334	\$ 95	\$ 132	\$ 161	\$ 85	\$ 395	\$ 6	\$ 2,124
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	916	334	95	132	161	85	395	6	2,124
Loans Receivable:									
Ending									
Balances -									
Total	\$ 67,352	\$ 51,450	\$ 19,976	\$ 15,899	\$ 15,298	\$ 12,828	\$ 15,600	\$ 404	\$ 198,807
Ending									
Balances:									
Evaluated for Impairment:									
Individually	768	972	--	--	--	116	3,704	--	5,560
Collectively	\$ 66,584	\$ 50,478	\$ 19,976	\$ 15,899	\$ 15,298	\$ 12,712	\$ 11,896	\$ 404	\$ 193,247

Real Estate Loans

Home

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

June 30, 2012	1-4 Family Residential	Commercial	Multi- Family	Land	Construction	Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	T
(In Thousands)									
Allowance for loan losses:									
Beginning Balances	\$ 110	\$ 125	\$ 140	\$ 150	\$ 130	\$ --	\$ 175	\$ 12	\$ 84
Charge-Offs	--	--	--	--	--	--	--	--	--
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	196	60	65	120	181	110	106	18	85
Ending Balances	\$ 306	\$ 185	\$ 205	\$ 270	\$ 311	\$ 110	\$ 281	\$ 30	\$ 1,6
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	306	185	205	270	311	110	281	30	1,6
Loans Receivable:									
Ending Balances -									
Total	\$ 59,410	\$ 39,230	\$ 12,919	\$ 12,317	\$ 22,660	\$ 10,981	\$ 12,369	\$ 455	\$ 17
Ending Balances:									
Evaluated for Impairment:									
Individually	14	--	--	--	--	--	--	--	14
Collectively	\$ 59,396	\$ 39,230	\$ 12,919	\$ 12,317	\$ 22,660	\$ 10,981	\$ 12,369	\$ 455	\$ 17



## 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 for the nine months ended March 31, 2012, was as follows:

March 31, 2012	Real Estate Loans					Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi- Family	Land	Construction (In Thousands)				
Allowance for loan losses:									
Beginning Balances	\$110	\$125	\$140	\$150	\$130	\$--	\$175	\$12	\$842
Charge-Offs	--	--	--	--	--	--	--	--	--
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	200	10	75	(4 )	155	--	36	18	490
Ending Balances	\$310	\$135	\$215	\$146	\$285	\$--	\$211	\$30	\$1,333
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	310	135	215	146	285	--	211	30	1,333
Loans Receivable:									
Ending Balances -									
Total	\$53,179	\$39,194	\$16,196	\$8,480	\$16,563	\$9,061	\$12,277	\$523	\$155,373
Ending Balances:									
Evaluated for Impairment:									
Individually	14	--	--	--	--	--	--	--	14
Collectively	\$53,165	\$39,194	\$16,196	\$8,480	\$16,563	\$9,061	\$12,277	\$523	\$155,359

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

The following tables present loans individually evaluated for impairment, segregated by class of loans, as of March 31, 2013 and June 30, 2012:

	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
March 31, 2013	(In Thousands)					
Real Estate Loans:						
One-to-Four Family Residential	\$768	\$768	\$--	\$768	\$--	\$768
Commercial	972	972	--	972	--	983
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	116	116	--	116	--	116
Commercial Loans	3,704	3,704	--	3,704	--	3,940
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$5,560</b>	<b>\$5,560</b>	<b>\$--</b>	<b>\$5,560</b>	<b>\$--</b>	<b>\$5,807</b>

	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
June 30, 2012	(In Thousands)					
Real Estate Loans:						
One-to-Four Family Residential	\$14	\$14	\$--	\$14	\$--	\$14
Commercial	--	--	--	--	--	--
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	--	--	--	--	--	--
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$14</b>	<b>\$ 14</b>	<b>\$--</b>	<b>\$14</b>	<b>\$--</b>	<b>\$14</b>

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The Bank has no commitments to loan additional funds to borrowers whose loans were previously in non-accrual status. Loans totaling \$362,000 and \$14,000 were in non-accrual status at March 31, 2013 and June 30, 2012, respectively.

For the nine months ended March 31, 2013 and 2012, approximately \$2,000 and \$300, respectively, of interest income was recognized on non-accrual loans. 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, 2013 and 2012, was \$13,000 and \$1,000, respectively.

## 4. Deposits

Deposits at March 31, 2013 and June 30, 2012 consist of the following classifications:

	March 31, 2013	June 30, 2012
	(In Thousands)	
Non-Interest Bearing	\$ 23,421	\$ 20,575
NOW Accounts	21,976	16,887
Money Markets	37,814	68,446
Passbook Savings	9,182	6,893
	92,393	112,801
Certificates of Deposit	110,676	108,635
Total Deposits	\$ 203,069	\$ 221,436

## 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, 2013 and 2012 were calculated as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
	(In Thousands, Except Per Share Data)			
Net income	\$676	\$ 587	\$2,495	\$2,069
Weighted average shares outstanding - basic	2,180	2,793	2,400	2,839
Effect of dilutive common stock equivalents	67	27	68	12
Adjusted weighted average shares outstanding - diluted	2,247	2,820	2,468	2,851



Basic earnings per share	\$0.31	\$0.21	\$1.04	\$0.73
Diluted earnings per share	\$0.30	\$0.21	\$1.01	\$ 0.73

For the three months ended March 31, 2013 and 2012, there were outstanding options to purchase 275,162 and 262,339 shares, respectively, at a weighted average exercise price of \$13.25 per share and for the nine months ended March 31, 2013 and 2012, there were outstanding options to purchase 294,533 and 190,368 shares, respectively, at a weighted average exercise price of \$13.20 per share. For the quarter and nine months ended March 31, 2013, 67,000 and 68,000 options, respectively, were included in the computation of diluted earnings per share.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 5. Earnings Per Share (continued)

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
	(In Thousands)			
Average common shares issued	3,062	3,055	3,062	3,051
Average unearned ESOP shares	(171 )	(184 )	(174 )	(186 )
Average unearned RRP shares	(69 )	(52 )	(75 )	(17 )
Average treasury shares	(642 )	(26 )	(413 )	(9 )
Weighted average shares outstanding	2,180	2,793	2,400	2,839

## 6. Stock-Based Compensation

## Recognition and Retention Plan

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Recognition and Retention Plan and Trust Agreement (the "2005 Recognition Plan") as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's common stock subject to award under the 2005 Recognition Plan totaled 63,547 shares (as adjusted for the exchange ratio of 0.9110 on December 22, 2010). As the shares were acquired for the 2005 Recognition Plan, the purchase price of these shares was recorded as a contra equity account. As the shares are distributed, the contra equity account is reduced. During the nine months ended March 31, 2013, 561 shares vested and were released from the 2005 Recognition Plan Trust and 1,686 shares remained in the 2005 Recognition Plan Trust at March 31, 2013.

On December 23, 2011, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2011 Recognition and Retention Plan and Trust Agreement (the "2011 Recognition Plan", together with the 2005 Recognition Plan, the "Recognition Plan") as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's common stock available for award under the 2011 Recognition Plan totaled 77,808 shares. During the nine months ended March 31, 2013, 13,842 shares vested and were released from the 2011 Recognition Plan Trust and 63,966 shares remained in the 2011 Recognition Plan Trust at March 31, 2013.

Recognition Plan shares are earned by recipients at a rate of 20% of the aggregate number of shares covered by the Recognition Plan award over five years. Generally, if the employment of an employee or service as a non-employee director is terminated prior to the fifth anniversary of the date of grant of Recognition Plan share award, the recipient shall forfeit the right to any shares subject to the award that have not been earned. In the case of death or disability of the recipient or a change in control of the Company, the Recognition Plan awards will be vested and shall be distributed as soon as practicable thereafter.

The Recognition Plan cost is recognized over the five year vesting period. During the nine months ended March 31, 2013, the Company recognized \$157,000 in expense related to the Recognition Plans.

### Stock Option Plan

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Stock Option Plan (the “2005 Option Plan”) for the benefit of directors, officers, and other key employees. The aggregate number of shares of common stock reserved for issuance under the 2005 Option Plan totaled 158,868 (as adjusted). Both incentive stock options and non-qualified stock options may be granted under the 2005 Option Plan. As of March 31, 2013, 71,709 options were outstanding under the 2005 Option Plan and 2,133 were available for future grant.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-Based Compensation (continued)

Stock Option Plan (continued)

On December 23, 2011, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2011 Stock Option Plan (the “2011 Option Plan”, together with the 2005 Option Plan, the “Option Plans”) for the benefit of directors, officers, and other key employees. The aggregate number of shares of common stock reserved for issuance under the 2011 Option Plan totaled 194,522. Both incentive stock options and non-qualified stock options may be granted under the 2011 Option Plan. As of March 31, 2013, 169,235 options had been granted under the 2011 Option Plan of which 1,556 options had been exercised and 25,287 were available for future grant.

Under the Option Plans, the exercise price of each option cannot be less than the fair market value of the underlying common stock as of the date of the option grant and the maximum term is ten years. Incentive stock options and non-qualified stock options granted under the Option Plans become vested and exercisable at a rate of 20% per year over five years, commencing one year from the date of the grant, with an additional 20% vesting on each successive anniversary of the date the option was granted. No vesting shall occur after an employee’s employment or service as a director is terminated. In the event of the death or disability of an employee or director or change in control of the Company, the unvested options shall become vested and exercisable. The Company accounts for the Option Plans under the guidance of FASB ASC Topic 718, Compensation – Stock Compensation.

7. Related Party Transactions

Certain directors and executive officers were indebted to the Bank in the approximate aggregate amounts of \$2.2 million and \$1.9 million at March 31, 2013 and June 30, 2012, 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.

Securities to be Held-to-Maturity and Available-for-Sale

Fair values for investment securities, including mortgage-backed securities, are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The carrying values of restricted or non-marketable equity securities approximate their fair values. The carrying amount of accrued investment income approximates its fair value.

## 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.

The carrying amount and estimated fair values of the Company's financial instruments were as follows:

	March 31, 2013		June 30, 2012	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(In Thousands)				
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$7,024	\$7,024	\$34,863	\$34,863
Securities Available-for-Sale	53,313	53,313	68,426	68,426
Securities to be Held-to-Maturity	1,920	1,920	1,381	1,381
Loans Held-for-Sale	4,173	4,173	11,157	11,157
Loans Receivable	196,419	198,923	168,263	170,138
<b>Financial Liabilities</b>				

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

Deposits	203,069	206,228	221,436	225,651
Advances from FHLB	29,475	30,301	23,469	24,097
<b>Off-Balance Sheet Items</b>				
Mortgage Loan Commitments	309	309	237	237

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Disclosures (continued)

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. SFAS No. 157 was issued to establish a uniform definition of fair value. The definition of fair value is market-based as opposed to company-specific, and includes the following:

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability, in either case, through an orderly transaction between market participants at a measurement date and establishes a framework for measuring fair value;
- Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;
- Nullifies the guidance in EITF 02-3, which required the deferral of profit at inception of a transaction involving a derivative financial instrument in the absence of observable data supporting the valuation technique;
- Eliminates large position discounts for financial instruments quoted in active markets and requires consideration of the company's creditworthiness when valuing liabilities; and
- Expands disclosures about instrument that are measured at fair value.

The standard establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy favors the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Fair value is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets in which the Company can participate.
- Level 2 – Fair value is based upon (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; (c) inputs other than quoted prices that are observable for the asset or liability or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Fair value is based upon inputs that are unobservable for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs are adjusted if information indicates that market participants would use different assumptions.



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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 8. Fair Value Disclosures (continued)

Fair values of assets and liabilities measured on a recurring basis at March 31, 2013 and June 30, 2012 are as follows:

March 31, 2013	Fair Value Measurements Using:		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (In Thousands)	
Available-for-Sale			
Debt Securities			
FHLMC Mortgage-Backed Certificates	\$ --	\$ 445	\$ 445
FNMA Mortgage-Backed Certificates	--	14,585	14,585
GNMA Mortgage-Backed Certificates	--	38,283	38,283
Total	\$ --	\$ 53,313	\$ 53,313

June 30, 2012	Fair Value Measurements Using:		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (In Thousands)	
Available-for-Sale			
Debt Securities			
FHLMC Mortgage-Backed Certificates	\$ --	\$ 668	\$ 668
FBNA Mortgage-Backed Certificates	--	22,974	22,974
GNMA Mortgage-Backed Certificates	--	43,482	43,482
Equity Securities			
ARM Fund	1,302	--	1,302
Total	\$ 1,302	\$ 67,124	\$ 68,426



HOME FEDERAL BANCORP, INC. OF LOUISIANA

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Company's results of operations are primarily dependent on the results of the Bank, which became a wholly owned subsidiary upon completion of the second-step conversion and reorganization of the Bank on December 22, 2010. The Bank's results of operations depend, to a large extent, on net interest income, which is the difference between the income earned on its loan and investment portfolios and the cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by provisions for loan losses and loan sale activities. Non-interest expense principally consists of compensation and employee benefits, office occupancy and equipment expense, data processing and other expense. Our results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, government policies and actions of regulatory authorities. Future changes in applicable law, regulations or government policies may materially impact our financial conditions and results of operations.

Home Federal Bank operates from its main office in Shreveport, Louisiana and three full service branch offices and an agency office located in Shreveport and Bossier City, Louisiana. The Company's primary market area is the Shreveport-Bossier City metropolitan area. The Company offers security brokerage and advisory services through a third party provider at its agency office, which also serves as the office for the commercial lending division and as a loan production office. During the quarter ended March 31, 2013, the Bank determined to relocate its agency office from leased property to a building at 222 Florida Street, Shreveport, Louisiana that had been held for sale. The agency office relocation is expected to be completed in July 2013.

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, 2012 to March 31, 2013

At March 31, 2013, total assets amounted to \$276.2 million compared to \$296.2 million at June 30, 2012, a decrease of approximately \$20.0 million, or 6.7%. The decrease in assets was comprised primarily of decreases in cash and cash equivalents of \$27.8 million, from \$34.9 million at June 30, 2012 to \$7.0 million at March 31, 2013, investment

securities of \$14.6 million, or 20.9%, from \$69.8 million at June 30, 2012, to \$55.2 million at March 31, 2013, and loans held-for-sale of \$7.0 million, or 62.6%, from \$11.2 million at June 30, 2012 to \$4.2 million at March 31, 2013, partially offset by an increase in net loans receivable of \$28.2 million, or 16.7%, from \$168.3 million at June 30, 2012 to \$196.4 million at March 31, 2013. The \$27.8 million decrease in cash and cash equivalents was due to a non-recurring deposit in the fourth quarter of the fiscal year ended June 30, 2012, which had a balance of \$31.7 million at June 30, 2012. This deposit was short-term in nature and was fully withdrawn during the quarter ended September 30, 2012. The increase in net loans receivable at March 31, 2013 compared to June 30, 2012, was attributable primarily to increases in commercial real estate loans of \$12.2 million, one- to-four family residential of \$7.9 million, multi-family residential loans of \$7.1 million, land loans of \$3.6 million and

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2012 to March 31, 2013 (continued)

commercial business loans of \$3.2 million, partially offset by a decrease of \$7.4 million in construction loans. The \$14.6 million decrease in investment securities was due to normal principal repayments during the nine months ended March 31, 2013. The decrease in loans held-for-sale primarily reflects a decrease at March 31, 2013 in receivables from financial institutions purchasing the Company's loans held-for-sale.

At March 31, 2013, the Company had \$768,000 of non-performing assets compared to \$14,000 at June 30, 2012. Our non-performing assets at March 31, 2013 consisted of three one- to four-family residential loans purchased from a local mortgage originator secured by property in our market area that are 90 days or more past due and accruing interest, a one- to four-family residential loan we originated that was 90 days or more past due and on non-accrual status and a line of credit totaling \$27,000 that was on non-accrual status. Following the expansion of the Company's mortgage lending operations, the Company has not purchased mortgage loans since fiscal 2008. Non-performing assets at June 30, 2012 consisted of a \$14,000 one- to four-family residential mortgage loan on non-accrual status.

The Company's total liabilities amounted to \$233.9 million at March 31, 2013, a decrease of approximately \$12.4 million, or 5.0%, compared to total liabilities of \$246.3 million at June 30, 2012. The primary reason for the decrease in liabilities was due to a decrease in deposits of \$18.4 million, or 8.3%, from \$221.4 million at June 30, 2012 to \$203.1 million at March 31, 2013, partially offset by an increase in advances from the Federal Home Loan Bank of \$6.3 million, or 26.7%, to \$29.7 million at March 31, 2013 from \$23.5 million at June 30, 2012. The decrease in deposits was primarily due to the withdrawal during the quarter ended September 30, 2012 of the non-recurring deposit discussed above which had a balance of approximately \$31.7 million at June 30, 2012. Certificates of Deposit increased \$2.0 million, or 1.9%, from \$108.6 million at June 30, 2012 to \$110.7 million at March 31, 2013. Interest bearing NOW accounts increased \$5.1 million, or 30.1%, from \$16.9 million at June 30, 2012 to \$22.0 million at March 31, 2013. Non-interest bearing accounts increased \$2.8 million, or 13.8%, and passbook savings accounts increased \$2.3 million, or 33.2%, at March 31, 2013 compared to June 30, 2012. The Company utilizes brokered certificates of deposit as a component of its strategy for lowering Home Federal Bank's overall cost of funds. The brokered certificates of deposit, all of which have maturity dates greater than twelve months, are callable by Home Federal Bank after twelve months pursuant to early redemption provisions. At March 31, 2013 and June 30, 2012, the Company had \$12.7 million and \$10.4 million, respectively, in brokered deposits.

Stockholders' equity decreased \$7.6 million, or 15.2%, to \$42.3 million at March 31, 2013 compared to \$49.9 million at June 30, 2012. The primary reasons for the decrease in stockholders' equity from June 30, 2012, were the acquisition of treasury stock of \$10.2 million, dividends paid of \$492,000, and a decrease in the Company's accumulated other comprehensive income of \$600,000. These decreases in stockholders' equity were partially offset by net income of \$2.5 million for the nine months ended March 31, 2013, proceeds from the issuance of common stock from the exercise of stock options of \$742,000 and the vesting of restricted stock awards, stock options and release of Employee Stock Ownership Plan shares totaling \$525,000. The Company's book value per share increased from \$17.34 at June 30, 2012 to \$17.92 at March 31, 2013 based on shares outstanding of 2,877,032 and 2,361,879, respectively.

The Bank is required to meet minimum capital standards promulgated by the Office of the Comptroller of the Currency ("OCC"). At March 31, 2013, Home Federal Bank's regulatory capital was well in excess of the minimum capital requirements.

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2013 and 2012

General

Net income amounted to \$676,000 for the three months ended March 31, 2013 compared to \$587,000 for the same period in 2012, an increase of \$89,000 or 15.2%. The increase was primarily due to a \$126,000 or 5.0%, increase in net interest income, an \$81,000, or 3.5%, decrease in non-interest expense and a \$2,000, or 0.9%, decrease in the provision for loan losses, partially offset by a decrease of \$56,000, or 6.8%, in non-interest income and a \$64,000, or 24.7%, increase in income tax expense for the 2013 period compared to the same period in 2012. The increase in

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2013 and 2012 (continued)

net interest income for the three months ended March 31, 2013 was primarily due to a decrease in the Company's cost of funds for the three months ended March 31, 2013, compared to the prior year period. The decrease in non-interest expense was primarily due to decreases in compensation and benefit expense, audit and examination fees, occupancy and equipment expense and loan collection expense, partially offset by increases in data processing and legal fees.

Net income amounted to \$2.5 million for the nine months ended March 31, 2013 compared to net income of \$2.1 million for the same period in 2012, an increase of \$426,000, or 20.6%. The increase was primarily due to a \$911,000, or 12.9%, increase in net interest income, a \$150,000, or 6.1%, increase in non-interest income, and a \$49,000, or 10.0%, decrease in the provision for loan losses for the 2013 period compared to the same period for 2012. These changes were partially offset by an increase of \$308,000, or 5.1%, in non-interest expense and a \$376,000, or 44.0%, increase in income tax expense. The increase in net interest income for the nine months ended March 31, 2013 was primarily due to an increase in interest income and fees from higher loan originations combined with a decrease in the Company's cost of funds for the nine months ended March 31, 2013, compared to the prior year period. The increase in non-interest expense was primarily due to an increase in compensation and benefits expense of \$310,000, or 8.2%, and other expenses associated with the Company's growth.

Net Interest Income

Net interest income for the three months ended March 31, 2013 was \$2.6 million, an increase of \$126,000, or 5.0%, in comparison to \$2.5 million for the three months ended March 31, 2012. This increase was primarily due to a decrease of \$126,000 or 16.9%, in the Company's cost of funds. Total interest income was constant at \$3.3 million for both three month periods. The cost of funds from Federal Home Loan Bank borrowings decreased \$61,000, or 44.5% during the period while interest paid on deposits also decreased \$66,000, or 10.8% during the same period.

Net interest income for the nine months ended March 31, 2013 was \$7.9 million, an increase of \$911,000, or 12.9%, in comparison to \$7.0 million for the nine months ended March 31, 2012. This increase was primarily due to an increase of \$538,000 in total interest income and a decrease of \$373,000 in the Company's cost of funds. The increase in total interest income was primarily due to an increase in interest income generated from loans of \$1.2 million, or 15.8%, partially offset by a decrease in interest income from investment securities of \$68,000, or 77.3%, and a decrease in interest income from mortgage-backed securities of \$563,000 or 30.0%. The cost of funds from Federal Home Loan Bank borrowings decreased \$211,000, or 44.5% during the period while interest paid on deposits also decreased \$166,000, or 8.9%, during the same period.

The Company's average interest rate spread was 3.80% for both the three and nine months ended March 31, 2013, compared to 3.75% and 3.57% for the three and nine months ended March 31, 2012, respectively. The Company's net interest margin was 4.03% and 4.08% for the three and nine months ended March 31, 2013, respectively, compared to 4.11% and 3.97% for the three and nine months ended March 31, 2012, respectively. The increase in net interest margin and average interest rate spread for the three and nine month periods is attributable primarily to a higher volume of interest earning assets at relatively stable rates. Net interest income also increased primarily due to the increase in volume of average interest-earning assets. The increases in average interest rate spread and net interest income was also influenced by decreases in the average rates paid on interest bearing liabilities.

Provision for Losses on Loans



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

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 \$214,000 and \$441,000 was made during the three and nine months ended March 31, 2013, respectively, compared to a \$216,000 and \$490,000 provision made during the three and nine months ended March 31, 2012, respectively. The allowance for loan losses was \$2.1 million, or 1.1% of total loans, at March 31,

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2013 and 2012 (continued)

2013 compared to \$1.3 million, or 0.8%, of total loans at March 31, 2012. At March 31, 2013, Home Federal Bank had five non-performing loans in the aggregate amount of \$768,000 and no other non-performing assets or troubled-debt restructurings. At March 31, 2012, Home Federal had one non-performing loan in the amount of \$14,000. There can be no assurance that the loan loss allowance will be sufficient to cover losses on non-performing assets in the future.

Non-interest Income

Total non-interest income amounted to \$770,000 for the three months ended March 31, 2013, a decrease of \$56,000, or 6.8% compared to \$826,000 for the same period in 2012. The decrease was due to decreases of \$31,000 in other non-interest income, \$19,000 in gain on sale of loans and \$6,000 in income on bank owned life insurance compared to the same period in 2012.

Total non-interest income amounted to \$2.6 million for the nine months ended March 31, 2013, an increase of \$150,000, or 6.1%, compared to \$2.5 million for the same period in 2012. The increase was primarily due to increases of \$228,000 in gain on sale of loans held for sale, partially offset by decreases of \$39,000 in gain on sale of investments, \$22,000 in other non-interest income and \$17,000 in income on bank owned life insurance.

Non-interest Expense

Total non-interest expense decreased \$81,000, or 3.5%, for the three months ended March 31, 2013 compared to the prior year period. The decrease in non-interest expense was primarily due to decreases of \$51,000 in audit and examination fees, \$42,000 in occupancy and equipment expenses, \$35,000 in loan and collection expense, \$29,000 in compensation and benefits expense and \$9,000 in advertising expense. These decreases were partially offset by increases of \$46,000 in data processing costs and \$38,000 in legal fees.

Total non-interest expense increased \$308,000, or 5.1%, for the nine months ended March 31, 2013 compared to the prior year period. The increase in non-interest expense was primarily due to an increase in compensation and benefits expense of \$310,000, or 8.2%, as well as increases of \$82,000 in legal expenses, and \$67,000 in data processing costs. These increases were partially offset by decreases of \$60,000 in audit and examination fees, \$30,000 in loan and collection expense, \$26,000 in advertising expense, \$19,000 in occupancy and equipment expense and \$22,000 in other non-interest expense.

The increases in compensation and benefits expense were a result of normal compensation increases including stock options and recognition and retention plan expense and the hiring of additional commercial and residential loan officers. The aggregate compensation expense recognized by the Company for its Stock Option, ESOP and Recognition and Retention Plans amounted to \$147,000 and \$431,000 for the three and nine months ended March 31, 2013, compared to \$105,000 and \$189,000 for the three and nine months ended March 31, 2012, respectively.

The Louisiana bank shares tax is assessed on the Bank's equity and earnings. For the three and nine months ended March 31, 2013, the Company recognized franchise and bank shares tax expense of \$84,000 and \$224,000, respectively, compared to \$87,000 and \$230,000 for the same periods in 2012.

Income Taxes

Income taxes amounted to \$323,000 and \$1.2 million for the three and nine months ended March 31, 2013, respectively, resulting in effective tax rates of 32.3% and 33.0%, respectively. Income taxes amounted to \$259,000 and \$855,000 for the three and nine months ended March 31, 2012, respectively, resulting in effective tax rates of 30.6% and 29.2%, respectively. The increase in the effective income tax rate for the nine months ended March 31, 2013, compared to the prior year period, is primarily the result of a return to more normalized rates in 2013 following the effect of a combination of a difference in capital gains and losses resulting in a 2.9% reduction, and non-taxable income resulting in a 1.9% reduction, in rate for the nine months ended March 31, 2012.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2013 and 2012 (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,					
	2013			2012		
	Average Balance	Interest	Average Yield/ Rate (Dollars In Thousands)	Average Balance	Interest	Average Yield/ Rate
<b>Interest-earning assets:</b>						
Investment securities	\$ 55,851	\$ 388	2.78 %	\$ 76,900	\$ 643	3.34 %
Loans receivable	201,100	2,880	5.73	164,113	2,624	6.40
Interest-earning deposits	6,352	2	0.12	4,332	3	0.28
Total interest-earning assets	263,303	3,270	4.97	245,345	3,270	5.33
<b>Non-interest-earning assets</b>						
Total assets	\$ 279,084			\$ 260,785		
<b>Interest-bearing liabilities:</b>						
Savings accounts	7,948	4	0.22	6,471	15	0.93
NOW accounts	21,776	42	0.77	19,069	17	0.36
Money market accounts	38,533	35	0.37	37,404	50	0.53
Certificate accounts	110,439	462	1.67	101,053	527	2.09
Total deposits	178,696	543	1.22	163,997	609	1.49
FHLB advances	33,567	77	0.91	25,404	137	2.16
Total interest-bearing liabilities	212,263	620	1.17 %	189,401	746	1.58 %
<b>Non-interest-bearing liabilities:</b>						
Non-interest bearing demand accounts	23,258			19,133		
Other liabilities	879			1,293		
Total liabilities	236,400			209,827		
<b>Total Stockholders' Equity(1)</b>						
	42,684			50,958		

Total liabilities and equity	\$ 279,084			\$ 260,785		
Net interest-earning assets	\$ 51,040			\$ 55,944		
Net interest income; average interest rate spread(2)	\$ 2,650	3.80	%	\$ 2,524	3.75	%
Net interest margin(3)		4.03	%		4.11	%
Average interest-earning assets to average interest-bearing liabilities		124.05	%		129.54	%

(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, 2013 and 2012 (continued)

	Nine Months Ended March 31,						
	2013		2012		Average Yield/Rate		
	Average Balance	Interest	Average Yield/Rate (Dollars In Thousands)	Average Balance	Interest	Average Yield/Rate	
<b>Interest-earning assets:</b>							
Investment securities	\$ 60,601	\$ 1,334	2.94 %	\$ 78,664	\$ 1,965	3.33 %	
Loans receivable	193,450	8,564	5.90	150,167	7,394	6.57	
Interest-earning deposits	5,917	10	0.22	7,366	11	0.20	
Total interest-earning assets	259,968	9,908	5.08	236,197	9,370	5.29	
Non-interest-earning assets	15,647			14,237			
Total assets	\$ 275,615			\$ 250,434			
<b>Interest-bearing liabilities:</b>							
Savings accounts	7,140	14	0.26	6,519	44	0.90	
NOW accounts	19,719	118	0.80	16,926	74	0.58	
Money market accounts	40,363	131	0.43	36,326	167	0.61	
Certificate accounts	108,357	1,430	1.76	94,930	1,574	2.21	
Total deposits	175,579	1,693	1.29	154,701	1,859	1.60	
FHLB advances	28,773	267	1.24	25,962	474	2.43	
Total interest-bearing liabilities	204,352	1,960	1.28 %	180,663	2,333	1.72 %	
<b>Non-interest-bearing liabilities:</b>							
Non-interest bearing demand accounts	23,691			17,397			
Other liabilities	1,352			1,577			
Total liabilities	229,395			199,637			
Total Stockholders' Equity(1)	46,220			50,797			
Total liabilities and equity	\$ 275,615			\$ 250,434			
Net interest-earning assets	\$ 55,616			\$ 55,534			
Net interest income; average interest rate spread(2)		\$ 7,948	3.80 %		\$ 7,037	3.57 %	

Net interest margin(3)	4.08 %	3.97 %
Average interest-earning assets to average interest-bearing liabilities	127.22 %	130.74 %

(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 \$1.1 million at March 31, 2013.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2013 and 2012 (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, 2013, Home Federal Bank had \$29.7 million in advances from the Federal Home Loan Bank of Dallas and had \$107.3 million in additional borrowing capacity. Additionally, at March 31, 2013, 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 \$17.4 million. There were no amounts purchased under this agreement as of March 31, 2013.

At March 31, 2013, Home Federal Bank had outstanding loan commitments of \$30.9 million to originate loans. At March 31, 2013, certificates of deposit scheduled to mature in less than one year totaled \$47.0 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.

Home Federal Bank is required to maintain regulatory capital sufficient to meet tangible, core and risk-based capital ratios of at least 1.5%, 3.0% and 8.0%, respectively. At March 31, 2013, Home Federal Bank exceeded each of its capital requirements with ratios of 15.04 %, 15.04% and 25.90%, respectively.

#### Off-Balance Sheet Arrangements

At March 31, 2013, 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," "sh" 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 Chief Executive Officer and our President and Chief Operating Officer (together, the co-principal executive officers) and our Chief Financial Officer (principal financial officer), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer, the President and Chief Operating Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the applicable time periods specified by the Securities and Exchange Commission's rules and forms.

**Changes in Internal Control over Financial Reporting.** There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business, which involve amounts in the aggregate believed by management to be immaterial to the financial condition of the Company.

ITEM 1A. RISK FACTORS

Not applicable.

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, 2013 are set forth in the table below:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (a)

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

January 1, 2013 – January 31, 2013	139,214	\$ 17.73	14,214	139,522
February 1, 2013 – February 28, 2013	66,332	17.74	3,832	135,690
March 1, 2013 – March 31, 2013	1,345	18.25	1,345	134,345
<b>Total</b>	<b>206,891</b>	<b>\$ 17.74</b>	<b>19,391</b>	<b>134,345</b>

Notes to this table:

- (a) On September 14, 2012, the Company announced by press release a repurchase program to repurchase up to 275,000 shares, or approximately 10.0% of the Company's outstanding shares of common stock. The repurchase program does not have an expiration date.
- (b) On January 24, 2013, the Company announced by press release a repurchase program to repurchase up to 120,000 shares, or approximately 5.0% of the Company's outstanding shares of common stock. The repurchase program does not have an expiration date.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The following Exhibits are filed as part of this report:

No.	Description
10.1	Letter Agreement between Home Federal Bank and Adalberto Cantu, Jr., dated as of February 6, 2013*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Co-Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Co-Principal Executive Officer
31.3	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.0	Certification Pursuant to 18 U.S.C Section 1350

The following Exhibits are being furnished as part of this report:

No.	Description
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.**

\* Denotes a management contract or compensatory plan or arrangement.

\*\*These interactive data files are being furnished as part of this Quarterly Report, and, in accordance with Rule 402 of Regulation S-T, shall not be deemed filed for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections.



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 10, 2013

By:

/s/Clyde D. Patterson

Clyde D. Patterson

Executive Vice President and Chief Financial  
Officer

(Duly authorized officer and principal  
financial and accounting officer)