

Home Federal Bancorp, Inc. of Louisiana  
Form 10-Q  
February 13, 2012

---

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, 2011  
or

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

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

Commission file number: 001-35019

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

Louisiana  
(State or other jurisdiction of incorporation or organization)

02-0815311  
(IRS Employer Identification No.)

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

71101  
(Zip Code)

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

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

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

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

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

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

Large accelerated filer	<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 February 10, 2012: The registrant had 3,051,881 shares of common stock outstanding.

---

## INDEX

PART I	--	FINANCIAL INFORMATION	Page
Item 1:		Financial Statements (Unaudited)	
		Consolidated Statements of Financial Condition	1
		Consolidated Statements of Income	2
		Consolidated Statements of Changes in Stockholders' Equity	3
		Consolidated Statements of Cash Flows	4
		Notes to Consolidated Financial Statements	6
Item 2:		Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3:		Quantitative and Qualitative Disclosures About Market Risk	29
Item 4:		Controls and Procedures	29
PART II - OTHER INFORMATION			
Item 1:		Legal Proceedings	29
Item 1A:		Risk Factors	29
Item 2:		Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3:		Defaults Upon Senior Securities	30
Item 4:		Mine Safety Disclosures	30
Item 5:		Other Information	30
Item 6:		Exhibits	30
SIGNATURES			

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(Unaudited)

ASSETS	December 31, 2011 (In Thousands, Except Share Data)	June 30, 2011
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$752 and \$6,422 for December 31, 2011 and June 30, 2011, Respectively)	\$ 6,259	\$ 9,599
Securities Available-for-Sale	76,045	75,039
Securities Held-to-Maturity	5,279	5,725
Loans Held-for-Sale	12,599	6,653
Loans Receivable, Net of Allowance for Loan Losses of \$1,116 and \$842, Respectively	140,285	125,371
Accrued Interest Receivable	775	801
Premises and Equipment, Net	4,935	3,937
Bank Owned Life Insurance	5,747	5,639
Other Assets	504	556
<b>Total Assets</b>	<b>\$ 252,428</b>	<b>\$ 233,320</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits	\$ 173,462	\$ 153,616
Advances from Borrowers for Taxes and Insurance	108	235
Advances from Federal Home Loan Bank of Dallas	25,612	26,891
Other Accrued Expenses and Liabilities	704	960
Deferred Tax Liability	237	435
<b>Total Liabilities</b>	<b>200,123</b>	<b>182,137</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; 3,051,881 Shares and 3,045,829 Shares	32	32

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

Issued and Outstanding at December 31,  
2011 and

June 30, 2011, Respectively

Additional Paid-in Capital	30,969		30,880
Treasury Stock, at Cost – none at December 31, 2011 and June 30, 2011	--		--
Unearned ESOP Stock	(1,849	)	(1,907
Unearned RRP Trust Stock	(21	)	(29
Retained Earnings	21,898		20,781
Accumulated Other Comprehensive Income	1,276		1,426
Total Stockholders' Equity	52,305		51,183
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	252,428	\$ 233,320

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,  
2011          2010          For the Six Months Ended  
December 31,  
2011          2010  
(In Thousands, Except Per Share Data)

## INTEREST INCOME

Loans, Including Fees	\$2,507	\$1,894	\$4,769	\$3,692
Investment Securities	16	12	80	24
Mortgage-Backed Securities	700	631	1,242	1,354
Other Interest-Earning Assets	3	7	8	11
Total Interest Income	3,226	2,544	6,099	5,081

## INTEREST EXPENSE

Deposits	628	566	1,249	1,140
Federal Home Loan Bank Borrowings	161	238	337	495
Total Interest Expense	789	804	1,586	1,635
Net Interest Income	2,437	1,740	4,513	3,446

## PROVISION FOR LOAN LOSSES

Net Interest Income after Provision for Loan Losses	188	151	274	223
	2,249	1,589	4,239	3,223

## NON-INTEREST INCOME

Gain on Sale of Loans	498	451	1,091	1,030
Gain on Sale of Investments	51	82	254	311
Income on Bank Owned Life Insurance	52	--	108	--
Other Income	101	247	192	273
Total Non-Interest Income	702	780	1,645	1,614

## NON-INTEREST EXPENSE

Compensation and Benefits	1,205	984	2,326	2,001
Occupancy and Equipment	173	120	369	244
Data Processing	90	52	166	88
Audit and Examination Fees	65	52	115	106
Franchise and Bank Shares Tax	49	55	144	86
Advertising	76	121	136	139
Legal Fees	125	29	202	61
Loan and Collection	26	42	57	75
Deposit Insurance Premium	28	31	53	59
Other Expense	117	124	238	241
Total Non-Interest Expense	1,954	1,610	3,806	3,100
Income Before Income Taxes	997	759	2,078	1,737

## PROVISION FOR INCOME TAX EXPENSE

	317	257	596	589
--	-----	-----	-----	-----

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

Net Income	\$680	\$502	\$1,482	\$1,148
<b>EARNINGS PER COMMON SHARE:</b>				
Basic	\$0.24	\$0.17	\$0.52	\$0.39
Diluted	\$0.23	\$0.17	\$0.51	\$0.39
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 CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED DECEMBER 31, 2011 AND 2010  
(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, 2010	\$ 14	\$ 13,655	\$(826 )	\$(145 )	\$ 20,665	\$(2,094 )	\$ 2,096	\$ 33,365
Common Stock Issuance	20	18,253	(1,167 )					17,106
Net Income	--	--	--	--	1,148	--	--	1,148
Other Comprehensive Loss:								
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(998 )	(998 )
RRP Shares Earned	--	--	--	116	--	--	--	116
Stock Options Vested	--	11	--	--	--	--	--	11
ESOP Compensation Earned	--	(1 )	28	--	--	--	--	27
Dividends Declared	--	--	--	--	(145 )	--	--	(145 )
Treasury Stock Retirement	(2 )	(826 )	--	--	(1,312 )	2,140	--	--
Acquisition Treasury Stock	--	--	--	--	--	(46 )	--	(46 )
BALANCE – December 31, 2010	\$ 32	\$ 31,092	\$(1,965 )	\$(29 )	\$ 20,356	\$--	\$ 1,098	\$ 50,584
BALANCE – June 30, 2011	\$ 32	\$ 30,880	\$(1,907 )	\$(29 )	\$ 20,781	\$--	\$ 1,426	\$ 51,183



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

Common Stock Issuance	--	66	--	--	--	--	--	66
Net Income	--	--	--	--	1,482	--	--	1,482
Other Comprehensive Loss:								
Changes in Unrealized Gain on Securities Available-for-Sale, Net of Tax Effects	--	--	--	--	--	--	(150 )	(150 )
RRP Shares Earned	--	--	--	8	--	--	--	8
Stock Options Vested	--	5	--	--	--	--	--	5
ESOP Compensation Earned	--	18	58	--	--	--	--	76
Dividends Declared	--	--	--	--	(365 )	--	--	(365 )
BALANCE –								
December 31, 2011	\$32	\$ 30,969	\$(1,849 )	\$21	\$21,898	\$--	\$ 1,276	\$ 52,305

See accompanying notes to consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)Six Months Ended  
December 31,  
2011                  2010  
(In Thousands)

## CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$1,482	\$1,148
Adjustments to Reconcile Net Income to Net Cash (Used in) Provided by Operating Activities		
Net Amortization and Accretion on Securities	(41 )	(123 )
Gain on Sale of Securities	(254 )	(311 )
Gain on Sale of Loans	(1,091 )	(1,030 )
Amortization of Deferred Loan Fees	(307 )	(35 )
Depreciation of Premises and Equipment	108	85
ESOP Expense	77	27
Stock Option Expense	5	11
Recognition and Retention Plan Expense	3	16
Deferred Income Tax	(121 )	(80 )
Provision for Loan Losses	274	223
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(61,309 )	(74,741 )
Loans Held-for-Sale – Sale and Principal Repayments	56,455	83,723
Accrued Interest Receivable	25	(60 )
Other Operating Assets	52	27
Other Operating Liabilities	(251 )	(1,558 )
Net Cash (Used in) Provided by Operating Activities	(4,893 )	7,322

## CASH FLOWS FROM INVESTING ACTIVITIES

Loan Originations and Purchases, Net of Principal Collections	(15,348 )	(18,395 )
Deferred Loan Fees Collected	467	67
Acquisition of Premises and Equipment	(1,106 )	(971 )
Activity in Available-for-Sale Securities:		
Proceeds from Sales of Securities	39,912	6,805
Principal Payments on Mortgage-Backed Securities	7,238	8,609
Purchases of Securities	(48,095 )	(3,967 )
Activity in Held-to-Maturity Securities:		
Redemption Proceeds	--	558
Principal Payments on Mortgage-Backed Securities	525	49
Purchases of Securities	(71 )	(253 )
Increase in cash surrender value on Bank Owned Life Insurance	(108 )	--
Net Cash Used in Investing Activities	(16,586 )	(7,498 )

See accompanying notes to consolidated financial statements.

4

---

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

	Six Months Ended December 31,	
	2011	2010
	(In Thousands)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Increase in Deposits	\$19,845	\$15,256
Proceeds from Federal Home Loan Bank Advances	16,500	--
Repayments of Advances from Federal Home Loan Bank	(17,780 )	(5,526 )
Net Decrease in Mortgage-Escrow Funds	(127 )	(79 )
Dividends Paid	(365 )	(145 )
Acquisition of Treasury Stock	--	(46 )
Gross Proceeds from Stock Issuance	66	18,285
<b>Net Cash Provided by Financing Activities</b>	<b>18,139</b>	<b>27,745</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,340 )</b>	<b>27,569</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>9,599</b>	<b>8,837</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$6,259</b>	<b>\$36,406</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest Paid on Deposits and Borrowed Funds	\$1,605	\$1,661
Income Taxes Paid	656	677
Market Value Adjustment for Gain (Loss) on Securities Available-for-Sale	(227 )	(1,512 )

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, 2011, is not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2012.

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, 2011. 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

On December 22, 2010, Home Federal Bank, completed its second step conversion and reorganization from the mutual holding company form of organization to the fully public stock holding structure and formed Home Federal Bancorp, Inc. of Louisiana, a Louisiana corporation to serve as the stock holding company for the Bank. In connection with the conversion and reorganization, the Company sold 1,945,220 shares of its common stock in a subscription and community offering and syndicated community offering at a price of \$10.00 per share. The Company also issued approximately 1,100,609 shares of common stock and cash in lieu of fractional shares in exchange for shares of the former holding company, other than shares held by Home Federal Mutual Holding Company of Louisiana and treasury stock, which were cancelled. The Company received net proceeds of \$18.0 million, after offering expenses. 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. Services are provided to its customers by four full-service banking offices and one agency office, which are 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, 2011, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which is currently inactive.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

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.

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. Loans are classified as substandard and placed on non-accrual status when they 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.

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 will pay its pro-rata share of income taxes in accordance with a written tax-sharing agreement.

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 1. Summary of Accounting Policies (continued)

## Income Taxes (continued)

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

## Comprehensive Income

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

## 2. Securities

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

Securities Available-for-Sale	Amortized Cost	December 31, 2011		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(In Thousands)				
<b>Debt Securities</b>				
FHLMC Mortgage-Backed Certificates	\$842	\$41	\$ --	\$883
FNMA Mortgage-Backed Certificates	27,255	2,168	--	29,423
GNMA Mortgage-Backed Certificates	44,723	1	287	44,437
<b>Total Debt Securities</b>	<b>72,820</b>	<b>2,210</b>	<b>287</b>	<b>74,743</b>
<b>Equity Securities</b>				
176,612 Shares, AMF ARM Fund	1,291	11	--	1,302
<b>Total Securities Available-for-Sale</b>	<b>\$74,711</b>	<b>\$2,221</b>	<b>\$287</b>	<b>\$76,045</b>
<b>Securities Held-to-Maturity</b>				
<b>Debt Securities</b>				
GNMA Mortgage-Backed Certificates	\$131	\$20	\$--	\$151
FNMA Mortgage-Backed Certificates	3,486	141	--	3,627
FHLMC Mortgage-Backed Certificates	21	1	--	22
<b>Total Debt Securities</b>	<b>3,638</b>	<b>162</b>	<b>--</b>	<b>3,800</b>

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

Equity Securities (Non-Marketable)				
13,906 Shares – Federal Home Loan Bank	1,391	--	--	1,391
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	1,641	--	--	1,641
Total Securities Held-to-Maturity	\$5,279	\$162	\$--	\$5,441

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

Securities Available-for-Sale	Amortized Cost	June 30, 2011		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(In Thousands)				
<b>Debt Securities</b>				
FHLMC Mortgage-Backed Certificates	\$1,904	\$103	\$--	\$2,007
FNMA Mortgage-Backed Certificates	32,806	1,832	--	34,638
GNMA Mortgage-Backed Certificates	104	1	--	105
Government Agency Notes	36,774	207	--	36,981
Total Debt Securities	71,588	2,143	--	73,731
<b>Equity Securities</b>				
176,612 Shares, AMF ARM Fund	1,291	17	--	1,308
Total Securities Available-for-Sale	\$72,879	\$2,160	\$--	\$75,039
<b>Securities Held-to-Maturity</b>				
<b>Debt Securities</b>				
GNMA Mortgage-Backed Certificates	\$145	\$22	\$--	\$167
FNMA Mortgage-Backed Certificates	3,988	2	112	3,878
FHLMC Mortgage-Backed Certificates	22	1	--	23
Total Debt Securities	4,155	25	112	4,068
<b>Equity Securities (Non-Marketable)</b>				
13,195 Shares – Federal Home Loan Bank	1,320	--	--	1,320
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	1,570	--	--	1,570
Total Securities Held-to-Maturity	\$5,725	\$25	\$112	\$5,638

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2011, 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	--	--	20	20

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

After Five through Ten Years	552	564	116	128
Over Ten Years	72,268	74,179	3,502	3,652
Total	\$72,820	\$74,743	\$3,638	\$3,800

For the six months ended December 31, 2011, proceeds from the sale of securities available-for-sale amounted to \$39.9 million. Gross realized gains amounted to \$254,000 or the six months ended December 31, 2011.

## 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 and held-to-maturity at December 31, 2011 and June 30, 2011, respectively, 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 available-for-sale at June 30, 2011, and there were no unrealized losses on securities held-to-maturity at December 31, 2011.

	December 31, 2011			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In Thousands)				
Securities Available-for-Sale:				
Debt Securities				
Mortgage-Backed Securities	\$287	\$44,338	\$--	\$--
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$287	\$44,338	\$--	\$--

	June 30, 2011			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In Thousands)				
Securities Held-to-Maturity:				
Debt Securities				
Mortgage-Backed Securities	\$112	\$3,816	\$--	\$--
Marketable Equity Securities	--	--	--	--
Total Securities Held-to-Maturity	\$112	\$3,816	\$--	\$--

The Company's investment in equity securities consists primarily of FHLB stock, a \$1.3 million (book value) investment in an adjustable-rate mortgage fund (referred to as the ARM Fund) and shares of First National Bankers Bankshares, Inc. ("FNBB"). The fair value of the ARM Fund has traditionally correlated with the interest rate environment. At December 31, 2011, the unrealized gain on this investment was \$11,000. 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, 2011, securities with a carrying value of \$21.3 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$67.5 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, 2011	June 30, 2011
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One-to-Four Family Residential	\$ 48,828	\$ 45,567
Commercial	34,228	32,763
Multi-Family Residential	13,006	8,360
Land	11,738	11,254
Construction	13,060	10,325
Equity and Second Mortgage	1,296	1,519
Equity Lines of Credit	6,351	5,974
Total Mortgage Loans	128,507	115,762
Commercial Loans	12,859	10,237
Consumer Loans		
Loans on Savings Accounts	306	328
Automobile and Other Consumer Loans	166	163
Total Consumer and Other Loans	472	491
Total Loans	141,838	126,490
Less: Allowance for Loan Losses	(1,116 )	(842 )
Unamortized Loan Fees	(437 )	(277 )
Net Loans Receivable	\$ 140,285	\$ 125,371

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

	Six Months Ended December 31,	
	2011	2010
	(In Thousands)	
Balance - Beginning of Year	\$ 842	\$ 489
Provision for Loan Losses	274	223
Loan Charge-Offs	--	--
Balance - End of Year	\$ 1,116	\$ 712

## 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)

## Credit Quality Indicators (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.

The following tables present the grading of loans, segregated by class of loans, as of December 31, 2011 and June 30, 2011:

December 31, 2011	Pass (In Thousands)	Special Mention	Substandard	Doubtful	Total
Real Estate Loans:					
One-to-Four Family Residential	\$48,611	\$14	\$203	\$--	\$48,828
Commercial	34,228	--	--	--	34,228
Multi-Family Residential	13,006	--	--	--	13,006
Land	11,738	--	--	--	11,738
Construction	13,060	--	--	--	13,060
Equity and Second Mortgage	1,296	--	--	--	1,296
Equity Lines of Credit	6,351	--	--	--	6,351
Commercial Loans	12,859	--	--	--	12,859
Consumer Loans	472	--	--	--	472
Total	\$141,621	\$14	\$203	\$--	\$141,838

June 30, 2011	Pass	Special Mention	Substandard (In Thousands)	Doubtful	Total
Real Estate Loans:					
One-to-Four Family Residential	\$45,353	\$100	\$114	\$--	\$45,567
Commercial	32,763	--	--	--	32,763
Multi-Family Residential	8,360	--	--	--	8,360

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

Land	11,254	--	--	--	11,254
Construction	10,325	--	--	--	10,325
Equity and Second Mortgage	1,519	--	--	--	1,519
Equity Lines of Credit	5,974	--	--	--	5,974
Commercial Loans	10,237	--	--	--	10,237
Consumer Loans	491	--	--	--	491
Total	\$126,276	\$100	\$114	\$--	\$126,490

## 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, 2011 and June 30, 2011:

December 31, 2011	30-59 Days Past Due (In Thousands)	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Real Estate Loans:							
One-to-Four Family							
Residential	\$ 1,527	\$ 1,007	\$ 203	\$ 2,737	\$ 46,091	\$ 48,828	\$ 203
Commercial	--	--	--	--	34,228	34,228	--
Multi-Family							
Residential	--	--	--	--	13,006	13,006	--
Land	--	--	--	--	11,738	11,738	--
Construction	--	--	--	--	13,060	13,060	--
Equity and Second Mortgage							
Equity Lines of Credit	--	--	--	--	6,351	6,351	--
Commercial Loans							
Consumer Loans	--	--	--	--	472	472	--
Total	\$ 1,527	\$ 1,007	\$ 203	\$ 2,737	\$ 139,101	\$ 141,838	\$ 203
June 30, 2011	30-59 Days Past	60-89 Days	Greater Than	Total Past Due	Current	Total	Recorded

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

	Due	Past Due	90 Days			Loans Receivable	Investment > 90 Days and Accruing
(In Thousands)							
Real Estate							
Loans:							
One-to-Four							
Family							
Residential	\$ 1,987	\$ 480	\$ 114	\$ 2,581	\$ 42,986	\$ 45,567	\$ 99
Commercial	--	--	--	--	32,763	32,763	--
Multi-Family							
Residential	--	--	--	--	8,360	8,360	--
Land	--	--	--	--	11,254	11,254	--
Construction	--	--	--	--	10,325	10,325	--
Equity and Second							
Mortgage	--	--	--	--	1,519	1,519	--
Equity Lines of							
Credit	--	--	--	--	5,974	5,974	--
Commercial							
Loans	--	--	--	--	10,237	10,237	--
Consumer Loans	--	--	--	--	491	491	--
Total	\$ 1,987	\$ 480	\$ 114	\$ 2,581	\$ 123,909	\$ 126,490	\$ 99

Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties are considered troubled debt restructurings and classified as impaired. There were no troubled debt restructurings as of December 31, 2011 or 2010.





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

Allowance  
for loan  
losses:

Beginning Balances	\$30	\$95	\$70	\$75	\$74	\$--	\$140	\$5	\$
Charge-Offs	--	--	--	--	--	--	--	--	--
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	80	30	70	75	56	--	35	7	
Ending Balances	\$110	\$125	\$140	\$150	\$130	\$--	\$175	\$12	\$

Evaluated for  
Impairment:

Individually	--	--	--	--	--	--	--	--	--
Collectively	110	125	140	150	130	--	175	12	

Loans

Receivable:

Ending Balances - Total	\$45,567	\$32,763	\$8,360	\$11,254	\$10,325	\$7,493	\$10,237	\$491	\$
-------------------------	----------	----------	---------	----------	----------	---------	----------	-------	----

Ending  
Balances:

Evaluated for  
Impairment:

Individually	15	--	--	--	--	--	--	--	--
Collectively	\$45,552	\$32,763	\$8,360	\$11,254	\$10,325	\$7,493	\$10,237	\$491	\$

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The following tables present loans individually evaluated for impairment, segregated by class of loans, as of December 31, 2011 and June 30, 2011:

December 31, 2011	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment (In Thousands)	Related Allowance	Average Recorded Investment
Real Estate Loans:						
One-to-Four Family Residential	\$217	\$217	\$--	\$217	\$--	\$217
Commercial	--	--	--	--	--	--
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	--	--	--	--	--	--
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$217</b>	<b>\$ 217</b>	<b>\$--</b>	<b>\$217</b>	<b>\$--</b>	<b>\$217</b>

June 30, 2011	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment (In Thousands)	Related Allowance	Average Recorded Investment
Real Estate Loans:						
One-to-Four Family Residential	\$15	\$15	\$--	\$15	\$--	\$15
Commercial	--	--	--	--	--	--
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	--	--	--	--	--	--
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$15</b>	<b>\$ 15</b>	<b>\$--</b>	<b>\$15</b>	<b>\$--</b>	<b>\$15</b>

The Bank has no commitments to loan additional funds to borrowers whose loans were previously in non-accrual status. There were no loans in non-accrual status at December 31, 2011.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. Earnings Per Share

Basic earnings per common share are computed based on the weighted average number of shares outstanding. Diluted earnings per share is computed based on the weighted average number of shares outstanding and common share equivalents that would arise from the exercise of dilutive securities. Prior period share amounts were adjusted for comparability using the conversion ratio of 0.9110 due to completion of second step offering on December 22, 2010. Earnings per share for the three and six months ended December 31, 2011 and 2010 were calculated as follows:

	Three Months Ended December 31, 2011		Three Months Ended December 31, 2010	
	Basic	Diluted	Basic	Diluted
	(In Thousands, Except Share Data)			
Net income (loss)	\$ 680	\$680	\$502	\$ 502
Weighted average shares outstanding	2,866	2,866	2,965	2,965
Effect of unvested common stock awards	--	33	--	--
Adjusted weighted average shares used in earnings per share computation	2,866	2,899	2,965	2,965
Earnings (loss) per share	\$0.24	\$0.23	\$0.17	\$0.17
	Six Months Ended December 31, 2011		Six Months Ended December 31, 2010	
	Basic	Diluted	Basic	Diluted
	(In Thousands, Except Share Data)			
Net income (loss)	\$1,482	\$1,482	\$1,148	\$ 1,148
Weighted average shares outstanding	2,862	2,862	2,962	2,962
Effect of unvested common stock awards	--	31	--	--
Adjusted weighted average shares used in earnings per share computation	2,862	2,893	2,962	2,962
Earnings (loss) per share	\$0.52	\$0.51	\$0.39	\$0.39

For the three months ended December 31, 2011 and 2010, there were outstanding options to purchase 152,816 and 174,389 shares, respectively, at a weighted average exercise price of \$10.83 per share and for the six months ended December 31, 2011 and 2010, there were outstanding options to purchase 154,856 and 168,429 shares, respectively, at a weighted average exercise price of \$10.83 per share. For the quarter ended December 31, 2011, 33,408 options were included in the computation of diluted earnings per share.

## 5. Stock-Based Compensation

## Recognition and Retention Plan

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Recognition and Retention Plan and Trust Agreement (the "2005 Recognition Plan") as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's

common stock subject to award under the 2005 Recognition Plan totaled 63,547 shares (as adjusted). As the shares were acquired for the 2005 Recognition Plan, the purchase price of these shares was recorded as a contra equity account. As the shares are distributed, the contra equity account is reduced. During the six months ended December 31, 2011, 561 shares vested and were released from the 2005 Recognition Plan Trust and 2,247 shares remained in the 2005 Recognition Plan Trust at December 31, 2011.

On December 23, 2011, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2011 Recognition and Retention Plan and Trust Agreement (the "2011 Recognition Plan" together with the 2005 Recognition Plan, the "Recognition Plan") as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's common stock available for award under the 2011 Recognition Plan totaled 77,808 shares. As of December 31, 2011, no shares were awarded under the 2011 Recognition Plan.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Stock-Based Compensation (continued)

Recognition and Retention Plan (continued)

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

The present cost associated with the 2005 Recognition Plan is based on a share price of \$10.93 (as adjusted), which represent the market price of the Company's stock on August 19, 2010, the date on which the 2005 Recognition Plan shares were granted, as adjusted for the exchange ratio of 0.9110 on December 22, 2010. The cost is recognized over the five year vesting period.

Stock Option Plan

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Stock Option Plan (the "2005 Option Plan") for the benefit of directors, officers, and other key employees. The aggregate number of shares of common stock reserved for issuance under the 2005 Option Plan totaled 158,868 (as adjusted). Both incentive stock options and non-qualified stock options may be granted under the 2005 Option Plan.

On December 23, 2011, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2011 Stock Option Plan (the "2011 Option Plan") for the benefit of directors, officers, and other key employees. The aggregate number of shares of common stock reserved for issuance under the 2011 Option Plan totaled 194,522. Both incentive stock options and non-qualified stock options may be granted under the Option Plan. As of December 31, 2011, no options had been granted under the 2011 Option Plan.

On August 18, 2005, the Company granted 158,868 (as adjusted) options to directors and employees. Under the 2005 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 \$10.82 (as adjusted), and the maximum term is ten years. On August 19, 2010, 21,616 options, which had been forfeited, were granted at an exercise price of \$10.93 per share. Incentive stock options and non-qualified stock options granted under the 2005 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. As of December 31, 2011, 2,133 stock options were available for future grant under the 2005 Option Plan. 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 FASB ASC Topic 718, Compensation – Stock Compensation.

6. Fair Value of Financial Instruments

The following disclosure is made in accordance with the requirements of ASC 825, Financial Instruments. Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash. In cases where quoted market prices are not available, fair values have been estimated using the present value of future cash flows or other valuation techniques. The results of these techniques are highly sensitive to the assumptions used, such as those concerning appropriate discount rates and estimates of future cash flows, which require considerable judgment. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current settlement of the underlying financial instruments.

ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. These disclosures should not be interpreted as representing an aggregate measure of the underlying value of the Company.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Fair Value of Financial Instruments (continued)

The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

Cash and Cash Equivalents

The carrying amount approximates the fair value of cash and cash equivalents.

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

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

Mortgage Loans Held-for-Sale

Because these loans are normally disposed of within ninety days of origination, their carrying value closely approximates the fair value of such loans.

Loans Receivable

For variable-rate loans that re-price frequently and with no significant changes in credit risk, fair value approximates the carrying value. Fair values for other loans are estimated using the discounted value of expected future cash flows. Interest rates used are those being offered currently for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest receivable approximates its fair value.

Deposit Liabilities

The fair values for demand deposit accounts are, by definition, equal to the amount payable on demand at the reporting date, that is, their carrying amounts. Fair values for other deposit accounts are estimated using the discounted value of expected future cash flows. The discount rate is estimated using the rates currently offered for deposits of similar maturities.

Advances from Federal Home Loan Bank

The carrying amount of short-term borrowings approximates their fair value. The fair value of long-term debt is estimated using discounted cash flow analyses based on current incremental borrowing rates for similar borrowing arrangements.

Off-Balance Sheet Credit-Related Instruments

Fair values for outstanding mortgage loan commitments to lend are based on fees currently charged to enter into similar agreements, taking into account the remaining term of the agreements, customer credit quality, and changes in lending rates.

The fair value of interest rate floors and caps contained in some loan servicing agreements and variable rate mortgage loan contracts are considered immaterial within the context of fair value disclosure requirements. Accordingly, no fair value estimate is provided for these instruments.





## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 6. Fair Value of Financial Instruments (continued)

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

	December 31, 2011		June 30, 2011	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(In Thousands)				
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$6,259	\$6,259	\$9,599	\$9,599
Securities Available-for-Sale	76,045	76,045	75,039	75,039
Securities to be Held-to-Maturity	5,279	5,441	5,725	5,638
Loans Held-for-Sale	12,599	12,599	6,653	6,653
Loans Receivable	140,285	155,856	125,371	138,168
<b>Financial Liabilities</b>				
Deposits	173,462	186,159	153,616	157,840
Advances from FHLB	25,612	27,151	26,891	27,826
<b>Off-Balance Sheet Items</b>				
Mortgage Loan Commitments	155	155	189	189

The estimated fair values presented above could be materially different than net realizable value and are only indicative of the individual financial instrument's fair value. Accordingly, these estimates should not be considered an indication of the fair value of the Company taken as a whole.

## 7. Fair Value Disclosures

Effective July 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurement, now codified in FASB ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 affirms a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 was issued to establish a uniform definition of fair value. The definition of fair value is market-based as opposed to company-specific, and includes the following:

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

· Expands disclosures about instrument that are measured at fair value.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 7. Fair Value Disclosures (continued)

ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy favors the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

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

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

Fair values of assets and liabilities measured on a recurring basis at December 31, 2011 and June 30, 2011 are as follows:

December 31, 2011	Fair Value Measurements Using:		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (In Thousands)	
<b>Available-for-Sale</b>			
<b>Debt Securities</b>			
FHLMC Mortgage-Backed Certificates	\$ --	\$ 883	\$ 883
FNMA Mortgage-Backed Certificates	--	29,423	29,423
GNMA Mortgage-Backed Certificates	--	44,437	44,437
<b>Equity Securities</b>			
ARM Fund	1,302	--	1,302
<b>Total</b>	<b>\$ 1,302</b>	<b>\$ 74,743</b>	<b>\$ 76,045</b>

June 30, 2011	Fair Value Measurements Using:		Total
	Quoted Prices in	Significant	

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

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2) (In Thousands)	
Available-for-Sale			
Debt Securities			
FHLMC Mortgage-Backed Certificates	\$ --	\$ 2,007	\$ 2,007
FBNA Mortgage-Backed Certificates	--	34,638	34,638
GNMA Mortgage-Backed Certificates	--	105	105
Government Agency Notes	--	36,981	36,981
Equity Securities			
ARM Fund	1,308	--	1,308
<b>Total</b>	<b>\$ 1,308</b>	<b>\$ 73,731</b>	<b>\$ 75,039</b>

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

General

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

Critical Accounting Policies

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

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

Discussion of Financial Condition Changes from June 30, 2011 to December 31, 2011

At December 31, 2011, total assets amounted to \$252.4 million compared to \$233.3 million at June 30, 2011, an increase of approximately \$19.1 million, or 8.2%. This increase was primarily due to an increase in investment securities of \$560,000, or 0.7%, an increase in loans receivable, net, of \$14.9 million, or 11.9%, and an increase in loans held-for-sale of \$5.9 million or 89.4%. The increase in loans held-for-sale reflects an increase in residential mortgage loan originations during the six months ended December 31, 2011. In addition, a slight increase in receivables from financial institutions purchasing the Company's loans held-for-sale contributed to this increase.

The increase in loans was primarily due to the origination of new loans by the mortgage lending department. Construction loans increased principally as a result of one hotel development on which we are the lead lender and have sold a participation interest. The increase in securities was primarily due to new security acquisitions during the

six months ended December 31, 2011, of \$48.2 million, partially offset by normal principal paydowns and sales amounting to \$47.4 million and a decrease in the fair value of securities of \$227,000. In August 2011, after the Federal Open Market Committee announced that it anticipated economic conditions, including low rates of resource utilization and a subdued outlook for inflation over the medium term, are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013, we discontinued our interest rate risk laddering strategy and invested in long-term, higher yielding mortgage backed securities with a structured adjustable rate note. At December 31, 2011, the Company had \$203,000 of non-performing assets or 0.08% of total assets at such date, compared to \$114,000 or 0.05% of total assets at June 30, 2011. Our non-performing assets at December 31, 2011 consisted of two loans purchased from a mortgage originator from which we historically purchased loans secured by single-family housing primarily located in predominantly rural areas of Texas and to a lesser extent, Tennessee, Arkansas, Alabama, Louisiana and Mississippi. No such mortgage loans have been purchased since fiscal 2009. The loans were generally secured by rural properties and the seller retained servicing rights. Although the loans were originated with fixed-rates, the Company receives an adjustable-rate of interest equal to the Federal Housing Finance Board rate, with rate floors and ceilings of approximately 5.0% and 8.0%, respectively. Under the terms of the loan agreements, as currently modified, the seller must repurchase or replace any loan that becomes more than 180 days delinquent. At December 31, 2011, we had approximately \$8.6 million of such loans in our portfolio with an average contractual remaining term of approximately 20.8 years.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2011 to December 31, 2011 (continued)

The Company's total liabilities amounted to \$200.1 million at December 31, 2011, an increase of approximately \$18.0 million, or 9.9%, compared to total liabilities of \$182.1 million at June 30, 2011. The primary reason for the increase in liabilities was due to an increase in deposits of \$19.8 million, or 12.9%, partially offset by a \$1.3 million, or 4.8%, decrease in advances from the Federal Home Loan Bank of Dallas, a \$256,000, or 26.7%, decrease in other accrued expenses and liabilities, a \$198,000, or 45.5% decrease in deferred tax liability and a \$127,000, or 54.0% decrease in advances from borrowers for taxes and insurance.

Stockholders' equity increased \$1.1 million, or 2.2%, to \$52.3 million at December 31, 2011 compared to \$51.2 million at June 30, 2011. This increase was primarily the result of the recognition of net income of \$1.5 million for the six months ended December 31, 2011, the distribution of shares associated with the Company's stock compensation plans of \$90,000 and proceeds from the issuance of common stock from the exercise of stock options of \$66,000. These increases were partially offset by dividends of \$365,000 paid during the six months ended December 31, 2011 and a decrease of \$150,000 in the Company's accumulated other comprehensive income.

The Bank is required to meet minimum capital standards promulgated by the Office of the Comptroller of the Currency ("OCC"). At December 31, 2011, Home Federal Bank's regulatory capital was well in excess of the minimum capital requirements.

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2011 and 2010

General

Net income amounted to \$680,000 for the three months ended December 31, 2011 compared to \$502,000 for the same period in 2010, an increase of \$178,000, or 35.5%. The increase was primarily due to a \$697,000, or 40.1%, increase in net interest income for the three months ended December 31, 2011 compared to the same period in 2010, partially offset by increases of \$344,000 in non-interest expense, \$60,000 in income taxes, and \$37,000 in the provision for loan losses and by a \$78,000 decrease in non-interest income for the 2011 period compared to the same period in 2010. The increase in net interest income for the three months ended December 31, 2011 was primarily due to an increase in interest income and fees from higher loan originations as a result of the hiring of additional loan officers since 2010, and a decrease in the Company's cost of funds for the three months ended December 31, 2011, compared to the prior year period. The increase in non-interest expense was primarily due to an increase in compensation and benefits expense and other expenses associated with the Company's growth, including the hiring of officers in connection with the commencement of commercial lending activities and the expansion and improvement of the Company's offices.

Net income amounted to \$1.5 million for the six months ended December 31, 2011 compared to net income of \$1.1 million for the same period in 2010, an increase of \$334,000, or 29.1%. The increase was primarily due to a \$1.1 million, or 31.0%, increase in net interest income for the six months ended December 31, 2011 compared to the same period in 2010, and a \$31,000, or 1.9% increase in non-interest income for the 2011 period compared to the same period in 2010. The changes were partially offset by increases of \$706,000, or 22.8% in non-interest expense, \$51,000, or 22.9% in the provision for loan losses and \$7,000, or 1.2%, in income tax expense. The increase in net interest income for the six months ended December 31, 2011 was primarily due to an increase in interest income and fees from higher loan originations as a result of the hiring of additional commercial and residential loan officers since 2010, and a decrease in the Company's cost of funds for the six months ended December 31, 2011, compared to the prior year period. The increase in non-interest expense was primarily due to an increase in compensation and benefits



expense of \$325,000, or 16.2%, and other expenses associated with the Company's growth, including a \$125,000 increase in occupancy and equipment expense in connection with the expansion and improvement of the Company's offices.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2011 and 2010  
(continued)

Net Interest Income

Net interest income for the three months ended December 31, 2011 was \$2.4 million, an increase of \$697,000, or 40.1%, in comparison to \$1.7 million for the three months ended December 31, 2010. This increase was primarily due to an increase of \$682,000 in total interest income and a decrease of \$15,000 in the Company's cost of funds. The increase in total interest income was primarily due to an increase in interest income generated from loans of \$613,000, and an increase in interest income from mortgage-backed securities of \$69,000. The cost of funds from and Federal Home Loan Bank borrowings decreased \$77,000, or 32.4% during the period while interest paid on deposits increased \$62,000, or 11.0% during the same period.

Net interest income for the six months ended December 31, 2011 was \$4.5 million, an increase of \$1.1 million, or 31.0%, in comparison to \$3.4 million for the six months ended December 31, 2010. This increase was primarily due to an increase of \$1.0 million in total interest income and a decrease of \$49,000 in the Company's cost of funds. The increase in total interest income was primarily due to an increase in interest income generated from loans of \$1.1 million, or 29.2%, and an increase in interest income from investment securities of \$56,000, partially offset by decreases in interest income from mortgage-backed securities of \$112,000. The cost of funds from and Federal Home Loan Bank borrowings decreased \$158,000, or 31.9% during the period while interest paid on deposits increased \$109,000, or 9.6%, during the same period.

The Company's average interest rate spread was 3.69% and 3.47% for the three and six months ended December 31, 2011, respectively, compared to 3.10% and 3.21% for the three and six months ended December 31, 2010, respectively. The Company's net interest margin was 4.09% and 3.90% for the three and six months ended December 31, 2011, respectively, compared to 3.65% and 3.72% for the three and six months ended December 31, 2010, respectively. The increase in net interest margin and average interest rate spread for the three and six month periods is attributable primarily to a higher volume of interest earning assets at relatively stable rates. Net interest income also increased primarily due to the increase in volume of average interest-earning assets. The increases in average interest rate spread and net interest income was also influenced by decreases in the average rates paid on interest bearing liabilities.

Provision for Losses on Loans

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 and other factors related to the collectability of Home Federal's loan portfolio, a provision for loan losses of \$188,000 and \$274,000 was made during the three and six months ended December 31, 2011, respectively, compared to a \$151,000 and \$223,000 provision made during the three and six months ended December 31, 2010, respectively. Home Federal's allowance for loan losses was \$1.1 million, or 0.79% of total loans, at December 31, 2011 compared to \$842,000, or 0.63%, of total loans at December 31, 2010. At December 31, 2011, Home Federal had two non-performing loans in the amount of \$203,000 and no other non-performing assets or troubled-debt restructurings. At December 31, 2010, Home Federal had two non-performing loans in the amount of \$114,000. There can be no assurance that the loan loss allowance will be sufficient to cover losses on non-performing assets in the future.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2011 and 2010  
(continued)

Non-interest Income

Total non-interest income amounted to \$702,000 for the three months ended December 31, 2011, a decrease of \$78,000 compared to \$780,000 for the same period in 2010. The decrease was primarily due to decreases of \$31,000 in gain on sale of investments and \$146,000 in other non-interest income, partially offset by increases of \$47,000 in gain on sale of loans and \$52,000 in bank owned life insurance income compared to the same period in 2010. The decrease in other non-interest income occurred primarily as the result of a bank shares tax accrual reversal that occurred in 2010 which was not similarly recorded in 2011.

Total non-interest income amounted to \$1.6 million for the six months ended December 31, 2011, an increase of \$31,000 compared to the same period in 2010. The increase was primarily due to increases of \$61,000 in gain on loans held for sale and \$108,000 in income from bank owned life insurance, partially offset by decreases of \$57,000 in gain on sale of investments and \$81,000 in other non-interest income. Similar to the quarterly results ended December 31, 2011, the decrease in other non-interest income was affected by the bank shares tax accrual reversal that occurred in 2010.

Non-interest Expense

Total non-interest expense increased \$344,000, or 21.4%, for the three months ended December 31, 2011 compared to the prior year period. The increase in non-interest expense was primarily due to an increase in compensation and benefits expense of \$221,000, or 22.5%, over the prior year period and increases of \$53,000 in occupancy and equipment expenses and \$96,000 in legal expenses.

Total non-interest expense increased \$706,000, or 22.8%, for the six months ended December 31, 2011 compared to the prior year period. The increase in non-interest expense was primarily due to an increase in compensation and benefits expense of \$325,000, or 16.2%, as well as increases of \$125,000 in occupancy and equipment expenses, \$58,000 in franchise and bank taxes, \$78,000 in data processing costs, and \$141,000 in legal expenses.

The increase in compensation and benefits expense was a result of normal compensation increases including stock options and recognition and retention plan expense and the hiring of additional commercial and residential loan officers. The aggregate compensation expense recognized by the Company for its Stock Option, ESOP and Recognition and Retention Plans amounted to \$43,000 and \$85,000 for the three and six months ended December 31, 2011 and \$21,000 and \$55,000 for the three and six months ended December 31, 2010, respectively.

The Louisiana bank shares tax is assessed on the Bank's equity and earnings. For the three and six months ended December 31, 2011, the Company recognized franchise and bank shares tax expense of \$49,000 and \$144,000 respectively compared to \$55,000 and \$86,000 for the same periods in 2010.

Income Taxes

Income taxes amounted to \$317,000 and \$596,000 for the three and six months ended December 31, 2011, respectively, resulting in effective tax rates of 31.8% and 28.7%, respectively. Income taxes amounted to \$257,000 and \$589,000 for the three and six months ended December 31, 2010, respectively, resulting in effective tax rates of 34.0% for both periods. The reduction in effective income tax rates for the three and six months ended December 31,

2011, is primarily the result of non-taxable income which had the effect of a 1.8% and 1.8% reduction, respectively, and the difference in capital gains and losses which had the effect of a 0.4% and 3.5%, reduction, respectively.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2011 and 2010  
(continued)

Average Balances, Net Interest Income, Yields Earned and Rates Paid. The following tables show for the periods indicated the total dollar amount of interest from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. Tax-exempt income and yields have not been adjusted to a tax-equivalent basis. All average balances are based on monthly balances. Management does not believe that the monthly averages differ significantly from what the daily averages would be.

	Three months ended December 31,						
	2011			2010			
	Average Balance	Interest	Average Yield/ Rate (Dollars in thousands)	Average Balance	Interest	Average Yield/ Rate	
<b>Interest-earning assets:</b>							
Investment securities	\$ 81,196	\$ 716	3.53 %	\$ 54,321	\$ 643	4.73	%
Loans receivable	151,798	2,507	6.61	113,829	1,894	6.66	
Interest-earning deposits	5,533	3	0.22	22,656	7	0.12	
Total interest-earning assets	238,527	3,226	5.41	190,806	2,544	5.33	
Non-interest-earning assets	13,285			11,746			
Total assets	\$ 251,812			\$ 202,552			
<b>Interest-bearing liabilities:</b>							
Savings accounts	6,075	22	1.45	6,088	6	0.39	
NOW accounts	16,901	21	0.50	6,575	7	0.43	
Money market accounts	37,380	53	0.57	26,704	65	0.97	
Certificate accounts	94,821	532	2.25	77,913	488	2.51	
Total deposits	155,177	628	1.62	117,280	566	1.93	
<b>FHLB</b>							
advances	28,211	161	2.27	26,654	238	3.56	
Total interest-bearing liabilities	183,388	789	1.72 %	143,934	804	2.23	%
<b>Non-interest-bearing liabilities:</b>							
Non-interest bearing demand accounts	15,698			14,739			
Other liabilities	1,737			2,650			
Total liabilities	200,823			161,323			
Total Stockholders' Equity(1)	50,989			41,229			
Total liabilities and equity	\$ 251,812			\$ 202,552			
Net interest-earning assets	\$ 55,139			\$ 46,872			
Net interest income; average interest rate spread(2)		\$ 2,437	3.69 %		\$ 1,740	3.10	%
Net interest margin(3)			4.09 %			3.65	%

Average interest-earning assets to average interest-bearing liabilities	130.07 %	132.56 %
---	----------	----------

- 
- (1) Includes retained earnings and accumulated other comprehensive loss.
- (2) Interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average rate on interest-bearing liabilities.
- (3) Net interest margin is net interest income divided by net average interest-earning assets.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2011 and 2010  
(continued)

	Six months ended December 31,						
	2011			2010			
	Average Balance	Interest	Average Yield/ Rate (Dollars in thousands)	Average Balance	Interest	Average Yield/ Rate	
<b>Interest-earning assets:</b>							
Investment securities	\$ 79,547	\$ 1,322	3.32 %	\$ 57,050	\$ 1,378	4.83	%
Loans receivable	143,194	4,769	6.66	109,673	3,692	6.73	
Interest-earning deposits	8,883	8	0.18	18,644	11	0.12	
Total interest-earning assets	231,624	6,099	5.27	185,367	5,081	5.48	
Non-interest-earning assets	13,634			10,137			
Total assets	\$ 245,258			\$ 195,504			
<b>Interest-bearing liabilities:</b>							
Savings accounts	6,544	29	0.89	5,844	12	0.41	
NOW accounts	15,854	53	0.67	7,207	14	0.39	
Money market accounts	35,787	117	0.65	25,493	124	0.97	
Certificate accounts	91,869	1,050	2.29	77,579	990	2.55	
Total deposits	150,054	1,249	1.66	116,123	1,140	1.97	
<b>FHLB</b>							
advances	26,241	337	2.57	27,657	495	3.57	
Total interest-bearing liabilities	176,295	1,586	1.80 %	143,780	1,635	2.27	%
<b>Non-interest-bearing liabilities:</b>							
Non-interest bearing demand accounts	16,529			12,189			
Other liabilities	1,720			3,237			
Total liabilities	194,544			159,206			
Total Stockholders' Equity(1)	50,714			36,298			
Total liabilities and equity	\$ 245,258			\$ 195,504			
Net interest-earning assets	\$ 55,329			\$ 41,587			
Net interest income; average interest rate spread(2)		\$ 4,513	3.47 %		\$ 3,446	3.21	%
Net interest margin(3)			3.90 %			3.72	%
Average interest-earning assets to average interest-bearing liabilities			131.38 %			128.92 %	

(1) Includes retained earnings and accumulated other comprehensive loss.

(2) Interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average rate on interest-bearing liabilities.

(3) Net interest margin is net interest income divided by net average interest-earning assets.

Liquidity and Capital Resources



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

Home Federal Bank's primary sources of funds are deposits, amortization and prepayment of loans and mortgage-backed securities, maturities of investment securities and other short-term investments, loan sales and earnings and funds provided from operations. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. The Bank sets the interest rates on its deposits to maintain a desired level of total deposits. In addition, Home Federal Bank invests excess funds in short-term interest-earning accounts and other assets, which provide liquidity to meet lending requirements. Home Federal Bank's deposit accounts with the Federal Home Loan Bank of Dallas amounted to \$752,000 at December 31, 2011.

A significant portion of Home Federal Bank's liquidity consists of securities classified as available-for-sale and cash and cash equivalents. Home Federal Bank's primary sources of cash are net income, principal repayments on loans and mortgage-backed securities and increases in deposit accounts. If Home Federal Bank requires funds beyond its ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of Dallas which provides an additional source of funds. At December 31, 2011, Home Federal Bank had \$25.6 million in advances from the Federal Home Loan Bank of Dallas and had \$98.0 million in additional borrowing capacity. Additionally, at December 31, 2011, Home Federal Bank was a party to a Master Purchase Agreement with First National Bankers Bank whereby Home Federal Bank may purchase Federal Funds from First National Bankers Bank in an amount not to exceed \$14.3 million. There were no amounts purchased under this agreement as of December 31, 2011.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Six Month Periods Ended December 31, 2011 and 2010  
(continued)

At December 31, 2011, Home Federal Bank had outstanding loan commitments of \$15.5 million to originate loans. At December 31, 2011, certificates of deposit scheduled to mature in less than one year, totaled \$39.7 million. Based on prior experience, management believes that a significant portion of such deposits will remain with us, although there can be no assurance that this will be the case. In addition, the cost of such deposits could be significantly higher upon renewal, in a rising interest rate environment. Home Federal Bank intends to utilize its high levels of liquidity to fund its lending activities. If additional funds are required to fund lending activities, Home Federal Bank intends to sell its securities classified as available-for-sale as needed.

Home Federal Bank is required to maintain regulatory capital sufficient to meet tangible, core and risk-based capital ratios of at least 1.5%, 3.0% and 8.0%, respectively. At December 31, 2011, Home Federal Bank exceeded each of its capital requirements with ratios of 16.83%, 16.83% and 33.06%, respectively.

Off-Balance Sheet Arrangements

At December 31, 2011, the Company did not have any off-balance sheet arrangements, as defined by Securities and Exchange Commission rules.

Impact of Inflation and Changing Prices

The financial statements and related financial data presented herein have been prepared in accordance with instructions to Form 10-Q, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in relative purchasing power over time due to inflation.

Unlike most industrial companies, virtually all of the Company's assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does the effect of inflation.

Forward-Looking Statements

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



HOME FEDERAL BANCORP, INC. OF LOUISIANA

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

**Evaluation of Disclosures Controls and Procedures.** Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief 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 Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the applicable time periods specified by the Securities and Exchange Commission's rules and forms.

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

PART II

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (a) Not applicable.
- (b) Not applicable.
- (c) Purchases of Equity Securities

The following table presents the purchasing activity of the 2011 Recognition and Retention Plan Trust during the three month period ended December 31, 2011:

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

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

October 1, 2011 – October 31, 2011	--	\$ --	--	--
November 1, 2011 – November 30, 2011	--	--	--	--
December 1, 2011 – December 31, 2011	--	--	--	77,808
<b>Total</b>	--	--	--	<b>77,808</b>

Notes to this table:

- (a) The Company's 2011 Recognition and Retention Plan was authorized to purchase up to a maximum of 77,808 shares of common stock, or 4.0% of the common stock sold in the offering completed on December 22, 2010, as disclosed in the Company's prospectus dated November 5, 2010, and announced by press release on December 27, 2011.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

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

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

No.	Description
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document.*

---

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



SIGNATURES

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Date: February 10,  
2012

By: /s/Daniel R. Herndon  
Daniel R. Herndon  
President and Chief Executive Officer

Date: February 10,  
2012

By: /s/Clyde D. Patterson  
Clyde D. Patterson  
Executive Vice President and Chief Financial  
Officer  
(Principal Financial and Accounting Officer)