

Edgar Filing: HOME FEDERAL BANCORP, INC. OF LOUISIANA - Form 10QSB

HOME FEDERAL BANCORP, INC. OF LOUISIANA
Form 10QSB
May 14, 2007

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from _____ to _____

Commission File Number: 000-51117

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

Federal

86-1127166

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

624 Market Street, Shreveport, Louisiana 71101

(Address of principal executive offices)

(318) 222-1145

(Issuer's telephone number)

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

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

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

Shares of common stock, par value \$.01 per share, outstanding as of May 14, 2007: The registrant had 3,449,202 shares of common stock outstanding, of which 2,135,375 shares were held by Home Federal Mutual Holding Company of Louisiana, the registrant's mutual holding company, and 1,313,827 shares were held by the public and directors, officers and employees of the registrant, and the registrant's employee benefit plans.

Transitional Small Business Disclosure Format: Yes No

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SIGNATURES

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

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	March 31, 2007	June 30, 2006
	----- (Unaudited)	----- (Audited)
ASSETS		
Cash and Cash Equivalents	\$ 10,369,784	\$ 4,929,595
Securities Available-for-Sale	83,023,083	83,693,681
Securities Held-to-Maturity	1,437,433	1,424,866
Loans Held for Sale	--	--
Loans Receivable, Net	25,832,370	20,866,177
Accrued Interest Receivable	487,139	464,908
Premises and Equipment, Net	937,053	947,584
Deferred Tax Asset	550,273	1,597,083
Other Assets	96,159	76,218
	-----	-----
Total Assets	\$122,733,294	\$114,000,052
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	\$ 76,001,391	\$ 71,278,564
Advances from Borrowers for Taxes and Insurance	141,356	219,054
Advances from Federal Home Loan Bank of Dallas	15,371,550	13,417,166
Other Accrued Expenses and Liabilities	635,019	545,991
	-----	-----
Total Liabilities	92,149,316	85,460,775
	=====	=====
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock - 8,000,000 shares of \$.01 par value authorized; 3,558,958 shares issued; 3,489,002 shares outstanding and 3,538,258 shares outstanding at March 31, 2007 and June 30, 2006, respectively	14,236	14,236
Additional paid-in capital	13,492,821	13,445,231
Retained Earnings - Partially Restricted	20,411,832	20,148,695
Unearned ESOP Stock	(1,011,024)	(1,053,731)
Unearned RRP Trust Stock	(551,020)	(688,439)
Accumulated Other Comprehensive Loss	(1,053,697)	(3,116,215)
Treasury Stock - At Cost	(719,170)	(210,500)
	-----	-----
Total Stockholders' Equity	30,583,978	28,539,277
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$122,733,294	\$114,000,052
	=====	=====

See accompanying notes to consolidated financial statements.

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(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2007	2006	2007	2006
INTEREST INCOME				
Loans, Including Fees	\$ 457,421	\$ 320,877	\$1,258,593	\$1,044,963
Investment Securities	66,494	120,514	219,138	261,566
Mortgage-Backed Securities	1,089,373	921,975	3,221,663	2,706,232
Other Interest-Earning Assets	75,779	50,275	199,930	150,334
Total Interest Income	1,689,067	1,413,641	4,899,324	4,163,095
INTEREST EXPENSE				
Deposits	711,541	533,708	2,018,809	1,540,932
Federal Home Loan Bank Borrowings	185,661	85,609	512,504	207,155
Total Interest Expense	897,202	619,317	2,531,313	1,748,087
Net Interest Income	791,865	794,324	2,368,011	2,415,008
PROVISION FOR LOAN LOSSES				
	435	--	435	--
Net Interest Income after Provision for Loan Losses	791,430	794,324	2,367,576	2,415,008
NON-INTEREST INCOME				
Gain on Sale of Loans	3,127	1,145	3,127	16,310
Gain on Sale of Investments	67,286	--	168,327	52,209
Other Income	6,458	10,411	56,397	35,701
Total Non-Interest Income	76,871	11,556	227,851	104,220
NON-INTEREST EXPENSE				
Compensation and Benefits	361,397	382,388	1,113,873	1,106,599
Occupancy and Equipment	44,177	45,906	136,791	134,172
Data Processing	22,157	24,340	55,636	62,686
Audit and Professional Fees	52,047	62,128	176,178	213,504
Franchise and Bank Shares Tax	39,497	4,027	118,316	12,080
Deposit Insurance Premiums	2,290	2,417	6,976	7,252
Other Expense	67,952	70,155	206,060	237,885
Total Non-Interest Expense	589,517	591,361	1,813,830	1,774,178
Income Before Income Taxes	278,784	214,519	781,597	745,050
PROVISION FOR INCOME TAX EXPENSE				
	94,584	72,813	265,436	249,552
Net Income	\$ 184,200	\$ 141,706	\$ 516,161	\$ 495,498
INCOME PER COMMON SHARE:				
Basic	\$ 0.05	\$ 0.04	\$ 0.15	\$ 0.15
Diluted	\$ 0.05	\$ 0.04	\$ 0.15	\$ 0.15
DIVIDENDS DECLARED				
	\$ 0.06	\$ 0.06	\$ 0.18	\$ 0.16

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See accompanying notes to consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
NINE MONTHS ENDED MARCH 31, 2007 AND 2006

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Trea Sto
	-----	-----	-----	-----	-----	-----
BALANCE - JUNE 30, 2005	\$14,236	\$13,391,061	\$ (1,110,683)	\$ --	\$19,827,439	\$
Net Income	--	--	--	--	495,498	
Other Comprehensive Loss:						
Changes in Unrealized Gain (Loss) on Securities Available- for-Sale, Net of Tax Effects	--	--	--	--	--	--
ESOP Compensation Earned	--	(573)	42,716	--	--	--
Acquisition of RRP Stock	--	--	--	(654,040)	--	--
Dividends Paid	--	--	--	--	(227,773)	--
Stock Options Vested	--	38,700	--	--	--	--
Acquisition Treasury Stock	--	--	--	--	--	(7
	-----	-----	-----	-----	-----	-----
BALANCE - MARCH 31, 2006	\$14,236	\$13,429,188	\$ (1,067,967)	\$ (654,040)	\$20,095,164	\$ (7
	=====	=====	=====	=====	=====	=====
BALANCE - JUNE 30, 2006	\$14,236	\$13,445,231	\$ (1,053,731)	\$ (688,439)	\$20,148,695	\$ (210
Net Income	--	--	--	--	516,161	
Other Comprehensive Loss:						
Changes in Unrealized Gain (Loss) on Securities Available- for-Sale, Net of Tax Effects	--	--	--	--	--	--
RRP Shares Earned	--	--	--	137,419	--	--
Stock Options Vested	--	46,173	--	--	--	--
ESOP Compensation Earned	--	1,417	42,707	--	--	--
Dividends Declared	--	--	--	--	(253,024)	--
Acquisition Treasury Stock	--	--	--	--	--	(508
	-----	-----	-----	-----	-----	-----

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BALANCE - MARCH 31, 2007 \$14,236 \$13,492,821 \$(1,011,024) \$(551,020) \$20,411,832 \$(719,000)
 ===== ===== ===== ===== ===== =====

See accompanying notes to consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31,	
	2007	2006
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 516,161	\$ 495,498
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Net Amortization and Accretion on Securities	(138,183)	(59,615)
Gain on Sale of Investments	(168,327)	(52,209)
Amortization of Deferred Loan Fees	(10,484)	(36,162)
Depreciation of Premises and Equipment	47,831	49,023
ESOP Expense	44,124	42,143
Stock Option Expense	46,174	38,700
Recognition and Retention Plan Expense	100,955	86,655
Deferred Income Tax	(15,699)	(13,158)
Changes in Assets and Liabilities		
Loans Held-for-Sale	--	70,000
Accrued Interest Receivable	(22,231)	18,670
Other Operating Assets	(19,941)	(10,762)
Other Operating Liabilities	125,492	(20,614)
	-----	-----
Net Cash Provided by Operating Activities	505,872	608,169
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Originations and Purchases, Net of Principal Collections	(4,963,504)	3,702,026
Deferred Loan Fees Collected	7,735	13,933
Acquisition of Premises and Equipment	(37,299)	(490,679)
Activity in Available-for-Sale Securities:		
Proceeds from Sales and Maturities of Securities	21,086,377	3,378,017
Principal Payments on Mortgage-backed Securities	7,785,858	8,463,043
Purchases of Securities	(24,770,102)	(17,317,344)
Activity in Held-to-Maturity Securities		
Proceeds from Redemption or Maturity of Investments	--	--
Principal Payments on Mortgage-Backed Securities	111,633	126,872
Purchases of Securities	(124,200)	--
	-----	-----
Net Cash Used in Investing Activities	(903,502)	(2,126,732)
	-----	-----

See accompanying notes to consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued) (Unaudited)

	Nine Months Ended March 31,	
	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	\$ 4,722,827	\$ 5,395,482
Proceeds from Federal Home Loan Bank Advances	4,750,000	3,025,000
Repayments of Advances from Federal Home Loan Bank	(2,795,616)	(2,091,095)
Net Decrease in Mortgage-Escrow Funds	(77,698)	(12,598)
Dividends Paid	(253,024)	(227,773)
Acquisition of Treasury Stock	(508,670)	(7,000)
Acquisition of Stock for Recognition and Retention Plan	--	(654,040)
	5,837,819	5,427,976
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,440,189	3,909,413
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	4,929,595	9,292,489
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 10,369,784	\$13,201,902
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest Paid on Deposits and Borrowed Funds	\$ 2,505,416	\$ 1,706,747
Income Taxes Paid	250,913	260,160
Market Value Adjustment for Gain (Loss) on Securities Available-for-Sale	3,125,026	(3,113,338)

See accompanying notes to consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Home Federal Bancorp, Inc. of Louisiana (the "Company") and its subsidiary, Home Federal Savings and Loan Association (the "Association"). These consolidated financial statements were prepared in accordance with instructions for Form 10-QSB and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the nine month period ended March 31, 2007, is not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2007.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Statements of Financial Condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the allowance for loan losses.

Nature of Operations

On January 18, 2005, Home Federal Savings and Loan Association (the "Association"), completed its reorganization to the mutual holding company form of organization and formed Home Federal Bancorp, Inc. of Louisiana (the "Company") to serve as the stock holding company for the Association. In connection with the reorganization, the Company sold 1,423,583 shares of its common stock in a subscription and community offering at a price of \$10.00 per share. The Company also issued 2,135,375 shares of common stock in the reorganization to Home Federal Mutual Holding Company of Louisiana, or 61.2% of our outstanding common stock at March 31, 2007. The Association is a federally chartered, stock savings and loan association and is subject to federal regulation by the Federal Deposit Insurance Corporation and the Office of Thrift Supervision. Services are provided to its customers by three offices, all of which are located in the City of Shreveport, Louisiana. The area served by the Association is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found dispersed in a wider geographical area covering much of northwest Louisiana.

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Cash and Cash Equivalents

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

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Securities

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

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

Loans Held For Sale

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

Loans

Loans receivable are stated at unpaid principal balances, less allowances for loan losses and unamortized deferred loan fees. Net nonrefundable fees (loan origination fees, commitment fees,

discount points) and costs associated with lending activities are being deferred and subsequently amortized into income as an adjustment of yield on the related interest earning assets using the interest method. Interest income on contractual loans receivable is recognized on the accrual method. Unearned discount on property improvement and automobile loans is deferred and amortized on the interest method over the life of the loan.

Allowance for Loan Losses

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

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Off-Balance Sheet Credit Related Financial Instruments

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

Premises and Equipment

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

Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various assets and liabilities and gives current recognition to changes in tax rates and laws.

Comprehensive Income

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

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. EARNINGS PER SHARE

Basic earnings per common share is computed based on the weighted average number of shares outstanding. Diluted earnings per share is computed based on the weighted average number of shares outstanding and common share equivalents that would arise from the exercise of dilutive securities. Earnings per share for the three and nine month periods ended March 31, 2007 and 2006 were calculated as follows:

	Three Months Ended March 31, 2007		Three Months Ended March 31, 2006	
	Basic	Diluted	Basic	Diluted
Net Income	\$ 184,200	\$ 184,200	\$ 141,706	\$ 141,706
Weighted average shares outstanding	3,349,110	3,349,110	3,384,039	3,384,039
Effect of unvested common stock awards	--	3,566	--	4,888
Adjusted weighted average shares used in earnings per share computation	3,349,110	3,352,676	3,384,039	3,388,911
Earnings per share	\$.05	\$.05	\$.04	\$.04

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	Nine Months Ended March 31, 2007		Nine Months Ended March 31, 2006	
	Basic	Diluted	Basic	Diluted
Net Income	\$ 516,161	\$ 516,161	\$ 495,498	\$ 495,498
Weighted average shares outstanding	3,363,589	3,363,589	3,399,449	3,399,449
Effect of unvested common stock awards	--	4,064	--	--
Adjusted weighted average shares used in earnings per share computation	3,363,589	367,653	3,399,444	3,400,563
Earnings per share	\$.15	\$.15	\$.15	\$.15

3. RECOGNITION AND RETENTION PLAN

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Recognition and Retention Plan and Trust Agreement (the "Recognition Plan") for the benefit of directors, officers, and employees as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's common stock subject to award under the Recognition Plan totaled 69,756 shares. As shares are acquired for the Recognition Plan, the purchase price of these shares will be recorded as a contra equity account. As the shares are distributed, the contra equity account will be reduced. As of March 31, 2007, the Company had purchased 69,756 shares at an aggregate cost of \$688,439. During the nine months ended March 31, 2007, 13,661 shares vested and were released from the Recognition Plan Trust and 56,095 shares remained in the Recognition Plan Trust at March 31, 2007.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (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. As of March 31, 2007, 1,490 awards had been forfeited. In the case of death or disability of the recipient or a change in control of the Company, however, the Recognition Plan awards will be vested and shall be distributed as soon as practicable thereafter.

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

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recognized over five years.

4. STOCK OPTION PLAN

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Stock Option Plan (the "Option Plan") for the benefit of directors, officers, and other key employees. The aggregate number of shares of common stock reserved for the issuance under the Option Plan totaled 174,389. Both incentive stock options and non-qualified stock options may be granted under the Option Plan.

On August 18, 2005, the Company granted 174,389 options to directors and key employees. Under the Option Plan, the exercise price of each option cannot be less than the fair market value of the underlying common stock as of the date of the option grant, which was \$9.85, and the maximum term is ten years. Incentive stock options and non-qualified stock options granted under the Option Plan become vested and exercisable at a rate of 20% per year over five years, commencing one year from the date of the grant, with an additional 20% vesting on each successive anniversary of the date the option was granted. No vesting shall occur after an employee's employment or service as a director is terminated. As of March 31, 2007, 3,532 stock options had been forfeited and are available for future grant. In the event of the death or disability of an employee or director or change in control of the Company, the unvested options shall become vested and exercisable. The Company accounts for the Option Plan under the guidance of SFAS No. 123(R).

5. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments. This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securities financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, and clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In March 2006, the FASB issued SFAS No. 156, Accounting for

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

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007.

In September 2006, the FASB issued SFAS No. 158, Postretirement Plans. This Statement requires and employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. An employer without publicly traded equity securities is required to recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after June 15, 2007.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007.

In June 2006, the FASB issued Interpretation Number (FIN) 48, Accounting for Uncertainty in Income Taxes (as amended). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006.

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

General

The Company was formed by the Association in connection with the Association's reorganization and commenced operations on January 18, 2005. The Company's results of operations are primarily dependent on the results of the Association, which became a wholly owned subsidiary upon completion of the reorganization. The Association's results of operations depend, to a large extent, on net interest income, which is the difference between the income earned on its loan and investment portfolios and the cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by provisions for loan losses and loan sale activities. Non-interest expense principally consists of compensation and employee benefits, office occupancy and equipment expense, data processing and other expense. Our results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, government policies and actions of regulatory authorities. Future changes in applicable law, regulations or government policies may materially impact our financial conditions and results of operations.

Critical Accounting Policies

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

Discussion of Financial Condition Changes from June 30, 2006 to March 31, 2007

At March 31, 2007, total assets amounted to \$122.7 million compared to \$114.0 million at June 30, 2006, an increase of approximately \$8.7 million, or 7.7%. This increase was primarily

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due to an increase in cash and cash equivalents of \$5.4 million, or 110.3%, and an increase in loans receivable of \$5.0 million, or 23.8%. These increases were offset by a decrease in the Company's deferred tax asset of \$1.0 million, or 65.6%.

The increase in cash and cash equivalents was due primarily to proceeds received through deposits and advances from the Federal Home Loan Bank of Dallas. The increase in loans receivable was primarily due to the purchase of first mortgage loans originated by another mortgage loan company.

The Company's total liabilities amounted to \$92.1 million at March 31, 2007, an increase of approximately \$6.6 million, or 7.7%, compared to total liabilities of \$85.5 million at June 30, 2006. The primary reason for the increase in liabilities was due to the \$4.7 million, or 6.6%, increase of customers' deposits due to normal deposits inflow, and a \$2.0 million, or 14.6%, increase in advances from the Federal Home Loan Bank of Dallas.

Stockholders' equity increased \$2.1 million, or 7.0%, to \$30.6 million at March 31, 2007 compared to \$28.5 million at June 30, 2006. This increase was primarily the result of the change in the Company's Accumulated Other Comprehensive Loss associated with securities available-for-sale of \$2.0 million, or 66.2%, the recognition of net income of \$516,000 for the nine months ended March 31, 2007, and the

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

distribution of shares associated with the Company's Recognition Plan of \$137,000. These increases were offset by dividends of \$253,000 paid during the nine months ended March 31, 2007, and the acquisition of treasury shares of \$509,000.

The Association is required to meet minimum capital standards promulgated by the Office of Thrift Supervision ("OTS"). At March 31, 2007, the Association's regulatory capital was well in excess of the minimum capital requirements.

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2007 and 2006

General

Net income amounted to \$184,000 for the three months ended March 31, 2007, or basic earnings per share of \$.05, compared to \$142,000 for the same period in 2006, or basic earnings per share of \$.04, an increase of \$42,000, or 29.6%. The increase was primarily due to increases in non-interest income, partially offset by increases in income taxes.

For the nine months ended March 31, 2007, net income amounted to \$516,000, compared to \$495,000 for the same period in 2006, an increase of \$21,000, or 4.2%. For the nine months ended March 31, 2007 and 2006, basic earnings per share was \$.015. The increase in net income was primarily due to an increase in non-

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interest income, partially offset by a decrease in nit interest income and increases in non-interest expense and income taxes.

Net Interest Income

Net interest income for the three months ended March 31, 2007, was \$792,000, a decrease of \$2,000, or 0.2%, in comparison to the three months ended March 31, 2006. This decrease was due primarily to the increase the Company's cost of funds combined with increases in the average balance of deposits and borrowings.

Net interest income for the nine months ended March 31, 2007, was \$2.4 million, a decrease of \$47,000 in comparison to the nine months ended March 31, 2006. This decrease was due primarily to the increase in interest expense incurred on deposit accounts and advances from the Federal Home Loan Bank, partially offset by an increase in total interest income.

The Company's average interest rate spread was 1.76% and 1.85% for the three and nine months ended March 31, 2007, compared to 2.14% and 2.19% for the three and nine months ended March 31, 2006. The Company's net interest margin was 2.66% and 2.72% for the three and nine months ended March 31, 2007, compared to 2.91% and 2.97% for the three and nine months ended March 31, 2006. The decrease in net interest income and net interest margin is attributable primarily to the increase in interest expense and average cost associated with deposits and advances from the Federal Home Loan Bank.

Provision for Losses on Loans

Based on an analysis of historical experience, the volume and type of lending conducted by the Association, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to the Association's market area, and other factors related to the collectibility of the Association's loan portfolio, a provision for loan losses of \$435 was made during the three and nine months ended March 31, 2007. No provisions for loan losses were made during the three and nine months ended March 31, 2006. The Association's allowance for loan losses was \$235,000, or 0.9% of total loans, at March 31, 2007 compared to \$235,000, or 1.0% of total loans at March 31, 2006.

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

The Association did not have any non-performing loans at March 31, 2007 or 2006. There can be no assurance that the loan loss allowance will be sufficient to cover losses on nonperforming assets in the future.

Non-interest Income

Total non-interest income amounted to \$77,000 for the three months ended March 31, 2007, compared to \$11,000 for the same

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period in 2006. The increase was primarily due to an increase of \$67,000 in gain on sale of investments partially offset by a decrease in other income.

Total non-interest income amounted to \$228,000 for the nine months ended March 31, 2007, compared to \$104,000 for the same period in 2006. The increase was primarily due to increases in gain on sale of securities and other income partially offset by a decrease in gains on sale of loans.

Non-interest Expense

Total non-interest expense decreased \$2,000, or 0.3%, for the three months ended March 31, 2007 compared to the prior year period. The decrease in non-interest expense was primarily due to a decrease in compensation and benefits expense of \$21,000, or 5.5%, over the prior year period and decreases in professional fees and advertising expense. These decreases were partially offset by an increase in franchise and bank shares tax.

Total non-interest expense increased \$40,000, or 2.2%, for the nine months ended March 31, 2007 compared to the prior year period. The increase was primarily due to an increase in franchise and bank shares tax expense of \$118,000, partially offset by decreases in professional fees and advertising expense.

The increase in compensation and benefits expense for the nine months ended March 31, 2007 was a result of the Company's recognition of a full nine months of expense associated with the vested amount of stock options granted by the Company during the quarter ended September 30, 2005, as well as the expense associated with the Company's awards pursuant to the Recognition Plan also granted during the quarter ended September 30, 2005. Options associated with the Company's stock option plan and shares associated with the Company's Recognition Plan were granted on August 18, 2005. Compensation expense recognized by the Company for its Stock Option and Recognition and Retention Plans amounted to \$15,000 and \$33,000, respectively, for the three months ended March 31, 2007, and \$46,000 and \$101,000, respectively, for the nine months ended March 31, 2007.

Effective January 1, 2006, the Company, through its subsidiary Home Federal Savings and Loan Association, became subject to the Louisiana bank shares tax. This tax is assessed on the Association's equity and earnings. For the three and nine months ended March 31, 2007, the Company recognized expense of \$36,000 and \$109,000, respectively, compared to \$4,000 and \$12,000 for the three and nine months ended March 31, 2006, respectively.

These increases were offset by decreases in audit and professional fees, and a decrease in other expense during the three and nine months ended March 31, 2007 compared to the prior year periods. The decrease in audit and professional fees was due primarily to a decrease in legal fees of approximately \$8,000 and \$33,000 during the three and nine months ended March 31, 2007, respectively. During the three and nine months ended March 31, 2006, the Company incurred additional legal fees associated with the drafting and adoption of its stock option plan and Recognition Plan. The decrease in other expense was due primarily to a decrease in registrar and transfer agent fees, office supplies, and telephone expenses for the nine months ended March

31, 2007 compared to the 2006 period.

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

Income Taxes

Income taxes amounted to \$95,000 and \$73,000 for the three months ended March 31, 2007 and 2006, respectively, resulting in effective tax rate of 33.9% for both periods. Income taxes amounted to \$265,000 and \$250,000 for the nine months ended March 31, 2007 and 2006, respectively, resulting in an effective tax rate of 34.0% and 33.5%, respectively.

Liquidity and Capital Resources

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

The Association's primary sources of funds are deposits, amortization and prepayment of loans and mortgage-backed securities, maturities of investment securities and other short-term investments, loan sales and earnings and funds provided from operations. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. The Association sets the interest rates on its deposits to maintain a desired level of total deposits. In addition, the Association invests excess funds in short-term interest-earning accounts and other assets, which provide liquidity to meet lending requirements. The Association's deposit accounts with the Federal Home Loan Bank of Dallas amounted to \$2.4 million at March 31, 2007.

A significant portion of the Association's liquidity consists of securities classified as available-for-sale and cash and cash equivalents. The Association's primary sources of cash are net income, principal repayments on loans and mortgage-backed securities and increases in deposit accounts. If the Association requires funds beyond its ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of Dallas which provides an additional source of funds. At March 31, 2007, the Association had \$15.4 million in advances from the Federal Home Loan Bank of Dallas.

At March 31, 2007, the Association had outstanding loan commitments of \$1.8 million to originate loans. At March 31, 2007, certificates of deposit scheduled to mature in less than one year, totaled \$39.3 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. The Association intends to utilize its high levels of liquidity to fund its lending activities. If additional funds are required to fund lending activities, the Association intends to sell its securities classified as available-for-sale as needed.

The Association is required to maintain regulatory capital sufficient to meet tangible, core and risk-based capital ratios of at least 1.5%, 3.0% and 8.0%, respectively. At March 31, 2007, Home Federal Savings and Loan exceeded each of its capital requirements with ratios of 22.29%, 22.29% and 81.67%, respectively.

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

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

Off-Balance Sheet Arrangements

At March 31, 2007, the Association did not have any off-balance sheet arrangements, as defined by Securities and Exchange Commission rules.

Impact of Inflation and Changing Prices

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

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

Forward-Looking Statements

This Form 10-QSB contains certain forward-looking statements and information relating to the Association 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 Association or the Association's management, are intended to identify forward-looking statements. Such statements reflect the current views of the Association 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 Association does not intend to update these forward-looking statements.

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ITEM 3. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and our principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the applicable time periods specified by the Securities and Exchange Commission's rules and forms. There has been no change in the Association's internal control over financial reporting during the Association's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Association's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Association 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 Association.

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 represents the repurchasing activity of the stock repurchase program during the third quarter of fiscal 2007:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Public Announced Plans or Programs
-----	-----	-----	-----
Month #1 January 1, 2007 - January 31, 2007	--	\$ --	--
Month #2 February 1, 2007 - February 28, 2007	43,800	10.35	43,800
Month #3 March 1, 2007 - March 31, 2007	100	10.35	100
	-----	-----	-----
Total	43,900	\$ 10.35	43,900
	=====	=====	=====

Notes to this table:

(a) On January 11, 2006, the Company issued a press release announcing that the Board of Directors authorized a stock repurchase program (the "program").

(b) The Company was authorized to repurchase 10% or 142,358 of the outstanding shares other than shares held by Home Federal Mutual Holding Company.

(c) The program had an expiration date of January 18, 2007. On January 10, 2007, the Company announced an extension of the program until January 18, 2008 to purchase the remaining shares.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

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ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The following Exhibits are filed as part of this report:

No.	Description
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31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.0	Certification Pursuant to 18 U.S.C Section 1350

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SIGNATURES

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

Date: May 14, 2007

By: /s/ Daniel R. Herndon

Daniel R. Herndon
President and Chief Executive Officer

Date: May 14, 2007

By: /s/ Clyde D. Patterson

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