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HOME FEDERAL BANCORP, INC. OF LOUISIANA
Form 10QSB
May 15, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2006

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission File Number: 000-51117

HOME FEDERAL BANCORP, INC. OF LOUISIANA

(Exact name of small business issuer as specified in its charter)

Federal

86-1127166

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

624 Market Street, Shreveport, Louisiana 71101

(Address of principal executive offices)

(318) 222-1145

(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by

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Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

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

Shares of common stock, par value \$.01 per share, outstanding as of May 15, 2006: The registrant had 3,558,258 shares of common stock outstanding, of which 2,135,375 shares were held by Home Federal Mutual Holding Company of Louisiana, the registrant's mutual holding company, and 1,422,883 shares were held by the public and directors, officers and employees of the registrant, and the registrant's employee benefit plans.

Transitional Small Business Disclosure Format: Yes [] No [X]

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (unaudited)

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	March 31, 2006	June 30, 2005
	-----	-----
ASSETS		
Cash and Cash Equivalents	\$ 13,201,702	\$ 9,292,489
Securities Available-for-Sale	78,237,793	75,760,424
Securities Held-to-Maturity	1,485,785	1,612,657
Loans Held-for-Sale	--	70,000
Loans Receivable, Net	19,895,240	23,575,037
Accrued Interest Receivable	416,864	435,534
Premises and Equipment, Net	966,411	524,755
Deferred Tax Asset	885,575	--
Other Assets	70,698	59,936
	-----	-----
Total Assets	\$115,160,268	\$111,330,832
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	\$ 75,390,538	\$ 69,995,056
Advances from Borrowers for Taxes and Insurance	157,439	170,037
Advances from Federal Home Loan Bank of Dallas	9,158,364	8,224,459
Deferred Tax Liability	--	186,118
Other Accrued Expenses and Liabilities	389,729	323,688
	-----	-----
Total Liabilities	\$ 85,096,070	\$ 78,899,358
	=====	=====
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock - 8,000,000 shares of \$.01 par value authorized; 3,558,958 shares issued at March 31, 2006 and June 30, 2005, respectively	\$ 14,236	\$ 14,236
Additional paid-in capital	13,429,188	13,391,061
Retained Earnings - Partially Restricted	20,095,164	19,827,439
Treasury Stock, at cost - 700 shares and no shares at March 31, 2006 and June 30, 2005, respectively	(7,000)	--
Unallocated Shares held by ESOP	(1,745,383)	(1,110,683)
Unearned RRP Trust Stock	(654,040)	--
Accumulated Other Comprehensive (Loss) Income	(1,067,967)	309,421
	-----	-----
Total Stockholders' Equity	30,064,198	32,431,474
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$115,160,268	\$111,330,832
	=====	=====

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2006	2005	2006	2005
INTEREST INCOME				
Loans, Including Fees	\$ 320,877	\$ 378,983	\$1,044,963	\$1,143,406
Investment Securities	120,514	49,929	261,566	97,024
Mortgage-Backed Securities	921,975	790,083	2,706,232	2,357,745
Other Interest-Earning Assets	50,275	56,821	150,334	87,549
Total Interest Income	\$1,413,641	1,275,816	4,163,095	3,685,724
INTEREST EXPENSE				
Deposits	533,708	435,557	1,540,932	1,320,045
Federal Home Loan Bank Borrowings	85,609	62,906	207,155	200,454
Total Interest Expense	619,317	498,463	1,748,087	1,520,499
Net Interest Income	794,324	777,353	2,415,008	2,165,225
PROVISION FOR LOAN LOSSES				
Net Interest Income after Provision for Loan Losses	794,324	777,353	2,415,008	2,165,225
NON-INTEREST INCOME				
Gain on Sale of Loans	1,145	1,121	16,310	10,374
Gain on Sale of Investments	--	--	52,207	--
Other Income	10,411	16,812	35,701	30,198
Total Non-Interest Income	11,556	17,933	104,220	40,572
NON-INTEREST EXPENSE				
Compensation and Benefits	382,388	369,465	1,106,599	1,035,913
Occupancy and Equipment	45,906	48,315	134,172	136,918
Audit and Professional Fees	62,128	55,988	213,504	121,543
Data Processing	24,340	17,400	62,686	50,600
Deposit Insurance Premiums	2,417	2,483	7,252	7,482
Other Expense	74,182	127,723	208,565	340,633
Total Non-Interest Expense	591,361	565,386	1,774,178	1,571,546
Income Before Income Taxes	214,519	229,900	745,050	634,251
PROVISION FOR INCOME TAX EXPENSE				
Net Income	141,706	155,808	495,498	432,103
EARNINGS PER SHARE:				
Basic	\$ 0.04	\$ 0.05	\$ 0.15	\$ 0.12
Diluted	\$ 0.04	\$ 0.05	\$ 0.15	\$ 0.12

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BALANCE - MARCH 31, 2006	\$14,236	\$13,429,188	\$ (1,067,967)	\$20,095,164	\$ (1,745,383)	(65)
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See accompanying notes to consolidated financial statements.

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

	Nine Months Ended March 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 495,498	\$ 423,103
Adjustments to Reconcile Net Income to Net Cash (Used in) Provided by Operating Activities:		
Net Amortization and Accretion on Securities	(59,615)	37,179
Gain on Sale of Investments	(52,207)	--
Amortization of Deferred Loan Fees	(36,162)	(34,223)
Depreciation of Premises and Equipment	49,023	35,840
ESOP Expense	42,143	13,591
Stock Option Expense	38,700	
Recognition and Retention Plan Expense	86,655	
Deferred Income Tax (Benefit)	(13,158)	(12,728)
Changes in Assets and Liabilities:		
Loans Held-for-Sale - Originations	70,000	(33,500)
Accrued Interest Receivable	18,670	(12,608)
Other Operating Assets	(10,762)	41,267
Other Operating Liabilities	(20,614)	117,084
Net Cash Provided by Operating Activities	608,167	575,005
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Originations and Purchases, Net of Principal Collections	3,702,026	271,716
Deferred Loan Fees Collected	13,933	23,632
Acquisition of Premises and Equipment	(490,679)	(103,478)
Activity in Available-for-Sale Securities:		
Proceeds from Sales of Securities and Principal Payments on Mortgage-Backed Securities	11,841,060	904,793
Purchases of Securities	(17,317,344)	(7,265,222)
Activity in Held-to-Maturity Securities:		
Proceeds from Redemption or Maturity of Investments	--	541,600
Principal Payments on Mortgage-Backed Securities	126,872	504,534
Purchases of Securities	--	(220,403)
Net Cash Used in Investing Activities	(2,126,732)	(5,342,828)

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See accompanying notes to consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (Continued)

	Nine Months Ended March 31,	
	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	\$ 5,395,482	\$ 532,821
Net Proceeds from Sale of Common Stock	--	13,405,885
Acquisition of ESOP Shares	--	(1,138,870)
Proceeds from Federal Home Loan Bank Advances	3,025,000	--
Repayments of Advances from Federal Home Loan Bank	(2,091,095)	(1,885,430)
Net Decrease in Mortgage-Escrow Funds	(12,598)	(135,868)
Dividends Paid	(227,773)	--
Acquisition of Recognition and Retention Plan Stock	(654,040)	--
Acquisition of Treasury Stock	(7,000)	--
	-----	-----
Net Cash Provided by Financing Activities	5,427,976	10,778,538
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,909,413	6,010,715
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	9,292,489	4,342,125
	-----	-----
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$13,201,902	\$10,352,840
	=====	=====
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest Paid on Deposits and Borrowed Funds	\$ 1,706,747	\$ 1,517,382
Income Taxes Paid	260,160	136,275
Market Value Adjustment for (Loss) Gain on Securities Available-for-Sale	(3,113,338)	1,631,487

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 Savings and Loan Association (the "Association"). These consolidated financial statements were prepared in accordance with instructions for Form 10-QSB and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the nine month period ended March 31, 2006, are not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2006.

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

On January 18, 2005, Home Federal Savings and Loan Association, completed its reorganization to the mutual holding company form of organization and formed Home Federal Bancorp, Inc. of Louisiana to serve as the stock holding company for the Association. In connection with the reorganization, the Company sold 1,423,583 shares of its common stock in a subscription and community offering at a price of \$10.00 per share. The Company also issued 60% of its outstanding common stock in the reorganization to Home Federal Mutual Holding Company of Louisiana, or 2,135,375 shares. The Association 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 Thrift Supervision. Services are provided to its customers by three offices, all of which are located in the City of Shreveport, Louisiana. The area served by the Association is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found dispersed in

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a wider geographical area covering much of northwest Louisiana.

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.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (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 Association 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

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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.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

A loan is considered impaired when, based on current information or events, it is probable that the Association will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. When a loan is impaired, the measurement of such impairment is based upon the fair value of the collateral of the loan. If the fair value of the collateral is less than the recorded investment in the loan, the Association 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. Substandard loans are those, which are in excess of ninety days delinquent. 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.

Off-Balance Sheet Credit Related Financial Instruments

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

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

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.

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.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. EARNINGS PER SHARE

Basic earnings per common share is computed based on the weighted average number of shares outstanding. Diluted earnings per share is computed based on the weighted average number of shares outstanding and common share equivalents that would arise from the exercise of dilutive securities. Earnings per share for the three and nine months ended March 31, 2006 and 2005 were calculated as follows:

	Three Months Ended March 31, 2006		Three Months Ended March 31, 2005	
	Basic	Diluted	Basic	Diluted
Net Income	\$ 141,706	\$ 141,706	\$ 155,808	\$ 155,808
Weighted average shares outstanding	3,384,039	3,384,039	3,445,071	3,445,071
Effect of unvested common stock awards	--	4,888	--	--
	-----	-----	-----	-----
Adjusted weighted average shares used in				

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Earnings per share computation	3,384,039	3,388,911	3,445,071	3,445,071
	-----	-----	-----	-----
Earnings per share	\$.04	\$.04	\$.05	\$.05
	====	====	====	====
	Nine Months Ended March 31, 2006		Nine Months Ended March 31, 2005	
	-----		-----	
	Basic	Diluted	Basic	Diluted
	-----	-----	-----	-----
Net Income	\$ 495,498	\$ 495,498	\$ 432,103	\$ 432,103
Weighted average shares outstanding	3,399,449	3,399,449	3,445,071	3,445,071
Effect of unvested common stock awards	--	1,119	--	--
	-----	-----	-----	-----
Adjusted weighted average shares used in Earnings per share computation	3,399,444	3,400,563	3,445,071	3,445,071
	-----	-----	-----	-----
Earnings per share	\$.15	\$.15	\$.12	\$.12
	====	====	====	====

(1) During the three and nine months ended March 31, 2005, the Company did not issue and did not have outstanding any dilutive securities.

3. 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 Plan and Trust Agreement (the "Recognition Plan") as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's common stock subject to award under the Recognition Plan totals 69,756 shares. As shares are acquired for the Recognition Plan, the purchase price of these shares will be recorded as a contra equity account. As the shares are distributed, the contra equity account will be reduced. At March 31, 2006, the Company had purchased 66,400 shares at an aggregate cost of \$654,000.

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, however, the Recognition Plan awards will be vested

and shall be distributed as soon as practicable thereafter.

The present cost associated with the Recognition Plan is based on a share price of \$9.85, which represents the market price of the Company's stock on August 18, 2005, the date on which the Recognition Plan shares were granted. The cost is being recognized over five years.

4. 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 "Option Plan") for the benefit of directors, officers, and other key employees. The aggregate number of shares of common stock reserved for the issuance under the Option Plan totaled 174,389. Both incentive stock options and non-qualified stock options may be granted under the Option Plan.

On August 18, 2005, the Company granted 174,389 options to directors and key employees. Under the Option Plan, 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, which was \$9.85, and the maximum term is ten years. Incentive stock options and non-qualified stock options granted under the Option Plan become vested and exercisable at a rate of 20% per year over five years, commencing one year from the date of the grant, with an additional 20% vesting on each successive anniversary of the date the option was granted. No vesting shall occur after an employee's employment or service as a director is terminated. In the event of 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 Plan under the guidance of SFAS No. 123(R).

5. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 154, Accounting Changes and Error Corrections. This Statement replaces APB Opinion No. 20, Accounting Changes, and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. This Statement was effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. This Statement has had no impact to the interim financial statements of the Company.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments. This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not

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subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securities financial assets to identify interests that are

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, and clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets. This Statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain prescribed situations. In addition, SFAS No. 156 requires that all separately recognized servicing assets and servicing liabilities be measured at fair value, if practicable. The FASB recommends that entities should adopt this Statement as of the beginning of its first fiscal year that begins after September 15, 2006.

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ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

General

The Company was formed by the Association in connection with the Association's reorganization and commenced operations on January 18, 2005. The Company's results of operations are primarily dependent on the results of the Association, its wholly owned subsidiary. The Association'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 laws, regulations or government policies may materially impact our financial conditions and results of operations.

Critical Accounting Policies

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.

Discussion of Financial Condition Changes from June 30, 2005 to March 31, 2006

At March 31, 2006, total assets amounted to \$115.2 million compared to \$111.3 million at June 30, 2005, an increase of approximately \$3.8 million, or 3.4%. The increase in assets was due primarily to the increase in cash and cash equivalents of \$3.9 million, to \$13.2 million, at March 31, 2006 compared to \$9.3 million at June 30, 2005, as well as a \$2.3 million, or 3.0%, increase in investment securities at March 31, 2006 compared to June 30, 2005. These increases were offset by a decrease in loans receivable, net of \$3.7 million, or 15.6%, from \$23.6 million at June 30, 2005 to \$19.9 million at March 31, 2006. The decrease in loans receivable was primarily a result of loan prepayments during the nine months ended March 31, 2006, as well as continuing reduction of loans originated in our primary market area.

Securities available-for-sale increased \$2.5 million, or 3.3%, from a balance of \$75.8 million at June 30, 2005, compared to \$78.2 million at March 31, 2006. This increase was due primarily

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to the purchase of \$17.3 million of available for sale securities, net of \$8.4 million of principal payments, \$3.4 million of available for sale securities sold, and a decrease in the fair value of \$3.1 million. Securities held-to-maturity decreased \$127,000, or 7.9% for the nine months ended March 31, 2006 compared to securities held-to-maturity at June 30, 2005, primarily due to maturities and principal payments.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (Continued)

The Company's total liabilities amounted to \$85.1 million at March 31, 2006, an increase of approximately 6.2 million, or 7.9%, compared to total liabilities of \$78.9 million at June 30, 2005. The primary reason for the increase in liabilities was due to the \$5.4 million, or 7.7%, increase of customers' deposits due to normal deposits inflow. Deposits increased from \$70.0 million at June 30, 2005 to \$75.4 million at March 31, 2006. Advances from the Federal Home Loan Bank of Dallas increased \$1.0 million million, or 11.4%, from \$8.2 million at June 30, 2005, to \$9.2 million at March 31, 2006.

Shareholders' equity decreased \$2.4 million to \$30.0 million, or 26.1% of total assets, at March 31, 2006 compared to \$32.4 million, or 29.1% of total assets, at June 30, 2005. The primary reasons for the decrease in shareholders' equity from June 30, 2005, were a decrease in the Company's accumulated other comprehensive income (loss) of \$2.0 million, and the acquisition of 66,400 shares of the Company's stock at a cost of \$654,000 for its recognition and retention plan, and dividends of \$228,000 paid during the nine months ended March 31, 2006. These decreases in shareholders' equity were offset by the recognition of net income of \$495,000 for the nine months ended March 31, 2006.

The Association is required to meet minimum capital standards promulgated by the Office of Thrift Supervision ("OTS"). At March 31, 2006, Home Federal Savings and Loan's regulatory capital was well in excess of the minimum capital requirements.

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2006 and 2005

General

Net income amounted to \$142,000 for the three months ended March 31, 2006 compared to \$156,000 for the same period in 2005, a decrease of \$14,000, or 9.1%. The decrease in net income for the quarter resulted primarily from a \$26,000, or 4.6%, increase in non-interest expense and a \$7,000, or 35.6%, decrease in non-interest income which was partially offset by a \$17,000 increase in net interest income.

For the nine months ended March 31, 2006, net income amounted to \$495,000, an increase of \$72,000, or 17.0%, as compared to the \$423,000 in net income, reported for the nine months ended March 31, 2005. The increase in net income for the nine months ended March 31, 2006 was primarily due to a \$250,000, or 11.5%,

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increase in net interest income, and a \$63,000, or 153.6%, increase in non-interest income. These increases were partially offset by a \$202,000, or 12.9%, increase in non-interest expense.

Net Interest Income

Net interest income for the three months ended March 31, 2006, was \$794,000, an increase of \$17,000, or 2.2%, in comparison to the three months ended March 31, 2005. This increase was due primarily to the increase in interest income earned from investment securities and interest earning deposits maintained at the Federal Home Loan Bank of Dallas as a result of the investment of the proceeds received from the paydowns of loans receivable and the investment of the net proceeds associated with the Company's stock issuance. The increase in net interest income was partially offset by a \$26,000, or 4.6% increase in non-interest expenses.

Net interest income for the nine months ended March 31, 2006 was \$2.4 million, an increase of \$250,000, or 11.5%. The increase in net-interest income was attributable primarily to an increase in average interest-earning assets as a result of the investment of the net proceeds associated with the Company's stock issuance which occurred in January 2005.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (Continued)

The Company's average interest rate spread was 2.14% and 2.19% for the three and nine months ended March 31, 2006, respectively, compared to 2.29% and 2.36% for the three and nine months ended March 31, 2005. The Company's net interest margin was 2.91% and 2.97% for the three and nine months ended March 31, 2006, compared to 2.91% and 2.90% for the three and nine months ended March 31, 2005.

Provision for Losses on Loans

Based on an analysis of historical experience, the volume and type of lending conducted by Home Federal, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to Home Federal's market area, the decrease in the loan portfolio and other factors related to the collectibility of Home Federal's loan portfolio, no provisions for loan losses were made during the three and nine months ended March 31, 2006 or 2005. The Association's allowance for loan losses was \$235,000, or 1.0% of total loans, at March 31, 2006 compared to \$235,000, or 1.0% of total loans at March 31, 2005. Home Federal did not have any non-performing loans at March 31, 2006 or 2005. There can be no assurance that the loan loss allowance will be sufficient to cover losses on nonperforming assets in the future.

Non-interest Income

Total non-interest income amounted to \$11,000 for the three months ended March 31, 2006, compared to \$18,000 for the same

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period in 2005. The decrease was primarily due to a decrease of approximately \$3,000 on fees generated from deposit accounts. Total non-interest income amounted to \$104,000 for the nine months ended March 31, 2006, compared to \$41,000 for the same period in 2005. The increase was primarily due to the recognition of \$52,000 in gains from investment securities sold during the nine months ended March 31, 2006.

Non-interest Expense

Total non-interest expense increased \$26,000, or 4.6%, for the three months ended March 31, 2006 compared to the prior year period. The increase in non-interest expense was primarily attributable to an increase in compensation and benefits expense of \$13,000, or 3.5%, for the three months ended March 31, 2006 compared to the prior year period, and an increase in data processing expense of \$7,000, or 39.9%, over the prior year period. The increase in data processing expense was primarily a result of fees incurred by the Company during the third quarter ended March 31, 2006 pertaining to the implementation of its on-line banking service.

Total non-interest expense increased \$202,000, or 12.8% for the nine months ended March 31, 2006, compared to the prior year period. The increase in non-interest expense was primarily due to an increase in compensation and benefits expense of \$71,000, or 6.8%, over the prior year period and an increase in audit and other professional fees of \$92,000, or 75.7%, over the prior year period. The increase in compensation and benefits expense is attributable primarily to costs associated with the Company's stock option plan, recognition and retention plan, and employee stock ownership plan. The stock option and recognition and retention plans were adopted in August 2005. Compensation expense recognized by the Company for its Stock Option and Recognition and Retention Plans amounted to \$15,000 and \$35,000, respectively, for the three months ended March 31, 2006 and \$39,000 and \$87,000, respectively for the nine months ended March 31, 2006. The increase in audit and other professional fees was attributable primarily to costs incurred with the Company's preparation and filing of its initial Form 10-KSB for the year ended June 30, 2005.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (Continued)

The increase in other expense was due primarily to the recognition during the nine months ended March 31, 2006 of fees paid to the Company's registrar and transfer agent, and the Company's recognition of Louisiana franchise tax.

Income Taxes

Income taxes amounted to \$73,000 and \$74,000 for the three months ended March 31, 2006 and 2005, respectively, resulting in effective tax rates of 33.9% and 32.2%, respectively. Income taxes amounted to \$250,000 and \$211,000 for the nine months ended

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March 31, 2006 and 2005, respectively, resulting in effective tax rates of 33.5% and 33.3%, respectively. The decrease in income taxes for the three months ended March 31, 2006, was due to decreased income before income taxes.

Liquidity and Capital Resources

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

The Association'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 Association sets the interest rates on its deposits to maintain a desired level of total deposits. In addition, the Association invests excess funds in short-term interest-earning accounts and other assets, which provide liquidity to meet lending requirements. The Association's deposit accounts with the Federal Home Loan Bank of Dallas amounted to \$3.8 million at March 31, 2006.

A significant portion of the Association's liquidity consists of securities classified as available-for-sale and cash and cash equivalents. The Association's primary sources of cash are net income, principal repayments on loans and mortgage-backed securities and increases in deposit accounts. If the Association requires funds beyond its ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of Dallas which provide an additional source of funds. At March 31, 2006, the Association had \$9.2 million in advances from the Federal Home Loan Bank of Dallas.

At March 31, 2006, the Association had outstanding loan commitments of \$157,000 to originate loans. At March 31, 2006, certificates of deposit scheduled to mature in less than one year, totaled \$33.9 million.

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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. The Association intends to utilize its high levels of liquidity to fund its lending activities. If additional funds are required to fund lending activities, the Association intends to sell its securities classified as available-for-sale as needed.

The Association is required to maintain regulatory capital sufficient to meet tangible, core and risk-based capital ratios of at least 1.5%, 3.0% and 8.0%, respectively. At March 31, 2006, the Association exceeded each of its capital requirements with ratios of 23.41%, 23.41% and 86.28%, respectively.

In connection with the Association's reorganization to the mutual holding company form of organization, the Company sold 1,423,583 shares of its common stock in a subscription and community offering, which was completed on January 18, 2005 at a price of \$10.00 per share. This includes 113,887 shares acquired by the Association's Employee Stock Ownership Plan. On January 18, 2005, the Company invested approximately 50% of the net proceeds from the reorganization in the Association.

Off-Balance Sheet Arrangements

At March 31, 2006, the Association 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-QSB, 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 Association's assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does the effect of inflation.

Forward-Looking Statements

This Form 10-QSB 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.

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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.

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ITEM 3. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and our 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 and the principal 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. There has been no change in the Association's internal control over financial reporting during the Association's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Association'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 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 are set forth in the following table.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Nu of Shares th Yet be Purc Under the P Programs
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January 1 - January 31, 2006	--	--	--	142,358
February 1 - February 28, 2006	700	\$ 10.00	700	142,358
March 1 - March 31, 2006	--	--	--	142,358
	=====	=====	=====	
Total	700	\$ 10.00	700	142,358
	=====	=====	=====	=====

(1) On January 11, 2006, the Company announced a stock repurchase program to repurchase up to 10% of its outstanding shares held by persons other than Home Federal Mutual Holding Company, or 142,358 shares. The repurchase program is scheduled to terminate as of January 11, 2007.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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 Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.0	Certification Pursuant to 18 U.S.C Section 1350

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 2006

By: /s/ Daniel R. Herndon

Daniel R. Herndon
President and Chief Executive Officer

Date: May 15, 2006

By: /s/ Clyde D. Patterson

Clyde D. Patterson
Executive Vice President
(principal financial officer)

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