

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

Home Federal Bancorp, Inc. of Louisiana
Form 10-Q
February 12, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: December 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. T Yes G No

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

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

(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).
G Yes T No

Shares of common stock, par value \$.01 per share, outstanding as of February 11, 2014: The registrant had 2,246,605 shares of common stock outstanding.

INDEX

		Page
PART I	FINANCIAL INFORMATION	
Item 1:	Financial Statements (Unaudited)	
	Consolidated Statements of Financial Condition	1
	Consolidated Statements of Income	2
	Consolidated Statements of Comprehensive Income	3
	Consolidated Statements of Changes in Stockholders' Equity	4
	Consolidated Statements of Cash Flows	5
	Notes to Consolidated Financial Statements	7
Item 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3:	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4:	Controls and Procedures	33
PART II	OTHER INFORMATION	
Item 1:	Legal Proceedings	33
Item 1A:	Risk Factors	33
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 3:	Defaults Upon Senior Securities	34
Item 4:	Mine Safety Disclosures	34

Item 5:	Other Information	34
---------	-------------------	----

Item 6:	Exhibits	34
---------	----------	----

SIGNATURES

HOME FEDERAL BANCORP, INC. OF LOUISIANA
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

December 31, 2013
June 30, 2013
(Dollars In Thousands)

ASSETS

Cash and Cash Equivalents (Includes
Interest-Bearing

Deposits with Other Banks of \$366 and \$1,028 for
December 31, 2013 and June 30, 2013,
Respectively)

	December 31, 2013	June 30, 2013
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$366 and \$1,028 for December 31, 2013 and June 30, 2013, Respectively)	\$ 6,881	\$ 3,685
Securities Available-for-Sale	43,702	47,961
Securities Held-to-Maturity	1,259	1,465
Loans Held-for-Sale	5,600	3,464
Loans Receivable, Net of Allowance for Loan Losses of \$2,316 and \$2,240, Respectively	212,013	206,079
Accrued Interest Receivable	825	774
Premises and Equipment, Net	8,140	6,559
Bank Owned Life Insurance	6,118	6,030
Deferred Tax Asset	808	775
Other Assets	462	363
Total Assets	\$ 285,808	\$ 277,155

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Deposits	\$ 225,340	\$ 211,922
Advances from Borrowers for Taxes and Insurance	129	277
Advances from Federal Home Loan Bank of Dallas	18,457	21,662
Other Bank Borrowings	--	500
Other Accrued Expenses and Liabilities	562	812
Total Liabilities	244,488	235,173

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	33	32
Authorized; 3,062,386 Shares Issued and 2,249,962 Shares Outstanding at December 31, 2013;		

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

2,351,950 Shares Outstanding at June 30, 2013		
Additional Paid-in Capital	32,591	32,218
Treasury Stock, at Cost – 812,424 shares at December 31, 2013;		
710,436 at June 30, 2013	(15,339)	(13,168)
Unearned ESOP Stock	(1,619)	(1,676)
Unearned RRP Trust Stock	(853)	(863)
Retained Earnings	26,471	25,395
Accumulated Other Comprehensive Income	36	44
 Total Stockholders' Equity	 41,320	 41,982
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 \$ 285,808	 \$ 277,155

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

For the Three Months
Ended
December 31,
2013 2012 For the Six Months Ended
December 31,
2013 2012
(In Thousands, Except per Share Data)

	For the Three Months Ended December 31, 2013 2012		For the Six Months Ended December 31, 2013 2012	
INTEREST INCOME				
Loans, Including Fees	\$2,961	\$2,843	\$6,011	\$5,684
Investment Securities	1	7	3	14
Mortgage-Backed Securities	270	447	545	932
Other Interest-Earning Assets	3	2	8	8
Total Interest Income	3,235	3,299	6,567	6,638
INTEREST EXPENSE				
Deposits	556	557	1,131	1,150
Federal Home Loan Bank Borrowings	40	87	88	187
Other Bank Borrowings	7	3	14	3
Total Interest Expense	603	647	1,233	1,340
Net Interest Income	2,632	2,652	5,334	5,298
PROVISION FOR LOAN LOSSES	22	116	88	227
Net Interest Income after Provision for Loan Losses	2,610	2,536	5,246	5,071
NON-INTEREST INCOME				
Gain on Sale of Loans	404	654	880	1,336
Gain on Sale of Securities	34	120	34	215
Income on Bank Owned Life Insurance	44	48	88	97
Other Income	87	97	170	203
Total Non-Interest Income	569	919	1,172	1,851
NON-INTEREST EXPENSE				
Compensation and Benefits	1,346	1,347	2,730	2,664
Occupancy and Equipment	236	187	431	393
Data Processing	86	99	201	187
Audit and Examination Fees	50	58	106	106
Franchise and Bank Shares Tax	85	57	178	141
Advertising	69	60	133	120
Legal Fees	144	159	238	247
Loan and Collection	32	21	64	61
Deposit Insurance Premium	35	32	68	63
Other Expense	142	114	258	213
Total Non-Interest Expense	2,225	2,134	4,407	4,195
Income Before Income Taxes	954	1,321	2,011	2,727

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

PROVISION FOR INCOME TAX EXPENSE	309	440	653	908
Net Income	\$645	\$881	\$1,358	\$1,819
EARNINGS PER COMMON SHARE:				
Basic	\$0.31	\$0.36	\$0.64	\$0.73
Diluted	\$0.30	\$0.35	\$0.63	\$0.71
DIVIDENDS DECLARED	\$0.06	\$0.06	\$0.12	\$0.12

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2013	2012	2013	2012
	(In Thousands)			
Net Income	\$645	\$881	\$1,358	\$1,819
Other Comprehensive Income (Loss), Net of Tax				
Unrealized Holding Gain (Loss) on Securities Available-for-Sale, Net of Tax of \$149 and \$20 in 2013, respectively, and \$158 and \$106 in 2012, respectively	289	(307)	39	(204)
Reclassification Adjustment for Gain Included in Net Income, Net of Tax of \$18 and \$24 in 2013, respectively, and \$47 and \$75, in 2012, respectively	(35)	(90)	(47)	(147)
Net Other Comprehensive Income (Loss)	254	(397)	(8)	(351)
Total Comprehensive Income	\$899	\$484	\$1,350	\$1,468

See accompanying notes to consolidated financial statements.

3

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock (In Thousands)	Retained Earnings Treasury	Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE – June 30, 2012	\$32	\$ 31,199	\$(1,792)	\$(1,114)	\$22,897	\$ (2,706)	\$ 1,372	\$ 49,888
Net Income	--	--	--	--	1,819	--	--	1,819
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(351)	(351)
RRP Shares Earned	--	--	--	9	--	--	--	9
Stock Options Vested	--	83	--	--	--	--	--	83
Common Stock Issuance for Stock Option Exercises	--	597	--	--	--	--	--	597
ESOP Compensation Earned	--	40	58	--	--	--	--	98
Acquisition of Treasury Stock	--	--	--	--	--	(6,558)	--	(6,558)
Dividends Declared	--	--	--	--	(339)	--	--	(339)
BALANCE – December 31, 2012	\$32	\$ 31,919	\$(1,734)	\$(1,105)	\$24,377	\$ (9,264)	\$ 1,021	\$ 45,246
BALANCE – June 30, 2013	\$32	\$ 32,218	\$(1,676)	\$(863)	\$25,395	\$ (13,168)	\$ 44	\$ 41,982

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

Net Income	--	--	--	--	1,358	--	--	1,358
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(8)	(8)
RRP Shares Earned	--	--	--	10	--	--	--	10
Stock Options Vested	--	81	--	--	--	--	--	81
Common Stock Issuance for Stock Option Exercises	1	249	--	--	--	--	--	250
ESOP Compensation Earned	--	43	57	--	--	--	--	100
Acquisition of Treasury Stock	--	--	--	--	--	(2,171)	--	(2,171)
Dividends Declared	--	--	--	--	(282)	--	--	(282)
BALANCE – December 31, 2013	\$33	\$ 32,591	\$(1,619)	\$(853)	\$26,471	\$ (15,339)	\$ 36	\$ 41,320

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)Six Months Ended
December 31,
2013 2012
(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$1,358	\$1,819
Adjustments to Reconcile Net Income to Net Cash (Used in) Provided by Operating Activities		
Net Amortization and Accretion on Securities	38	(8)
Gain on Sale of Securities	(34)	(215)
Gain on Sale of Loans	(880)	(1,336)
Amortization of Deferred Loan Fees	(40)	(153)
Depreciation of Premises and Equipment	145	102
ESOP Expense	100	98
Stock Option Expense	81	83
Recognition and Retention Plan Expense	105	105
Deferred Income Tax	(29)	(54)
Provision for Loan Losses	88	227
Increase in Cash Surrender Value on Bank Owned Life Insurance	(88)	(97)
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(35,178)	(61,530)
Loans Held-for-Sale – Sale and Principal Repayments	33,921	65,647
Accrued Interest Receivable	(52)	24
Other Operating Assets	(99)	277
Other Operating Liabilities	(344)	(446)
Net Cash (Used In) Provided by Operating Activities	(908)	4,543

CASH FLOWS FROM INVESTING ACTIVITIES

Loan Originations and Purchases, Net of Principal Collections	(6,025)	(17,139)
Deferred Loan Fees Collected	44	64
Acquisition of Premises and Equipment	(1,726)	(726)
Activity in Available-for-Sale Securities:		
Proceeds from Sales of Securities	6,782	33,347
Principal Payments on Mortgage-Backed Securities	6,259	7,246
Purchases of Securities	(8,798)	(31,515)
Activity in Held-to-Maturity Securities:		
Redemption Proceeds	341	107
Purchases of Securities	(135)	(359)
Net Cash Used in Investing Activities	(3,258)	(8,975)

See accompanying notes to consolidated financial statements.

5

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

	Six Months Ended December 31,	
	2013	2012
	(In Thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Deposits	\$13,417	\$(25,278)
Proceeds from Federal Home Loan Bank Advances	296,350	83,500
Repayments of Advances from Federal Home Loan Bank	(299,555)	(76,726)
Net Decrease in Advances from Borrowers for Taxes and Insurance	(148)	(151)
Dividends Paid	(282)	(339)
Acquisition of Treasury Stock	(1,983)	(6,416)
Proceeds from Stock Options Exercised	63	454
Proceeds from other Bank Borrowings	300	1,000
Repayment of Other Bank Borrowings	(800)	(1,000)
Net Cash Provided by (Used In) Financing Activities	7,362	(24,956)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,196	(29,388)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	3,685	34,863
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$6,881	\$5,475
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest Paid on Deposits and Borrowed Funds	\$1,344	\$1,354
Income Taxes Paid	691	1,008
Market Value Adjustment for Loss on Securities Available-for-Sale	(12)	(533)

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Home Federal Bancorp, Inc. of Louisiana (the “Company”) and its subsidiary, Home Federal Bank (“Home Federal Bank” or the “Bank”). These consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the six month period ended December 31, 2013, is not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2014.

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

In accordance with the subsequent events topic of the ASC, the Company evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of December 31, 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 December 31, 2013, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which previously engaged in the sale of annuity contracts and does not currently engage in a significant amount of business.

Cash and Cash Equivalents

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

7

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Securities

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

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

Loans Held-for-Sale

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

Loans

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

Allowance for Loan Losses

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

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Allowance for Loan Losses (continued)

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

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

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

Off-Balance Sheet Credit Related Financial Instruments

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

Foreclosed Assets

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

Premises and Equipment

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

Income Taxes

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

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Income Taxes (continued)

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

Comprehensive Income

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

2. Securities

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

	Amortized Cost	December 31, 2013		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Securities Available-for-Sale				
		(In Thousands)		
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$339	\$14	\$--	\$353
FNMA Mortgage-Backed Certificates	11,247	676	(118)	11,805
GNMA Mortgage-Backed Certificates	32,061	21	(538)	31,544
Total Debt Securities	43,647	711	(656)	43,702
Total Securities Available-for-Sale	\$43,647	\$711	\$(656)	\$43,702
Securities Held-to-Maturity				
Equity Securities (Non-Marketable)				
10,089 Shares – Federal Home Loan Bank	\$1,009	\$--	\$--	\$1,009
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	1,259	--	--	1,259
Total Securities Held-to-Maturity	\$1,259	\$--	\$--	\$1,259

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Securities (continued)

Securities Available-for-Sale	Amortized Cost	June 30, 2013		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(In Thousands)				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$397	\$19	\$ --	\$416
FNMA Mortgage-Backed Certificates	11,185	775	--	11,960
GNMA Mortgage-Backed Certificates	36,312	10	737	35,585
Total Debt Securities	47,894	804	737	47,961
Total Securities Available-for-Sale	\$ 47,894	\$804	\$737	\$47,961
Securities Held-to-Maturity				
Equity Securities (Non-Marketable)				
12,149 Shares – Federal Home Loan Bank	\$ 1,215	\$--	\$--	\$1,215
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	1,465	--	--	1,465
Total Securities Held-to-Maturity	\$1,465	\$--	\$--	\$1,465

The amortized cost and fair value of debt securities by contractual maturity at December 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	309	317	--	--
After Five through Ten Years	194	199	--	--
Over Ten Years	43,144	43,186	--	--
Total	\$43,647	\$43,702	\$--	\$--

For the six months ended December 31, 2013, proceeds from the sale of securities available-for-sale amounted to \$6.8 million. Gross realized gains amounted to \$34,000 for the six months ended December 31, 2013.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Securities (continued)

The following tables show information pertaining to gross unrealized losses on securities available-for-sale at December 31, 2013 and June 30, 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 held-to-maturity at December 31, 2013 or June 30, 2013.

	December 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	\$118	\$1,871	\$538	\$24,815
Total Securities Available-for-Sale	\$118	\$1,871	\$538	\$24,815

	June 30, 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	\$737	\$27,875	\$--	\$--
Total Securities Available-for-Sale	\$737	\$27,875	\$--	\$--

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 December 31, 2013, securities with a carrying value of \$11.1 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$102.6 million were pledged to secure FHLB advances.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Loans Receivable

Loans receivable are summarized as follows:

	December 31, 2013 (In Thousands)	June 30, 2013
Loans Secured by Mortgages on Real Estate		
One- to Four-Family Residential	\$80,371	\$ 73,243
Commercial	47,863	51,169
Multi-Family Residential	19,674	19,587
Land	14,964	15,589
Construction	15,715	16,937
Equity and Second Mortgage	2,161	2,305
Equity Lines of Credit	12,145	12,592
Total Mortgage Loans	192,893	191,422
Commercial Loans	21,238	16,776
Consumer Loans		
Loans on Savings Accounts	352	259
Automobile and Other Consumer Loans	115	128
Total Consumer and Other Loans	467	387
Total Loans	214,598	208,585
Less: Allowance for Loan Losses	(2,316)	(2,240)
Unamortized Loan Fees	(269)	(266)
Net Loans Receivable	\$212,013	\$ 206,079

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

	Six Months Ended December 31,	
	2013	2012
	(In Thousands)	
Balance - Beginning of Period	\$ 2,240	\$ 1,698
Provision for Loan Losses	88	227
Loan Charge-Offs	(12)	--
Balance - End of Period	\$ 2,316	\$ 1,925

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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Loans Receivable (continued)

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.

Credit Quality Indicators (continued)

The following tables present the grading of loans, segregated by class of loans, as of December 31, 2013 and June 30, 2013:

December 31, 2013	Pass	Special Mention (In Thousands)	Substandard	Doubtful	Total
Real Estate Loans:					
One- to Four-Family Residential	\$79,759	\$ 209	\$ 403	\$--	\$80,371
Commercial	47,863	--	--	--	47,863
Multi-Family Residential	19,674	--	--	--	19,674
Land	14,964	--	--	--	14,964
Construction	15,715	--	--	--	15,715
Equity and Second Mortgage	2,161	--	--	--	2,161
Equity Lines of Credit	12,029	89	--	27	12,145
Commercial Loans	21,238	--	--	--	21,238
Consumer Loans	467	--	--	--	467
Total	\$213,870	\$298	\$ 403	\$27	\$214,598

June 30, 2013	Pass	Special Mention (In Thousands)	Substandard	Doubtful	Total
Real Estate Loans:					
One- to Four-Family Residential	\$72,595	\$313	\$ 335	\$--	\$73,243
Commercial	49,457	--	1,712	--	51,169
Multi-Family Residential	19,587	--	--	--	19,587

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

Land	15,589	--	--	--	15,589
Construction	16,937	--	--	--	16,937
Equity and Second Mortgage	2,305	--	--	--	2,305
Equity Lines of Credit	12,476	89	--	27	12,592
Commercial Loans	13,545	--	3,231	--	16,776
Consumer Loans	387	--	--	--	387
Total	\$202,878	\$402	\$ 5,278	\$27	\$208,585

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Loans Receivable (continued)

Credit Quality Indicators (continued)

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

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

December 31, 2013	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days (In Thousands)	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Real Estate							
Loans:							
One- to Four-Family Residential	\$ 1,767	\$ 592	\$ 538	\$ 2,897	\$ 77,474	\$ 80,371	\$ 204
Commercial	--	--	--	--	47,863	47,863	--
Multi-Family Residential	--	--	--	--	19,674	19,674	--
Land	--	--	--	--	14,964	14,964	--
Construction	--	--	--	--	15,715	15,715	--
Equity and Second Mortgage	--	--	--	--	2,161	2,161	--
Equity Lines of Credit	--	27	--	27	12,118	12,145	--
Commercial Loans	--	--	--	--	21,238	21,238	--
Consumer Loans	--	--	--	--	467	467	--
Total	\$ 1,767	\$ 619	\$ 538	\$ 2,924	\$ 211,674	\$ 214,598	\$ 204
June 30, 2013	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

(In Thousands)

Real Estate

Loans:

One- to Four-Family Residential	\$ 1,437	\$ 925	\$ 622	\$ 2,984	\$ 70,259	\$ 73,243	\$ 236
Commercial	--	--	--	--	51,169	51,169	--
Multi-Family Residential	--	--	--	--	19,587	19,587	--
Land	--	--	--	--	15,589	15,589	--
Construction	--	--	--	--	16,937	16,937	--
Equity and Second Mortgage	--	--	--	--	2,305	2,305	--
Equity Lines of Credit	--	--	27	27	12,565	12,592	--
Commercial Loans	--	--	--	--	16,776	16,776	--
Consumer Loans	--	--	--	--	387	387	--
Total	\$ 1,437	\$ 925	\$ 649	\$ 3,011	\$ 205,574	\$ 208,585	\$ 236

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 December 31, 2013 or June 30, 2013.

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 six months ended December 31, 2013 and the year ended June 30, 2013, was as follows:

December 31, 2013	Real Estate Loans					Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Multi- Commercial Family	Land	Construction					
Allowance for loan losses:									
Beginning Balances	\$ 1,023	\$ 338	\$ 103	\$ 127	\$ 146	\$ 85	\$ 412	\$ 6	\$ 2,240
Charge-Offs	--	--	--	--	--	--	(12)	--	(12)
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	204	(8)	(11)	1	(19)	(3)	(77)	1	88
Ending Balances	\$ 1,227	\$ 330	\$ 92	\$ 128	\$ 127	\$ 82	\$ 323	\$ 7	\$ 2,316
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,227	330	92	128	127	82	323	7	2,316
Loans Receivable:									
Ending Balances -									
Total	\$ 80,371	\$ 47,863	\$ 19,674	\$ 14,964	\$ 15,715	\$ 14,306	\$ 21,238	\$ 467	\$ 214,598
Ending Balances:									
Evaluated for Impairment:									
Individually	612	--	--	--	--	116	--	--	728
Collectively	\$ 79,759	\$ 47,863	\$ 19,674	\$ 14,964	\$ 15,715	\$ 14,190	\$ 21,238	\$ 467	\$ 213,870

Real Estate Loans

June 30, 2013	1-4 Family Residential	Commercial	Multi-Family	Land	Construction	Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
(In Thousands)									
Allowance for loan losses:									
Beginning									
Balances	\$ 306	\$ 185	\$ 205	\$ 270	\$ 311	\$ 110	\$ 281	\$ 30	\$ 1,698
Charge-Offs	--	--	--	--	--	(16)	--	--	(16)
Recoveries	--	--	--	--	--	--	--	--	--
Current									
Provision	717	153	(102)	(143)	(165)	(9)	131	(24)	558
Ending									
Balances	\$ 1,023	\$ 338	\$ 103	\$ 127	\$ 146	\$ 85	\$ 412	\$ 6	\$ 2,240
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,023	338	103	127	146	85	412	6	2,240
Loans Receivable:									
Ending									
Balances -									
Total	\$ 73,243	\$ 51,169	\$ 19,587	\$ 15,589	\$ 16,937	\$ 14,897	\$ 16,776	\$ 387	\$ 208,585
Ending									
Balances:									
Evaluated for									
Impairment:									
Individually	648	1,712	--	--	--	116	3,231	--	5,707
Collectively	\$ 72,595	\$ 49,457	\$ 19,587	\$ 15,589	\$ 16,937	\$ 14,781	\$ 13,545	\$ 387	\$ 202,878

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 six months ended December 31, 2012, was as follows:

December 31, 2012	Real Estate Loans					Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Multi- Commercial Family	Land	Construction					
Allowance for loan losses:									
Beginning Balances	\$ 306	\$ 185	\$ 205	\$ 270	\$ 311	\$ 110	\$ 281	\$ 30	\$ 1,698
Charge-Offs	--	--	--	--	--	--	--	--	--
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	633	135	(108)	(117)	(149)	(39)	(127)	(1)	227
Ending Balances	\$ 939	\$ 320	\$ 97	\$ 153	\$ 162	\$ 71	\$ 154	\$ 29	\$ 1,925
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	939	320	97	153	162	71	154	29	1,925
Loans Receivable:									
Ending Balances - Total	\$ 63,608	\$ 49,781	\$ 19,681	\$ 15,022	\$ 13,403	\$ 11,440	\$ 14,107	\$ 438	\$ 187,480
Ending Balances: Evaluated for Impairment:									
Individually	335	--	--	--	--	--	--	--	335
Collectively	\$ 63,273	\$ 49,781	\$ 19,681	\$ 15,022	\$ 13,403	\$ 11,440	\$ 14,107	\$ 438	\$ 187,145

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 December 31, 2013 and June 30, 2013:

December 31, 2013	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance (In Thousands)	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real Estate Loans:						
One- to Four-Family Residential	\$612	\$ 612	\$--	\$612	\$--	\$621
Commercial	--	--	--	--	--	--
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	116	116	--	116	--	116
Commercial Loans	--	--	--	--	--	--
Consumer Loans	--	--	--	--	--	--
Total	\$ 728	\$ 728	\$ --	\$ 728	\$--	\$ 737

June 30, 2013	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance (In Thousands)	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real Estate Loans:						
One- to Four-Family Residential	\$648	\$648	\$ --	\$648	\$ --	\$650
Commercial	1,712	1,712	--	1,712	--	1,151
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	116	116	--	116	--	116
Commercial Loans	3,231	3,231	--	3,231	--	3,534
Consumer Loans	--	--	--	--	--	--
Total	\$5,707	\$5,707	\$--	\$5,707	\$ --	\$5,451

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 \$413,000 were in non-accrual status at December 31, 2013 and June 30, 2013, respectively.

There was no interest income recognized on non-accrual loans during the three months ended December 31, 2013. If the non-accrual loans had been accruing interest at their original contracted rates, gross interest income that would have been recorded for the six months ended December 31, 2013 was approximately \$8,000.

4. Deposits

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

	December 31, 2013	June 30, 2013
	(In Thousands)	
Non-Interest Bearing	\$ 32,977	\$ 26,027
NOW Accounts	25,496	24,625
Money Markets	42,181	39,482
Passbook Savings	10,814	9,524
	111,468	99,658
Certificates of Deposit	113,872	112,264
Total Deposits	\$ 225,340	\$ 211,922

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 six months ended December 31, 2013 and 2012 were calculated as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
	(In Thousands, Except Per Share Data)			
Net income	\$645	\$ 881	\$1,358	\$ 1,819
Weighted average shares outstanding - basic	2,099	2,421	2,106	2,507
Effect of dilutive common stock equivalents	44	67	48	68
Adjusted weighted average shares outstanding - diluted	2,143	2,488	2,154	2,575

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

Basic earnings per share	\$0.31	\$0.36	\$0.64	\$0.73
Diluted earnings per share	\$0.30	\$ 0.35	\$0.63	\$ 0.71

For the three months ended December 31, 2013 and 2012, there were outstanding options to purchase 239,046 and 287,540 shares, respectively, at a weighted average exercise price of \$13.90 and \$13.44 respectively, per share, and for the six months ended December 31, 2013 and 2012, there were outstanding options to purchase 247,006 and 304,007 shares, respectively, at a weighted average exercise price of \$13.83 and \$13.31 per share, respectively. For the quarter and six months ended December 31, 2013, 44,050 and 48,511 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 December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
	(In Thousands)			
Average common shares issued	3,062	3,062	3,062	3,062
Average unearned ESOP shares	(163)	(175)	(164)	(176)
Average unearned RRP shares	(64)	(77)	(64)	(78)
Average treasury shares	(736)	(389)	(728)	(301)
Weighted average shares outstanding	2,099	2,421	2,106	2,507

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 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 six months ended December 31, 2013, 561 shares vested and were released from the 2005 Recognition Plan Trust and 1,125 shares remained in the 2005 Recognition Plan Trust at December 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. At December 31, 2013, 63,966 shares remained in the 2011 Recognition Plan Trust.

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

The Recognition Plan cost is recognized over the five year vesting period. During the six months ended December 31, 2013, the Company recognized \$105,000 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. Both incentive stock options and non-qualified stock options may be granted under the 2005 Option Plan. As of December 31, 2013, 49,041 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 December 31, 2013, 169,235 options had been granted under the 2011 Option Plan of which 2,115 options had been exercised 3,112 had been forfeited and 28,399 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 \$1.9 million and \$1.4 million at December 31, 2013 and June 30, 2013, 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:

	December 31, 2013		June 30, 2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In Thousands)			
Financial Assets				
Cash and Cash Equivalents	\$6,881	\$6,881	\$3,685	\$3,685
Securities Available-for-Sale	43,702	43,702	47,961	47,961
Securities to be Held-to-Maturity	1,259	1,259	1,465	1,465
Loans Held-for-Sale	5,600	5,600	3,464	3,464
Loans Receivable	212,013	215,172	206,079	206,055

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

Financial Liabilities				
Deposits	225,340	223,582	211,922	211,130
Advances from FHLB	18,457	18,893	21,662	22,045
Off-Balance Sheet Items				
Mortgage Loan Commitments	288	288	291	291

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 December 31, 2013 and June 30, 2013 are as follows:

December 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	\$ --	\$ 353	\$ 353
FNMA Mortgage-Backed Certificates	--	11,805	11,805
GNMA Mortgage-Backed Certificates	--	31,544	31,544
Total	\$ --	\$ 43,702	\$ 43,702

June 30, 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	\$ --	\$ 416	\$ 416
FNMA Mortgage-Backed Certificates	--	11,960	11,960
GNMA Mortgage-Backed Certificates	--	35,585	35,585
Total	\$ --	\$ 47,961	\$ 47,961

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 was completed during the quarter ended December 31, 2013. The Bank completed its purchase of a parcel of land during the quarter ended December 31, 2013, located at 7964 East Texas Street, Bossier City, Louisiana, which will serve as the site of a future branch office.

Critical Accounting Policies

Allowance for Loan Losses. The Company has identified the calculation of the allowance for loan losses as a critical accounting policy, due to the higher degree of judgment and complexity than its other significant accounting policies. Provisions for loan losses are based upon management's periodic valuation and assessment of the overall loan portfolio and the underlying collateral, trends in non-performing loans, current economic conditions and other relevant factors in order to maintain the allowance for loan losses at a level believed by management to represent all known and inherent losses in the portfolio that are both probable and reasonably estimable. Although management uses the best information available, the level of the allowance for loan losses remains an estimate which is subject to significant judgment and short-term change.

Income Taxes. Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various assets and liabilities and gives current recognition to changes in tax rates and laws. The realization of our deferred tax assets principally depends upon our achieving projected future taxable income. We may change our judgments regarding future profitability due to future market conditions and other factors. We may adjust our deferred tax asset balances if our judgments change.

Discussion of Financial Condition Changes from June 30, 2013 to December 31, 2013

General

At December 31, 2013, the Company reported total assets of \$285.8 million, an increase of \$8.7 million, or 3.1%, compared to total assets of \$277.2 million at June 30, 2013. The increase in assets was comprised primarily of increases in loans receivable, net of \$5.9 million, or 2.9%, from \$206.1 million at June 30, 2013, to \$212.0 million at December 31, 2013, loans held-for-sale of \$2.1 million, or 61.7%, from \$3.5 million at June 30, 2013, to \$5.6 million at December 31, 2013, cash and cash equivalents of \$3.2 million, or 86.7%, from \$3.7 million at June 30, 2013 to \$6.9 million at December 31, 2013, and an increase in premises and equipment, net of \$1.6 million, or 24.1%, from \$6.6 million at June 30, 2013 to \$8.1 million at December 31, 2013. These increases were partially offset by a decrease in investment securities of \$4.5 million, or 9.0%, from \$49.4 million at June 30, 2013, to \$45.0 million at December 31, 2013. The increase in loans held-for-sale results primarily from an increase at December 31, 2013 in receivables from financial institutions purchasing the Company's loans held-for-sale.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

Cash and Cash Equivalents

Cash and cash equivalents increased \$3.2 million, or 86.7%, from \$3.7 million at June 30, 2013 to \$6.9 million at December 31, 2013. The \$3.2 million increase in cash and cash equivalents was due to normal increases in demand deposit account and federal funds balances.

Loans Receivable, Net

Loans receivable, net, increased by \$5.9 million, or 2.9%, to \$212.0 million at December 31, 2013 compared to \$206.1 million at June 30, 2013. During the six months ended December 31, 2013, our total loan originations amounted to \$109.3 million compared to \$133.3 million for the six months ended December 31, 2012. The increase in loans receivable, net, was primarily due to increases in one- to four-family residential loans of \$7.1 million and commercial business loans of \$4.5 million partially offset by decreases in commercial real estate loans of \$3.3 million, residential construction loans of \$1.2 million, home equity lines of credit of \$447,000, and land loans of \$625,000.

Loans Held-for-Sale

Loans held-for-sale increased \$2.1 million, or 61.7%, from \$3.5 million at June 30, 2013 to \$5.6 million at December 31, 2013. The increase in loans held-for-sale resulted primarily from an increase at December 31, 2013 in receivables from financial institutions purchasing the Company's loans held-for-sale.

Investment Securities

Investment securities amounted to \$45.0 million at December 31, 2013 compared to \$49.4 million at June 30, 2013, a decrease of \$4.5 million, or 9.0%. The decrease in investment securities was primarily due to the sale of mortgage backed securities in the amount of \$6.7 million, and by principal payments on securities of \$6.3 million, partially offset by the acquisition of \$8.8 million of mortgage-backed securities.

Premises and Equipment, Net

Premises and equipment, net, increased \$1.6 million, to \$8.1 million at December 31, 2013, compared to \$6.6 million at June 30, 2013, primarily due to improvements to the new agency office and main office and the acquisition of real estate for future branch office locations.

Asset Quality

At December 31, 2013, the Company had \$565,000 of non-performing assets compared to \$649,000 at June 30, 2013. Our non-performing assets at both December 31, 2013 and June 30, 2013 consisted of three single family residential loans, two of which were purchased from a local mortgage originator secured by property in our market area that are 90 days or more past due and accruing interest, one single 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. At December 31, 2013, the Company had two residential mortgage loans classified as substandard in the aggregate amount of \$403,000 compared to one commercial real estate loan, two commercial business loans and one residential mortgage loan in the aggregate amount of \$5.3 million at June 30, 2013. The

Company had one line of credit classified as doubtful in the amount of \$27,000 at both December 31, 2013 and June 30, 2013.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

Total Liabilities

The Company's total liabilities amounted to \$244.5 million at December 31, 2013, an increase of approximately \$9.3 million, or 4.0%, compared to total liabilities of \$235.2 million at June 30, 2013. The primary reason for the increase in liabilities was due to an increase in deposits of \$13.4 million, or 6.3%, from \$211.9 million at June 30, 2013 to \$225.3 million at December 31, 2013, partially offset by a decrease in advances from the Federal Home Loan Bank of \$3.2 million, or 14.8%, to \$18.5 million at December 31, 2013 from \$21.7 million at December 31, 2013. Non-interest bearing accounts increased \$7.0 million, or 26.7%, and passbook savings accounts increased \$1.3 million or 13.5%, at December 31, 2013 compared to June 30, 2013. Certificates of Deposit increased \$1.6 million, or 1.4%, from \$112.3 million at June 30, 2013 to \$113.9 million at December 31, 2013. Interest bearing NOW accounts increased \$871,000, or 3.5%, from \$24.6 million at June 30, 2013 to \$25.5 million at December 31, 2013. 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 both December 31, 2013 and June 30, 2013, the Company had \$12.7 million in brokered deposits.

Shareholders' Equity

Shareholders' equity decreased \$662,000, or 1.6%, to \$41.3 million at December 31, 2013, from \$42.0 million at June 30, 2013. The primary reasons for the decrease in shareholders' equity from June 30, 2013, were dividends paid of \$282,000, acquisition of treasury stock of \$2.2 million, and a decrease in the Company's accumulated other comprehensive income of \$8,000. These decreases in shareholders' equity were partially offset by net income of \$1.4 million, proceeds from the issuance of common stock from the exercise of stock options of \$250,000, and the vesting of restricted stock awards, stock options and release of employee stock ownership plan shares totaling \$191,000.

The Bank is required to meet minimum capital standards promulgated by the Office of the Comptroller of the Currency ("OCC"). At December 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 Six Month Periods Ended December 31, 2013 and 2012

General

Net income amounted to \$645,000 for the three months ended December 31, 2013 compared to \$881,000 for the same period in 2012, a decrease of \$236,000 or 26.8%. The decrease was primarily due to a \$350,000 or 38.1%, decrease in non-interest income, a \$91,000 or 4.3%, increase in non-interest expense and a \$20,000, or 0.8% decrease in net interest income, partially offset by a \$94,000 or 81.0%, decrease in the provision for loan losses, and a \$131,000 or 29.8%, decrease in income tax expense for the 2013 period compared to the same period in 2012.

Net income amounted to \$1.4 million for the six months ended December 31, 2013 compared to net income of \$1.8 million for the same period in 2012, a decrease of \$461,000, or 25.3%. The decrease was primarily due to a \$679,000, or 36.7%, decrease in non-interest income, and a \$212,000, or 5.1%, increase in non-interest expense, partially offset by a \$139,000, or 61.2%, decrease in the provision for loan losses, an increase of \$36,000, or 0.7%, in net interest

income and a \$255,000, or 28.1%, decrease in income tax expense.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

Net Interest Income

Net interest income for the three months ended December 31, 2013 was \$2.6 million, a decrease of \$20,000, or 0.8%, in comparison to \$2.7 million for the three months ended December 31, 2012. The decrease in net interest income for the three months ended December 31, 2013, was primarily due to a \$64,000, or 1.9%, decrease in total interest income, partially offset by a decrease of \$44,000, or 6.8%, in aggregate interest expense on borrowings and deposits primarily due to an overall decrease in rates paid on interest-bearing liabilities. The Company's average interest rate spread was 3.66% for the three months ended December 31, 2013, compared to 3.84% for the three months ended December 31, 2012. The Company's net interest margin was 3.91% for the three months ended December 31, 2013, compared to 4.13% for the quarter ended December 31, 2012. The decrease in the average interest rate spread and net interest margin on a comparative quarterly basis was primarily the result of a higher average volume of interest earning assets and a decrease of 33 basis points in average yield on interest-earning assets for the quarter ended December 31, 2013 compared to the prior year quarterly period.

Net interest income for the six months ended December 31, 2013 was \$5.3 million, an increase of \$36,000, or 0.7%, in comparison to the six months ended December 31, 2012. The increase in net interest income for the six month period was primarily due to a \$107,000, or 8.0% decrease in interest expense on borrowings and deposits due to an overall decline in the average cost of funds partially offset by a \$71,000, or 1.1%, decrease in total interest income. The Company's average interest rate spread was 3.66% for the six months ended December 31, 2013, compared to 3.80% for the six months ended December 31, 2012. The Company's net interest margin was 3.91% for the six months ended December 31, 2013, compared to 4.10% for the six months ended December 31, 2012. The decrease in net interest margin and average interest rate spread is attributable primarily to a lower average yield on interest earning assets.

Provision for Losses on Loans

Based on an analysis of historical experience, the volume and type of lending conducted by Home Federal Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to our market area and other factors related to the collectability of Home Federal Bank's loan portfolio, a provision for loan losses of \$22,000 and \$88,000 was made during the three and six months ended December 31, 2013, respectively, compared to a \$116,000 and \$227,000 provision made during the three and six months ended December 31, 2012, respectively. The allowance for loan losses was \$2.3 million, or 1.08% of total loans, at December 31, 2013 compared to \$1.9 million, or 1.03%, of total loans at December 31, 2012. At December 31, 2013, Home Federal Bank had five non-performing loans in the aggregate amount of \$565,000 and no other non-performing assets or troubled-debt restructurings. At December 31, 2012, Home Federal had nine non-performing loans in the aggregate amount of \$1.4 million. 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 \$569,000 for the three months ended December 31, 2013, a decrease of \$350,000 or 38.1% compared to \$919,000 for the same period in 2012. The decrease was due to decreases of \$250,000 in gain on sale of loans held for sale, \$86,000 in gain on sale of securities, \$10,000 in other non-interest income and \$4,000 in income on bank owned life insurance compared to the same period in 2012.

Total non-interest income amounted to \$1.2 million for the six months ended December 31, 2013, a decrease of \$679,000, or 36.7%, compared to \$1.9 million for the same period in 2012. The decrease was primarily due to decreases of \$456,000 in gain on sale of loans held for sale, \$181,000 in gain on sale of investments \$33,000 in other non-interest income, and \$9,000 in income on bank owned life insurance.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

Non-interest Expense

Total non-interest expense increased \$91,000, or 4.3%, for the three months ended December 31, 2013 compared to the prior year period. The increase in non-interest expense for the quarter ended December 31, 2013, compared to the same period in 2012, is primarily attributable to increases of \$49,000 in occupancy and equipment expense, \$28,000 in franchise and bank shares taxes, \$11,000 in loan and collection expense, \$9,000 in advertising and \$28,000 in other non-interest expenses. These increases were partially offset by decreases of \$15,000 in legal fees, \$13,000 in data processing and \$8,000 in audit and examination fees.

Total non-interest expense increased \$212,000, or 5.1%, for the six months ended December 31, 2013 compared to the prior year period. The increase in non-interest expense for the six months ended December 31, 2013, compared to the same period in 2012, is primarily attributable to increases of \$66,000 in compensation and benefits expense, \$38,000 in occupancy and equipment expense, \$37,000 in franchise and bank shares taxes, \$14,000 in data processing, \$13,000 in advertising and \$45,000 in other non-interest expenses. These increases were partially offset by a decrease of \$9,000 in legal fees.

The increase in compensation and benefits expense for the six month period was 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 \$143,000 and \$286,000 for the three and six months ended December 31, 2012, compared to \$145,000 and \$286,000 for the three and six months ended December 31, 2012, respectively.

The Louisiana bank shares tax is assessed on the Bank's equity and earnings. For the three and six months ended December 31, 2013, the Company recognized franchise and bank shares tax expense of \$85,000 and \$178,000, respectively, compared to \$57,000 and \$141,000 for the same periods in 2012.

Income Taxes

Income taxes amounted to \$309,000 and \$653,000 for the three and six months ended December 31, 2013, respectively, resulting in effective tax rates of 32.4% and 32.5%, respectively. Income taxes amounted to \$440,000 and \$908,000 for the three and six months ended December 31, 2012, respectively, resulting in effective tax rates of 33.3% for both periods. The decrease in the effective income tax rate for the six months ended December 31, 2013, is primarily the result of the effect of non-taxable income resulting in a 0.8% reduction in the effective rate compared to the six months ended December 31, 2012.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Six Month Periods Ended December 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 December 31,					
	2013			2012		
	Average Balance	Interest	Average Yield/ Rate (Dollars in thousands)	Average Balance	Interest	Average Yield/ Rate
Interest-earning assets:						
Investment securities	\$45,919	\$ 271	2.36%	\$ 60,208	\$ 454	3.02%
Loans receivable	216,626	2,961	5.47	194,620	2,843	5.84
Interest-earning deposits	6,963	3	0.20	2,303	2	0.32
Total interest-earning assets	269,508	3,235	4.80	257,131	3,299	5.13
Non-interest-earning assets	19,699			15,985		
Total assets	\$ 289,207			\$273,116		
Interest-bearing liabilities:						
Savings accounts	10,949	5	0.20	6,679	5	0.29
NOW accounts	26,858	69	1.03	18,950	39	0.83
Money market accounts	41,597	34	0.33	37,732	40	0.43
Certificate accounts	114,461	448	1.56	107,090	473	1.77
Total deposits	193,865	556	1.15	170,451	557	1.31
Other bank borrowings	267	7	5.18	--	--	--
FHLB advances	17,958	40	0.89	29,584	90	1.22
Total interest-bearing liabilities	212,090	603	1.14%	200,035	647	1.29%
Non-interest-bearing liabilities:						
Non-interest bearing demand accounts	31,916			25,096		
	1,403			1,173		

Other liabilities				
Total	245,409		226,304	
liabilities				
Total Stockholders' Equity(1)	43,798		46,812	
Total liabilities and equity	\$ 289,207		\$273,116	
Net interest-earning assets	\$ 57,418		\$ 57,096	
Net interest income; average interest rate spread(2)	\$ 2,632	3.66%	\$ 2,652	3.84%
Net interest margin(3)		3.91%		4.13%
Average interest-earning assets to average interest-bearing liabilities		127.07%		128.54%

(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 Six Month Periods Ended December 31, 2013 and 2012
(continued)

	Six Months Ended December 31,					
	2013			2012		
	Average Balance	Interest	Average Yield/ Rate (Dollars In Thousands)	Average Balance	Interest	Average Yield/ Rate
Interest-earning assets:						
Investment securities	\$ 50,616	\$ 548	2.17%	\$ 62,976	\$ 946	3.01%
Loans receivable	216,183	6,011	5.56	189,624	5,684	6.00
Interest-earning deposits	6,138	8	0.25	5,701	8	0.28
Total interest-earning assets	272,937	6,567	4.81	258,301	6,638	5.14
Non-interest-earning assets	19,470			15,580		
Total assets	\$ 292,407			\$273,881		
Interest-bearing liabilities:						
Savings accounts	10,475	12	0.22	6,736	10	0.28
NOW accounts	26,197	137	1.04	18,691	76	0.81
Money market accounts	42,811	79	0.37	41,278	96	0.47
Certificate accounts	114,051	903	1.58	107,316	968	1.81
Total deposits	193,534	1,131	1.17	174,021	1,150	1.32
Other bank borrowings	500	14	5.71	--	--	--
FHLB advances	19,911	88	0.89	26,375	190	1.45
Total interest-bearing liabilities	213,945	1,233	1.15%	200,396	1,340	1.34%
Non-interest-bearing liabilities:						
Non-interest bearing demand accounts	32,940			23,908		
Other liabilities	1,502			1,589		
Total liabilities	248,387			225,893		
Total Stockholders' Equity(1)	44,020			47,988		
Total liabilities and equity	\$292,407			\$273,881		

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

Net interest-earning assets	\$ 58,992		\$ 57,905	
Net interest income; average interest rate spread(2)	\$ 5,334	3.66%	\$5,298	3.80%
Net interest margin(3)		3.91%		4.10%
Average interest-earning assets to average interest-bearing liabilities		127.57%		128.90%

(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 Six Month Periods Ended December 31, 2013 and 2012
(continued)

Liquidity and Capital Resources

Home Federal Bank maintains levels of liquid assets deemed adequate by management. The Bank adjusts its liquidity levels to fund deposit outflows, repay its borrowings and to fund loan commitments. Home Federal Bank also adjusts liquidity as appropriate to meet asset and liability management objectives.

Home Federal Bank's primary sources of funds are deposits, amortization and prepayment of loans and mortgage-backed securities, maturities of investment securities and other short-term investments, loan sales and earnings and funds provided from operations. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. The Bank sets the interest rates on its deposits to maintain a desired level of total deposits. In addition, Home Federal Bank invests excess funds in short-term interest-earning accounts and other assets, which provide liquidity to meet lending requirements. Home Federal Bank's deposit accounts with the Federal Home Loan Bank of Dallas amounted to \$366,000 at December 31, 2013.

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 December 31, 2013, Home Federal Bank had \$18.5 million in advances from the Federal Home Loan Bank of Dallas and had \$114.6 million in additional borrowing capacity. Additionally, at December 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 \$16.7 million. There were no amounts purchased under this agreement as of December 31, 2013.

At December 31, 2013, Home Federal Bank had outstanding loan commitments of \$28.8 million to originate loans. At December 31, 2013, certificates of deposit scheduled to mature in less than one year totaled \$42.5 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 December 31, 2013, Home Federal Bank exceeded each of its capital requirements with ratios of 14.18%, 14.18% and 23.77%, respectively.

Off-Balance Sheet Arrangements

At December 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Forward-Looking Statements

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

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 December 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	Maximum Number of Shares that May Yet Be Purchased
--------	----------------------------------	------------------------------	---	--

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

			Programs	Under the Plans or Programs (a)(b)
October 1, 2013 –October 31, 2013	9,253	\$ 17.07	9,253	98,012
November 1, 2013 – November 30, 2013	5,000	17.05	5,000	93,012
December 1, 2013 –December 31, 2013	83,557	17.41	83,557	9,455
Total	97,810	\$ 17.36	97,810	9,455

Notes to this table:

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

SIGNATURES

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Date: February 12, 2014

By: /s/ Clyde D. Patterson
Clyde D. Patterson
Executive Vice President and Chief Financial Officer
(Duly authorized officer and principal financial and
accounting officer)