

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

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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.

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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)

	\$ 6,881	\$ 3,685
--	-----------------	-----------------

Securities Available-for-Sale	43,702	47,961
-------------------------------	--------	--------

Securities Held-to-Maturity	1,259	1,465
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Loans Held-for-Sale	5,600	3,464
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Loans Receivable, Net of Allowance for Loan
Losses

of \$2,316 and \$2,240, Respectively	212,013	206,079
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Accrued Interest Receivable	825	774
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Premises and Equipment, Net	8,140	6,559
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Bank Owned Life Insurance	6,118	6,030
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Deferred Tax Asset	808	775
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Other Assets	462	363
--------------	-----	-----

Total Assets	\$ 285,808	\$ 277,155
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LIABILITIES AND STOCKHOLDERS' EQUITY**LIABILITIES**

Deposits	\$ 225,340	\$ 211,922
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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
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STOCKHOLDERS' EQUITY

Preferred Stock – 10,000,000 Shares of \$.01 Par
Value

Authorized; None Issued and Outstanding	--	--
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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;

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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)

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

Net Interest Income after Provision for Loan Losses	22	116	88	227
	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
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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.

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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

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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.

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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.

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:

		December 31, 2013		
	Amortized	Gross	Gross	Fair
Securities Available-for-Sale	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
		(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)

		June 30, 2013		
	Amortized	Gross	Gross	Fair
Securities Available-for-Sale	Cost	Unrealized	Unrealized	Value
		Gains	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		Gross	
	Unrealized	Fair	Unrealized	Fair
	Losses	Value	Losses	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		Gross	
	Unrealized	Fair	Unrealized	Fair
	Losses	Value	Losses	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

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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 (In Thousands)	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi- 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	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Multi- Commercial	Multi- Family	Land	Construction				
	(In Thousands)					of Credit			
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

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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	--	--	--	--	--	--