

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

Home Federal Bancorp, Inc. of Louisiana  
Form 10-Q  
May 12, 2015  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2015

or

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

For the transition period from to

Commission file number: 001-35019

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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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	<input type="checkbox"/>	Accelerated
filer	<input type="checkbox"/>	
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting
company	<input checked="" type="checkbox"/>	

(Do not check if a smaller reporting company)

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

Shares of common stock, par value \$.01 per share, outstanding as of May 11, 2015: The registrant had 2,115,484 shares of common stock outstanding.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	March 31, 2015	June 30, 2014
	(Dollars In Thousands)	
<b>ASSETS</b>		
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$6,896 and \$9,317 for March 31, 2015 and June 30, 2014, Respectively)	\$ 12,371	\$ 13,633
Securities Available-for-Sale	48,340	48,434
Securities Held-to-Maturity	2,244	1,765
Loans Held-for-Sale	10,294	9,375
Loans Receivable, Net of Allowance for Loan Losses of \$2,455 and \$2,396, Respectively	265,500	239,563
Accrued Interest Receivable	950	965
Premises and Equipment, Net	10,170	8,454
Bank Owned Life Insurance	6,326	6,203
Deferred Tax Asset	785	723
Other Assets	754	414
<b>Total Assets</b>	<b>\$ 357,734</b>	<b>\$ 329,529</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits	\$ 274,806	\$ 272,295
Advances from Borrowers for Taxes and Insurance	402	428
Advances from Federal Home Loan Bank of Dallas	38,471	12,897
Other Accrued Expenses and Liabilities	906	1,130
<b>Total Liabilities</b>	<b>314,585</b>	<b>286,750</b>
<b>STOCKHOLDERS' EQUITY</b>		
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 Authorized; 2,131,343 Shares Issued and 2,131,343 Shares Outstanding at March 31, 2015; 2,241,967 Shares Outstanding at June 30, 2014	25	34
Additional Paid-in Capital	33,164	32,853
Treasury Stock, at Cost – 820,419 shares at June 30, 2014	--	(15,698)
Unearned ESOP Stock	(1,475 )	(1,561 )
Unearned RRP Trust Stock	(333 )	(609 )
Retained Earnings	11,632	27,588
Accumulated Other Comprehensive Income	136	172
<b>Total Stockholders' Equity</b>	<b>43,149</b>	<b>42,779</b>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$357,734 \$329,529

See accompanying notes to unaudited consolidated financial statements.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2015	2014	2015	2014
(In Thousands, Except per Share Data)				
<b>INTEREST INCOME</b>				
Loans, Including Fees	\$3,457	\$2,968	\$10,201	\$8,979
Investment Securities	2	1	5	4
Mortgage-Backed Securities	246	235	773	780
Other Interest-Earning Assets	1	2	6	10
Total Interest Income	3,706	3,206	10,985	9,773
<b>INTEREST EXPENSE</b>				
Deposits	560	522	1,647	1,652
Federal Home Loan Bank Borrowings	66	37	178	125
Other Bank Borrowings	3	--	3	14
Total Interest Expense	629	559	1,828	1,791
Net Interest Income	3,077	2,647	9,157	7,982
<b>PROVISION FOR LOAN LOSSES</b>				
Net Interest Income after Provision for Loan Losses	90	30	210	118
<b>NON-INTEREST INCOME</b>				
Gain on Sale of Real Estate	--	129	--	129
Gain on Sale of Loans	781	360	1,668	1,240
Gain on Sale of Securities	--	1	10	35
Income on Bank Owned Life Insurance	40	43	123	131
Service Charges on deposit accounts	116	85	329	239
Other Income	9	9	40	25
Total Non-Interest Income	946	627	2,170	1,799
<b>NON-INTEREST EXPENSE</b>				
Compensation and Benefits	1,669	1,474	4,616	4,204
Occupancy and Equipment	280	202	778	634
Data Processing	133	152	377	353
Audit and Examination Fees	66	57	167	163
Franchise and Bank Shares Tax	72	85	193	263
Advertising	48	62	183	195
Legal Fees	81	82	284	320
Loan Collection	144	28	261	92
Deposit Insurance Premium	45	39	119	107
Other Expense	139	123	412	381
Total Non-Interest Expense	2,677	2,304	7,390	6,712
Income Before Income Taxes	1,256	940	3,727	2,951

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PROVISION FOR INCOME TAX EXPENSE	413	302	1,226	955
Net Income	\$843	\$638	\$2,501	\$1,996
EARNINGS PER COMMON SHARE:				
Basic	\$0.43	\$0.31	\$1.26	\$0.96
Diluted	\$0.42	\$0.31	\$1.22	\$0.94
DIVIDENDS DECLARED	\$0.07	\$0.06	\$0.21	\$0.18

See accompanying notes to unaudited consolidated financial statements.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended March 31, 2015 2014		For the Nine Months Ended March 31, 2015 2014	
	(In Thousands)			
Net Income	\$843	\$638	\$2,501	\$1,996
Other Comprehensive Income (Loss), Net of Tax				
Unrealized Holding Gain (Loss) on Securities Available-for-Sale, Net of Tax of \$0 and \$15 in 2015, respectively, and \$28 and \$27 in 2014, respectively	(1 )	(55 )	(29 )	(53 )
Reclassification Adjustment for Gain Included in Net Income, Net of Tax of \$0 and \$3 in 2015, respectively, and \$0 and \$5 in 2014, respectively	--	--	(7 )	(10 )
Net Other Comprehensive Income (Loss)	(1 )	(55 )	(36 )	(63 )
Total Comprehensive Income	\$842	\$583	\$2,465	\$1,933

See accompanying notes to unaudited consolidated financial statements.





## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

NINE MONTHS ENDED MARCH 31, 2015 AND 2014

(Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(In Thousands)							
BALANCE – June 30, 2013	\$ 32	\$ 32,218	\$ (1,676 )	\$ (863 )	\$ 25,395	\$ (13,168 )	\$ 44	\$ 41,982
Net Income	--	--	--	--	1,996	--	--	1,996
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(63 )	(63 )
RRP Shares Earned	--	--	--	254	--	--	--	254
Stock Options Vested	--	122	--	--	--	--	--	122
Common Stock Issuance for Stock Option Exercises	2	270	--	--	--	--	--	272
ESOP Compensation Earned	--	65	86	--	--	--	--	151
Company Stock Purchased	--	--	--	--	--	(2,318 )	--	(2,318 )
Dividends Declared	--	--	--	--	(417 )	--	--	(417 )
BALANCE – March 31, 2014	\$ 34	\$ 32,675	\$ (1,590 )	\$ (609 )	\$ 26,974	\$ (15,486 )	\$ (19 )	\$ 41,979
BALANCE – June 30, 2014	\$ 34	\$ 32,853	\$ (1,561 )	\$ (609 )	\$ 27,588	\$ (15,698 )	\$ 172	\$ 42,779
Net Income	--	--	--	--	2,501	--	--	2,501
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(36 )	(36 )
RRP Shares Earned	--	--	--	276	--	--	--	276
Stock Options Vested	--	134	--	--	--	--	--	134

Common Stock Issuance for Stock								
Option Exercises	--	96	--	--	--	--	--	96
ESOP Compensation Earned	--	81	86	--	--	--	--	167
Company Stock Purchased	--	--	--	--	--	(2,305 )	--	(2,305 )
Reclassification of Treasury Stock per Louisiana Law	(9 )	--	--	--	(17,994)	18,003	--	--
Dividends Declared	--	--	--	--	(463 )	--	---	(463 )
BALANCE – March 31, 2015	\$ 25	\$ 33,164	\$ (1,475 )	\$(333)	\$11,632	\$--	\$ 136	\$ 43,149

See accompanying notes to unaudited consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended March 31,	
	2015	2014
	(In Thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$2,501	\$1,996
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities		
Net Amortization and Accretion on Securities	33	50
Gain on Sale of Securities	(10 )	(35 )
Gain on Sale of Loans	(1,668 )	(1,240 )
Amortization of Deferred Loan Fees	(120 )	(65 )
Depreciation of Premises and Equipment	278	223
ESOP Expense	167	151
Stock Option Expense	134	122
Recognition and Retention Plan Expense	176	157
Deferred Income Tax	(43 )	(5 )
Provision for Loan Losses	210	118
Increase in Cash Surrender Value on Bank Owned Life Insurance	(123 )	(131 )
Gain on Sale of Real Estate	--	(129 )
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(64,344)	(49,753)
Loans Held-for-Sale – Sale and Principal Repayments	65,093	47,661
Accrued Interest Receivable	15	(140 )
Other Operating Assets	(339 )	(78 )
Other Operating Liabilities	(125 )	(93 )
Net Cash Provided by (Used In) Operating Activities	1,835	(1,191 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Originations and Purchases, Net of Principal Collections	(26,041)	(12,812)
Deferred Loan Fees Collected	14	108
Acquisition of Premises and Equipment	(1,994 )	(1,914 )
Proceeds from Sale of Real Estate	--	566
Activity in Available-for-Sale Securities:		
Proceeds from Sale of Securities	1,963	13,019
Principal Payments on Mortgage-Backed Securities	7,895	8,029
Purchases of Securities	(9,843 )	(13,292)
Activity in Held-to-Maturity Securities:		
Redemption Proceeds	462	488
Purchases of Securities	(941 )	(136 )
Net Cash Used in Investing Activities	(28,485)	(5,944 )

See accompanying notes to unaudited consolidated financial statements.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
(Unaudited)

	Nine Months Ended March 31,	
	2015	2014
	(In Thousands)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Increase in Deposits	\$2,511	\$17,324
Proceeds from Federal Home Loan Bank Advances	809,800	401,850
Repayments of Advances from Federal Home Loan Bank	(784,226)	(406,057)
Net Increase in Advances from Borrowers for Taxes and Insurance	(26 )	(55 )
Dividends Paid	(463 )	(417 )
Company Stock Purchased	(2,284 )	(2,113 )
Proceeds from Stock Options Exercised	76	67
Proceeds from other Bank Borrowings	550	300
Repayment of other Bank Borrowings	(550 )	(800 )
Net Cash Provided by Financing Activities	25,388	10,099
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,262 )	2,964
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	13,633	3,685
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$12,371	\$6,649
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest Paid on Deposits and Borrowed Funds	\$1,804	\$1,797
Income Taxes Paid	1,089	884
Market Value Adjustment for Loss on Securities Available-for-Sale	(55 )	(95 )

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Home Federal Bancorp, Inc. of Louisiana (the "Company") and its subsidiary, Home Federal Bank ("Home Federal Bank" or the "Bank"). These consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the nine month period ended March 31, 2015, is not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2015.

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

In accordance with the subsequent events topic of the ASC, the Company evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of March 31, 2015. 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 five full-service banking offices and one agency office, located in Caddo and Bossier Parishes, Louisiana. The area served by the Bank is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found dispersed in a wider geographical area covering much of northwest Louisiana. As of March 31, 2015, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which previously engaged in the sale of annuity contracts and does not currently engage in a meaningful amount of business.

Cash and Cash Equivalents

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

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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 uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

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

susceptible to significant revision as more information becomes available.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Allowance for Loan Losses (continued)

A loan is considered impaired when, based on current information or events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. When a loan is impaired, the measurement of such impairment is based upon the 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.

Recent Accounting Pronouncements

In January 2014, the FASB issued ASU 2014-04, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The amendments in this Update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in this Update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. An entity can elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. This ASU did not have a significant impact on the Company's financial statements.

In June 2014, the FASB issued ASU No. 2014-12, Compensation-Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The new guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. The Company's current accounting treatment of performance conditions for employees who are or become eligible prior to the achievement of the performance target are consistent with ASU 2014-12, and as such does not expect the new guidance to have a material effect on the Corporation's financial condition and results of operations. The Company adopted ASU 2014-12 in the first quarter of 2015.

In August 2014, the FASB issued ASU 2014-14, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40). The amendments in this Update require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure, (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the

ability to recover under that claim, and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The amendments in this Update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. This Update did not have a significant impact on the Company's financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

On January 1, 2015 the Louisiana Business Corporation Act (the Act) became effective. Under the provisions of the Act, there is no concept of "Treasury Shares". Rather, shares purchased by the Company constitute authorized but unissued shares. Under Accounting Standards Codification (ASC) 505-30, Treasury Stock, accounting for treasury stock shall conform to state law. Accordingly, the Company's Consolidated Statement of Financial Condition as of March 31, 2015 reflects this change. The cost of shares purchased by the Company has been allocated to Common Stock and Retained Earnings balances.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities

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

	March 31, 2015			
	Gross Amortized Cost (In Thousands)	Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$279	\$ 18	\$ --	\$297
FNMA Mortgage-Backed Certificates	29,123	795	169	29,749
GNMA Mortgage-Backed Certificates	18,732	5	443	18,294
Total Debt Securities	48,134	818	612	48,340
Total Securities Available-for-Sale	\$48,134	\$ 818	\$ 612	\$48,340
Securities Held-to-Maturity				
Equity Securities (Non-Marketable)				
19,938 Shares – Federal Home Loan Bank	\$1,994	\$ --	\$ --	\$1,994
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	2,244	--	--	2,244
Total Securities Held-to-Maturity	\$2,244	\$ --	\$ --	\$2,244
	June 30, 2014			
	Gross Amortized Cost (In Thousands)	Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$311	\$ 12	\$ --	\$323
FNMA Mortgage-Backed Certificates	24,947	857	24	25,780
GNMA Mortgage-Backed Certificates	22,915	6	590	22,331
Total Debt Securities	48,173	875	614	48,434
Total Securities Available-for-Sale	\$48,173	\$ 875	\$ 614	\$48,434
Securities Held-to-Maturity				



Equity Securities (Non-Marketable)

15,145 Shares – Federal Home Loan Bank	\$1,515	\$ --	\$ --	\$1,515
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	1,765	--	--	1,765
Total Securities Held-to-Maturity	\$1,765	\$ --	\$ --	\$1,765

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

The amortized cost and fair value of securities by contractual maturity at March 31, 2015, follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
<b>Debt Securities</b>				
Within One Year or Less	\$ 1	\$ 1	\$ --	\$ --
One through Five Years	211	215	--	--
After Five through Ten Years	118	122	--	--
Over Ten Years	47,804	48,002	--	--
	48,134	48,340	--	--
<b>Other Equity Securities</b>	--	--	2,244	2,244
<b>Total</b>	<b>\$ 48,134</b>	<b>\$ 48,340</b>	<b>\$ 2,244</b>	<b>\$ 2,244</b>

For the nine months ended March 31, 2015, proceeds from the sale of securities available-for-sale amounted to \$2.0 million and gross realized gains amounted to \$10,000 for the nine months ended March 31, 2015.

The following tables show information pertaining to gross unrealized losses on securities available-for-sale at March 31, 2015 and at June 30, 2014 aggregated by investment category and length of time that individual securities have been in a continuous loss position.

	March 31, 2015			
	Less Than Twelve Months Gross Unrealized Losses Value (In Thousands)		Over Twelve Months Gross Unrealized Losses Value	
<b>Securities Available-for-Sale</b>				
<b>Debt Securities</b>				
Mortgage-Backed Securities	\$ 168	\$ 14,765	\$ 444	\$ 18,178
Marketable Equity Securities	--	--	--	--
<b>Total Securities Available-for-Sale</b>	<b>\$ 168</b>	<b>\$ 14,765</b>	<b>\$ 444</b>	<b>\$ 18,178</b>

	June 30, 2014	
	Less Than Twelve Months	Over Twelve Months

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	Gross Unrealized Losses (In Thousands)		Gross Unrealized Losses Value	
Securities Available-for-Sale				
Debt Securities				
Mortgage-Backed Securities	\$24	\$1,947	\$590	\$22,193
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$24	\$1,947	\$590	\$22,193

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

The Company's investment in equity securities consists primarily of FHLB stock, and shares of First National Bankers Bankshares, Inc. ("FNBB"). Management monitors its investment portfolio to determine whether any investment securities which have unrealized losses should be considered other than temporarily impaired.

At March 31, 2015, securities with a carrying value of \$777,000 were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$167.1 million were pledged to secure FHLB advances.

## 3. Loans Receivable

Loans receivable are summarized as follows:

	March 31, 2015	June 30, 2014
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One- to Four-Family Residential	\$98,923	\$89,545
Commercial	55,011	56,266
Multi-Family Residential	15,845	20,368
Land	23,666	19,945
Construction	18,179	12,505
Equity and Second Mortgage	2,599	2,563
Equity Lines of Credit	23,996	14,950
	238,219	216,142
Commercial Loans	29,587	25,749
Consumer Loans		
Loans on Savings Accounts	226	255
Automobile and Other Consumer Loans	115	111
Total Consumer and Other Loans	341	366
Total Loans	268,147	242,257
Less: Allowance for Loan Losses	(2,455 )	(2,396 )
Unamortized Loan Fees	( 192 )	(298 )
Net Loans Receivable	\$265,500	\$239,563

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

	Nine Months Ended March 31, 2015		2014
			(In Thousands)
Balance - Beginning of Period	\$2,396	\$2,240	

Provision for Loan Losses	210	118
Loan Charge-Offs	(151 )	(12 )
Balance - End of Period	\$2,455	\$2,346

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.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

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

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

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

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

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

The following tables present the grading of loans, segregated by class of loans, as of March 31, 2015 and June 30, 2014:

March 31, 2015	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
<b>Real Estate Loans:</b>					
One- to Four-Family Residential	\$98,797	\$ 113	\$ 13	\$ -	\$98,923
Commercial	54,406	541	-	64	55,011
Multi-Family Residential	15,845	-	-	-	15,845
Land	23,666	-	-	-	23,666
Construction	18,179	-	-	-	18,179
Equity and Second Mortgage	2,599	-	-	-	2,599
Equity Lines of Credit	23,972	-	24	-	23,996
Commercial Loans	29,587	-	-	-	29,587
Consumer Loans	341	-	-	-	341
Total	\$267,392	\$ 654	\$ 37	\$ 64	\$268,147



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

June 30, 2014	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Real Estate Loans:					
One- to Four-Family Residential	\$89,345	\$ 49	\$ --	\$ 151	\$89,545
Commercial	53,621	2,645	--	--	56,266
Multi-Family Residential	20,368	--	--	--	20,368
Land	19,945	--	--	--	19,945
Construction	12,505	--	--	--	12,505
Equity and Second Mortgage	2,563	--	--	--	2,563
Equity Lines of Credit	14,923	--	--	27	14,950
Commercial Loans	25,749	--	--	--	25,749
Consumer Loans	366	--	--	--	366
<b>Total</b>	<b>\$239,385</b>	<b>\$ 2,694</b>	<b>\$ --</b>	<b>\$ 178</b>	<b>\$242,257</b>

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

The following tables present an aging analysis of past due loans, segregated by class of loans, as of March 31, 2015 and June 30, 2014:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
	(In Thousands)						
Real Estate Loans:							
One- to Four-Family							
Residential	\$1,451	\$ 626	\$ 80	\$2,157	\$96,766	\$98,923	\$ 67
Commercial	--	--	64	64	54,947	55,011	--
Multi-Family Residential	--	--	--	--	15,845	15,845	--
Land	--	--	--	--	23,666	23,666	--
Construction	--	--	--	--	18,179	18,179	--
Equity and Second Mortgage	--	--	--	--	2,599	2,599	--
Equity Lines of Credit	--	--	--	--	23,996	23,996	--
Commercial Loans	--	--	--	--	29,587	29,587	--



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Consumer Loans	--	--	--	--	341	341	--
	\$1,451	\$ 626	\$ 144	\$2,221	\$265,926	\$268,147	\$ 67

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

June 30, 2014	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
(In Thousands)							
Real Estate Loans:							
One- to Four-Family							
Residential	\$1,326	\$ 435	\$ 164	\$1,925	\$87,620	\$ 89,545	\$ 13
Commercial	--	--	--	--	56,266	56,266	--
Multi-Family Residential	--	--	--	--	20,368	20,368	--
Land	--	--	--	--	19,945	19,945	--
Construction	--	--	--	--	12,505	12,505	--
Equity and Second Mortgage	--	--	--	--	2,563	2,563	--
Equity Lines of Credit	--	--	27	27	14,923	14,950	--
Commercial Loans	259	--	--	259	25,490	25,749	--
Consumer Loans	--	--	--	--	366	366	--
Total	\$1,585	\$ 435	\$ 191	\$2,211	\$240,046	\$ 242,257	\$ 13

Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties are considered troubled debt restructurings and designated as impaired. There were no troubled debt restructurings as of March 31, 2015 or June 30, 2014.

The change in the allowance for loan losses by loan portfolio class and recorded investment in loans for the nine months ended March 31, 2015 was as follows:

March 31, 2015	Real Estate Loans				Construction	Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi- Family	Land					
Allowance for loan losses:									
Beginning									
Balances	\$1,224	\$ 464	\$ 128	\$ 168	\$ 105	\$ 99	\$ 202	\$ 6	\$2,396
Charge-Offs	(151 )	--	--	--	--	--	--	--	(151 )
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	152	(83 )	(51 )	16	45	71	61	(1 )	210
Ending Balances	\$1,225	\$ 381	\$ 77	\$ 184	\$ 150	\$ 170	\$ 263	\$ 5	\$2,455

Evaluated for  
Impairment:

Individually	--	--	--	--	--	--	--	--	--
Collectively	1,225	381	77	184	150	170	263	5	2,455

Loans Receivable:

Ending Balances –

Total	\$98,923	\$ 55,011	\$ 15,845	\$ 23,666	\$ 18,179	\$ 26,595	\$ 29,587	\$ 341	\$ 268,147
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Ending Balances:

Evaluated for

Impairment:

Individually	126	605	--	--	--	24	--	--	755
Collectively	\$98,797	\$ 54,406	\$ 15,845	\$ 23,666	\$ 18,179	\$ 26,571	\$ 29,587	\$ 341	\$ 267,392

## 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 year ended June 30, 2014 and nine months ended March 31, 2014 was as follows:

June 30, 2014	Real Estate Loans					Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi- Family	Land	Construction				
	(In Thousands)								
Allowance for loan losses:									
Beginning Balances	\$ 1,023	\$ 338	\$ 103	\$ 127	\$ 146	\$ 85	\$ 412	\$ 6	\$ 2,240
Charge-Offs	--	--	--	--	--	(12 )	--	--	(12 )
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	201	126	25	41	(41 )	26	(210 )	--	168
Ending Balances	\$ 1,224	\$ 464	\$ 128	\$ 168	\$ 105	\$ 99	\$ 202	\$ 6	\$