

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

Home Federal Bancorp, Inc. of Louisiana  
Form 10-Q  
May 12, 2016  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2016  
or

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

For the transition period from to

Commission file number: 001-35019

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

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

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

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

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

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

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

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):

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Large accelerated filer  Accelerated  
filer   
Non-accelerated filer  Smaller reporting  
company   
(Do not check if a smaller reporting company)

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

Shares of common stock, par value \$.01 per share, outstanding as of May 11, 2016: The registrant had 1,988,580 shares of common stock outstanding.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	March 31, 2016	June 30, 2015
	(Dollars In Thousands)	
<b>ASSETS</b>		
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$5,044 and \$16,105 for March 31, 2016 and June 30, 2015, Respectively)	\$7,547	\$21,166
Securities Available-for-Sale	42,486	44,885
Securities Held-to-Maturity	1,509	2,010
Loans Held-for-Sale	7,284	14,203
Loans Receivable, Net of Allowance for Loan Losses of \$2,749 and \$2,515, Respectively	282,365	268,427
Accrued Interest Receivable	976	927
Premises and Equipment, Net	12,221	10,188
Bank Owned Life Insurance	6,485	6,365
Deferred Tax Asset	1,047	824
Other Real Estate Owned	--	40
Other Assets	679	798
<b>Total Assets</b>	<b>\$362,599</b>	<b>\$369,833</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits	\$290,653	\$286,238
Advances from Borrowers for Taxes and Insurance	478	578
Advances from Federal Home Loan Bank of Dallas	27,227	38,411
Other Accrued Expenses and Liabilities	1,363	1,220
<b>Total Liabilities</b>	<b>319,721</b>	<b>326,447</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; 1,996,880 and 2,109,606 shares Issued and Outstanding at March 31, 2016 and June 30, 2015, respectively	24	25
Additional Paid-in Capital	33,765	33,375
Unearned ESOP Stock	(1,359 )	(1,445 )
Unearned RRP Trust Stock	(266 )	(333 )
Retained Earnings	10,838	11,664
Accumulated Other Comprehensive Income	(124 )	100
<b>Total Stockholders' Equity</b>	<b>42,878</b>	<b>43,386</b>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$362,599 \$369,833

See accompanying notes to unaudited consolidated financial statements.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Three Months Ended March 31, 2016		For the Nine Months Ended March 31, 2015	
	2016	2015	2016	2015
(In Thousands, Except per Share Data)				
<b>INTEREST INCOME</b>				
Loans, Including Fees	\$3,644	\$3,457	\$10,821	\$10,201
Investment Securities	4	2	7	5
Mortgage-Backed Securities	195	246	579	773
Other Interest-Earning Assets	19	1	52	6
Total Interest Income	3,862	3,706	11,459	10,985
<b>INTEREST EXPENSE</b>				
Deposits	573	560	1,777	1,647
Federal Home Loan Bank Borrowings	61	66	186	178
Other Bank Borrowings	11	3	18	3
Total Interest Expense	645	629	1,981	1,828
Net Interest Income	3,217	3,077	9,478	9,157
<b>PROVISION FOR LOAN LOSSES</b>				
Net Interest Income after Provision for Loan Losses	90	90	181	210
<b>NON-INTEREST INCOME</b>				
Gain on Sale of Loans	590	781	1,744	1,668
Gain on Sale of Securities	--	--	--	10
Income on Bank Owned Life Insurance	39	40	120	123
Service Charges on deposit accounts	138	116	410	329
Other Income	8	9	34	40
Total Non-Interest Income	775	946	2,308	2,170
<b>NON-INTEREST EXPENSE</b>				
Compensation and Benefits	1,749	1,669	5,059	4,616
Occupancy and Equipment	275	280	789	778
Data Processing	140	133	417	377
Audit and Examination Fees	56	66	189	167
Franchise and Bank Shares Tax	83	72	266	193
Advertising	55	48	181	183
Legal Fees	133	81	351	284
Loan Collection	74	144	191	261
Deposit Insurance Premium	45	45	165	119
Other Expense	140	139	443	412
Total Non-Interest Expense	2,750	2,677	8,051	7,390
Income Before Income Taxes	1,152	1,256	3,554	3,727

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PROVISION FOR INCOME TAX EXPENSE	\$378	\$413	\$1,158	\$1,226
Net Income	\$774	\$843	\$2,396	\$2,501
EARNINGS PER COMMON SHARE:				
Basic	\$0.42	\$0.43	\$1.27	\$1.26
Diluted	\$0.40	\$0.42	\$1.22	\$1.22
DIVIDENDS DECLARED	\$0.08	\$0.07	\$0.24	\$0.21

See accompanying notes to unaudited consolidated financial statements.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended March 31, 2016 2015		For the Nine Months Ended March 31, 2016 2015	
	(In Thousands)		(In Thousands)	
Net Income	\$774	\$843	\$2,396	\$2,501
Other Comprehensive Income (Loss), Net of Tax				
Unrealized Holding Gain (Loss) on Securities Available-for-Sale, Net of Tax of \$14 and \$116 in 2016, respectively, and \$104 and \$131 in 2015, respectively	27	(1 )	(224 )	(29 )
Reclassification Adjustment for Gain Included in Net Income, Net of Tax of \$0 and \$0 in 2016 and \$0 and \$3 in 2015, respectively	--	--	--	(7 )
Net Other Comprehensive Income (Loss)	27	(1 )	(224 )	(36 )
Total Comprehensive Income	\$801	\$842	\$2,172	\$2,465



See accompanying notes to unaudited 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, 2016 AND 2015

(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, 2014	\$ 34	\$ 32,853	\$(1,561 )	\$(609)	\$27,588	\$(15,698)	\$ 172	\$ 42,779
Net Income	--	--	--	--	2,501	--	--	2,501
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(36 )	(36 )
RRP Shares Earned	--	--	--	276	--	--	--	276
Stock Options Vested	--	134	--	--	--	--	--	134
Common Stock Issuance for Stock Option Exercises	--	96	--	--	--	--	--	96
ESOP Compensation Earned	--	81	86	--	--	--	--	167
Company Stock Purchased	--	--	--	--	--	(2,305 )	--	(2,305 )
Reclassification of Treasury Stock per Louisiana Law	(9 )	--	--	--	(17,994)	18,003	--	--
Dividends Declared	--	--	--	--	(463 )	--	--	(463 )
BALANCE – March 31, 2015	\$ 25	\$ 33,164	\$( 1,475 )	\$(333)	\$11,632	\$--	\$ 136	\$ 43,149
BALANCE – June 30, 2015	\$ 25	\$ 33,375	\$(1,445 )	\$(333)	\$11,664	\$--	\$ 100	\$ 43,386
Net Income	--	--	--	--	2,396	--	--	2,396
Changes in Unrealized Gain	--	--	--	--	--	--	(224 )	(224 )

on Securities  
Available-for-  
Sale, Net of Tax Effects

RRP Shares Earned	--	36	--	67	--	--	--	103
Stock Options Vested	--	155	--	--	--	--	--	155
Common Stock Issuance for Stock Option Exercises	--	91	--	--	--	--	--	91
ESOP Compensation Earned	--	108	86	--	--	--	--	194
Company Stock Purchased	(1 )	--	--	--	(2,722 )	--	--	(2,723 )
Dividends Declared	--	--	--	--	(500 )	--	--	(500 )
BALANCE – March 31, 2016	\$ 24	\$ 33,765	\$(1,359 )	\$(266)	\$10,838	\$--	\$ (124 )	\$ 42,878

See accompanying notes to unaudited consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended March 31, 2016      2015 (In Thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$2,396	\$2,501
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Net Amortization and Accretion on Securities	12	33
Gain on Sale of Securities	--	(10 )
Gain on Sale of Loans	(1,744 )	(1,668 )
Amortization of Deferred Loan Fees	(53 )	(120 )
Depreciation of Premises and Equipment	313	278
ESOP Expense	194	167
Stock Option Expense	155	134
RRP and Share Award Expense	232	176
Deferred Income Tax	(107 )	(43 )
Provision for Loan Losses	181	210
Increase in Cash Surrender Value on Bank Owned Life Insurance	(120 )	(123 )
Bad Debt Recovery	53	--
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(69,078 )	(64,344)
Loans Held-for-Sale – Sale and Principal Repayments	77,741	65,093
Accrued Interest Receivable	(49 )	15
Other Operating Assets	159	(339 )
Other Operating Liabilities	(21 )	(125 )
 Net Cash Provided by Operating Activities	 10,264	 1,835
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Originations and Purchases, Net of Principal Collections	(14,141 )	(26,041)
Deferred Loan Fees Collected	22	14
Acquisition of Premises and Equipment	(2,346 )	(1,994 )
Activity in Available-for-Sale Securities:		
Proceeds from Sale of Securities	--	1,963
Principal Payments on Mortgage-Backed Securities	8,038	7,895
Purchases of Securities	(5,992 )	( 9,843 )
Activity in Held-to-Maturity Securities:		
Redemption Proceeds	509	462
Purchases of Securities	(8 )	(941 )
 Net Cash Used in Investing Activities	 (13,918 )	 (28,485)

See accompanying notes to unaudited consolidated financial statements.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
(Unaudited)

	Nine Months Ended March 31,	
	2016	2015
	(In Thousands)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Increase in Deposits	\$4,415	\$2,511
Proceeds from Federal Home Loan Bank Advances	70,500	809,800
Repayments of Advances from Federal Home Loan Bank	(81,684)	(784,226)
Net Increase in Advances from Borrowers for Taxes and Insurance	(100 )	(26 )
Dividends Paid	(500 )	(463 )
Company Stock Purchased	(2,717 )	(2,284 )
Proceeds from Stock Options Exercised	85	76
Proceeds from other Bank Borrowings	1,800	550
Repayment of other Bank Borrowings	(1,800 )	(550 )
Recognition and Retention Plan Share Distributions	36	--
Net Cash (Used In) Provided by Financing Activities	(9,965 )	25,388
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(13,619)</b>	<b>( 1,262 )</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>21,166</b>	<b>13,633</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$7,547</b>	<b>\$12,371</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest Paid on Deposits and Borrowed Funds	\$1,987	\$1,804
Income Taxes Paid	1,223	1,089
Market Value Adjustment for Loss on Securities Available-for-Sale	(341 )	(55 )

See accompanying notes to unaudited 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 Bank ("Home Federal Bank" or the "Bank"). These consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the nine month period ended March 31, 2016, is not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2016.

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

In accordance with the subsequent events topic of the ASC, the Company evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of March 31, 2016. In preparing these financial statements, the Company evaluated the events and transactions that occurred through the date these financial statements were issued.

Use of Estimates

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

Nature of Operations

Home Federal Bancorp, Inc. of Louisiana, a Louisiana corporation, is the fully public stock holding company for Home Federal Bank located in Shreveport, Louisiana. The Bank is a federally chartered, stock savings and loan association and is subject to federal regulation by the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency (the "OCC"). The Company is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. Services are provided to the Bank's customers by five full service banking offices and home office, located in Caddo and Bossier Parishes, Louisiana. A new North Shreveport branch location is expected to open in May 2016. The area served by the Bank is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found dispersed in a wider geographical area covering much of northwest Louisiana. As of March 31, 2016, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which previously engaged in the sale of annuity contracts and does not currently engage in a meaningful amount of business.



Cash and Cash Equivalents

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

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Securities

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

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

Loans Held-for-Sale

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

Loans

Loans receivable are stated at unpaid principal balances, less allowances for loan losses and unamortized deferred loan fees. Net nonrefundable fees (loan origination fees, commitment fees, discount points) and costs associated with lending activities are being deferred and subsequently amortized into income as an adjustment of yield on the related interest earning assets using the interest method. Interest income on contractual loans receivable is recognized on the accrual method. Unearned discount on property improvement and automobile loans is deferred and amortized on the interest method over the life of the loan.

Allowance for Loan Losses

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

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral

and prevailing economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

1. Summary of Accounting Policies (continued)

Allowance for Loan Losses (continued)

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

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

It should be understood that estimates of future loan losses involve an exercise of judgment. While it is possible that in particular periods the Company may sustain losses which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses reflected in the accompanying statements of condition is adequate to absorb possible losses in the existing loan portfolio.

Off-Balance Sheet Credit Related Financial Instruments

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

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held-for-sale and are transferred to other real estate owned at the lower of cost or current fair value minus estimated cost to sell as of the date of foreclosure. Cost is defined as the lower of the fair value of the property or the recorded investment in the loan. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell.

Premises and Equipment

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

Income Taxes

The Company and its wholly-owned subsidiary file a consolidated Federal income tax return on a fiscal year basis. Each entity pays its pro-rata share of income taxes in accordance with a written tax-sharing agreement.

The Company accounts for income taxes on the asset and liability method. Deferred tax assets and liabilities are recorded based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of

a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. Current taxes are measured by applying the provisions of enacted tax laws to taxable income to determine the amount of taxes receivable or payable.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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.

Stockholders' Equity

On January 1, 2015, the Louisiana Business Corporation Act (the Act) became effective. Under the provisions of the Act, there is no concept of "Treasury Shares". Rather, shares purchased by the Company constitute authorized but unissued shares. Under Accounting Standards Codification (ASC) 505-30, Treasury Stock, accounting for treasury stock shall conform to state law. Accordingly, the Company's Consolidated Statements of Financial Condition as of June 30, 2015 and March 31, 2016 reflect this change. The cost of shares purchased by the Company has been allocated to Common Stock and Retained Earnings balances.

Recent Accounting Pronouncements

In January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate – Collateralized Consumer Mortgage Loans upon Foreclosure. The guidance within ASU 2014-04 clarifies that an in-substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (a) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure, or (b) the borrower conveying all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (a) the amount of foreclosed residential real estate property held by the creditor and (b) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU 2014-04 is effective for public business entities for annual periods beginning after December 15, 2014. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606): Revenue from Contracts with Customers. The amendments in ASU 2014-09 supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The general principle of ASU 2014-09 requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. The guidance sets forth a five step approach to be utilized for revenue recognition. The amendments are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Management is currently assessing the impact to the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The amendments in ASU 2014-11 require repurchase-to-maturity transactions to be recorded and accounted for as secured borrowings. Amendments to Topic 860 also require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement, as well as additional disclosures. The accounting amendments and disclosures are effective for interim and annual periods

HOME FEDERAL BANCORP, INC. OF LOUISIANA

1. Summary of Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

beginning after December 15, 2014. The disclosures for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings are required to be presented for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for annual and interim periods beginning after December 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. The amendments of ASU 2014-13 allow for a reporting entity that consolidates a collateralized financing entity within the scope of the guidance to elect to measure the financial assets and the financial liabilities of that collateralized financing entity using the measurement alternative. Under the measurement alternative, the reporting entity should measure both the financial assets and the financial liabilities of that collateralized financing entity in its consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The amendments are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-14, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40). The amendments in this Update require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is non-separable from the loan before foreclosure, (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor, and make a claim on the guaranty, and the creditor has the ability to recover under that claim, and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The amendments in this Update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. This Update did not have a significant impact on the Company's consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, which eliminates the concept of extraordinary item from U.S. GAAP and the need for entities to evaluate whether transactions or events are both unusual in nature and infrequently occurring. However, the ASU does not affect the reporting and disclosure requirements for an event or transaction that is unusual in nature or that occurs infrequently. The amendments in Update 2015-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.



In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This ASU eliminates the requirement to retrospectively account for changes to provisional amounts initially recorded in a business combination. ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined, including the effect of the change in provisional amount as if the accounting had been completed at the acquisition date. The provisions of this ASU are effective for fiscal years beginning after December 15, 2015, and should be applied prospectively to adjustments to provisional amounts that occur after the effective date. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

**HOME FEDERAL BANCORP, INC. OF LOUISIANA**

1. Summary of Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In January 2016, the FASB issued ASU 2016-01, Financial Instruments. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories and require equity securities to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments in this Update also simplify the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period. In addition, the amendments supersede the requirement to disclose the methods and significant assumptions used in calculating the fair value of financial instruments required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The amendments in this Update require public business entities that are required to disclose fair value of financial instruments measured at amortized cost on the balance sheet to measure that fair value using the exit price notion consistent with Topic 820, Fair Value Measurement.

The provisions within this Update require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option. This amendment excludes from net income gains or losses that the entity may not realize because those financial liabilities are not usually transferred or settled at their fair values before maturity. The amendments in this Update require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements.

The amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

**HOME FEDERAL BANCORP, INC. OF LOUISIANA**

## 2. Securities

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

	March 31, 2016			
	Amortized Cost (In Thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Securities Available-for-Sale</b>				
<b>Debt Securities</b>				
FHLMC Mortgage-Backed Certificates	\$234	\$ 11	\$ --	\$245
FNMA Mortgage-Backed Certificates	28,846	488	307	29,027
GNMA Mortgage-Backed Certificates	13,595	4	385	13,214
Total Debt Securities	42,675	503	692	42,486
Total Securities Available-for-Sale	\$42,675	\$ 503	\$ 692	\$42,486
<b>Securities Held-to-Maturity</b>				
<b>Equity Securities (Non-Marketable)</b>				
12,586 Shares – Federal Home Loan Bank	\$1,259	\$ --	\$ --	\$1,259
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	1,509	--	--	1,509
Total Securities Held-to-Maturity	\$1,509	\$ --	\$ --	\$1,509
	June 30, 2015			
	Amortized Cost (In Thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Securities Available-for-Sale</b>				
<b>Debt Securities</b>				
FHLMC Mortgage-Backed Certificates	\$267	\$ 17	\$ --	\$284
FNMA Mortgage-Backed Certificates	27,263	605	61	27,807
GNMA Mortgage-Backed Certificates	17,203	5	414	16,794
Total Debt Securities	44,733	627	475	44,885
Total Securities Available-for-Sale	\$44,733	\$ 627	\$ 475	\$44,885

Securities Held-to-Maturity

Equity Securities (Non-Marketable)

17,600 Shares – Federal Home Loan Bank	\$1,760	\$ --	\$ --	\$1,760
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	2,010	--	--	2,010
Total Securities Held-to-Maturity	\$2,010	\$ --	\$ --	\$2,010

**HOME FEDERAL BANCORP, INC. OF LOUISIANA****2. Securities (continued)**

**The amortized cost and fair value of securities by contractual maturity at March 31, 2016, follows:**

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Debt Securities				
Within One Year or Less	\$1	\$1	\$--	\$--
One through Five Years	131	132	--	--
After Five through Ten Years	71	73	--	--
Over Ten Years	42,472	42,280	--	--
	42,675	42,486	--	--
Other Equity Securities	--	--	1,509	1,509
Total	\$42,675	\$42,486	\$1,509	\$1,509

There were no sales of available-for-sale securities during the nine months ended March 31, 2016.

The following tables show information pertaining to gross unrealized losses on securities available-for-sale for at March 31, 2016 and at June 30, 2015 aggregated by investment category and length of time that individual securities have been in a continuous loss position.

	March 31, 2016			
	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	\$65	\$5,872	\$627	\$25,098
Total Securities Available-for-Sale	\$65	\$5,872	\$627	\$25,098

	June 30, 2015	
	Less Than Twelve Months	Over Twelve Months
	Gross	Gross

	Unrealized Losses	Realized Value	Unrealized Losses	Realized Value
	(In Thousands)			
Securities Available-for-Sale				
Debt Securities				
Mortgage-Backed Securities	\$61	\$10,345	\$414	\$16,683
Total Securities Available-for-Sale	\$61	\$10,345	\$414	\$16,683

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

**HOME FEDERAL BANCORP, INC. OF LOUISIANA**

## 2. Securities (continued)

At March 31, 2016, securities with a carrying value of \$1.4 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$166.3 million were pledged to secure FHLB advances.

## 3. Loans Receivable

Loans receivable are summarized as follows:

	March 31, 2016	June 30, 2015
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One- to Four-Family Residential	\$ 112,304	\$ 103,332
Commercial	69,316	62,080
Multi-Family Residential	15,451	15,246
Land	24,317	19,866
Construction	15,589	17,620
Equity and Second Mortgage	1,528	2,460
Equity Lines of Credit	17,097	22,187
	255,602	242,791
Commercial Loans	29,028	28,019
Consumer Loans		
Loans on Savings Accounts	549	209
Automobile and Other Consumer Loans	91	110
Total Consumer and Other Loans	640	319
Total Loans	285,270	271,129
Less: Allowance for Loan Losses	(2,749 )	(2,515 )
Unamortized Loan Fees	(156 )	(187 )
Net Loans Receivable	\$282,365	\$268,427

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

	Nine Months Ended March 31, 2016 2015 (In Thousands)	
Balance - Beginning of Period	\$2,515	\$2,396
Provision for Loan Losses	181	210
Loan Charge-Offs	--	(151 )
Recoveries	53	--
Balance - End of Period	\$2,749	\$2,455

### Credit Quality Indicators

The Company segregates loans into risk categories based on the pertinent information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans according to credit risk. Loans classified as substandard or identified as special mention are reviewed quarterly by management to evaluate the level of deterioration, improvement, and impairment, if any, as well as assign the appropriate risk category.



**HOME FEDERAL BANCORP, INC. OF LOUISIANA**

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

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

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

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

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

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

The following tables present the grading of loans, segregated by class of loans, as of March 31, 2016 and June 30, 2015:

March 31, 2016	Pass	Special Mention	Substandard	Doubtful	Total
			(In Thousands)		
<b>Real Estate Loans:</b>					
One- to Four-Family Residential	\$ 112,044	\$ 145	\$ 115	\$ --	\$ 112,304
Commercial	68,712	339	265	--	69,316
Multi-Family Residential	15,451	--	--	--	15,451
Land	24,317	--	--	--	24,317
Construction	15,589	--	--	--	15,589
Equity and Second Mortgage	1,528	--	--	--	1,528
Equity Lines of Credit	17,097	--	--	--	17,097
Commercial Loans	26,243	2,785	--	--	29,028
Consumer Loans	640	--	--	--	640
Total	\$ 281,621	\$ 3,269	\$ 380	\$ --	\$ 285,270



**HOME FEDERAL BANCORP, INC. OF LOUISIANA**

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

June 30, 2015	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Real Estate Loans:					
One- to Four-Family Residential	\$ 103,207	\$ 112	\$ 13	\$ --	\$ 103,332
Commercial	61,542	538	--	--	62,080
Multi-Family Residential	15,246	--	--	--	15,246
Land	19,866	--	--	--	19,866
Construction	17,620	--	--	--	17,620
Equity and Second Mortgage	2,460	--	--	--	2,460
Equity Lines of Credit	22,163	--	24	--	22,187
Commercial Loans	28,019	--	--	--	28,019
Consumer Loans	319	--	--	--	319
<b>Total</b>	<b>\$270,442</b>	<b>\$ 650</b>	<b>\$ 37</b>	<b>\$ --</b>	<b>\$271,129</b>

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

The following tables present an aging analysis of past due loans, segregated by class of loans, as of March 31, 2016 and June 30, 2015:

March 31, 2016	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
	(In Thousands)						
Real Estate Loans:							
One- to Four-Family							
Residential	\$ 1,543	\$ 1,165	\$ 218	\$ 2,926	\$ 109,378	\$ 112,304	\$ 206
Commercial	--	--	--	--	69,316	69,316	--
Multi-Family Residential	--	--	--	--	15,451	15,451	--
Land	--	--	--	--	24,317	24,317	--
Construction	--	--	--	--	15,589	15,589	--
Equity and Second Mortgage	--	--	--	--	1,528	1,528	--
Equity Lines of Credit	4	--	--	4	17,093	17,097	--
Commercial Loans	--	--	--	--	29,028	29,028	--
Consumer Loans	--	--	--	--	640	640	--
	<b>\$ 1,547</b>	<b>\$ 1,165</b>	<b>\$ 218</b>	<b>\$ 2,930</b>	<b>\$ 282,340</b>	<b>\$ 285,270</b>	<b>\$ 206</b>



**HOME FEDERAL BANCORP, INC. OF LOUISIANA**

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

June 30, 2015	30-59	60-89	Greater	Total	Current	Total	Recorded
	Days Past Due	Days Past Due	Than 90 Days	Past Due		Loans Receivable	Investment > 90 Days and Accruing
(In Thousands)							
Real Estate Loans:							
One- to Four-Family							
Residential	\$2,137	\$1,100	\$ 80	\$3,317	\$100,015	\$ 103,332	\$ 67
Commercial	--	--	--	--	62,080	62,080	--
Multi-Family Residential	--	--	--	--	15,246	15,246	--
Land	--	--	--	--	19,866	19,866	--
Construction	--	--	--	--	17,620	17,620	--
Equity and Second Mortgage	--	--	--	--	2,460	2,460	--
Equity Lines of Credit	--	--	--	--	22,187	22,187	--
Commercial Loans	--	--	--	--	28,019	28,019	--
Consumer Loans	3	--	--	3	316	319	--
Total	\$2,140	\$1,100	\$ 80	\$3,320	\$267,809	\$ 271,129	\$ 67

Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties are considered troubled debt restructurings and designated as impaired. There were no troubled debt restructurings as of March 31, 2016 or June 30, 2015.

The change in the allowance for loan losses by loan portfolio class and recorded investment in loans for the nine months ended March 31, 2016 was as follows:

March 31, 2016	Real Estate Loans				Construction	Home Equity Loans And Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Multi- Commercial Family	Land						
(In Thousands)									
Allowance for loan losses:									
Beginning Balances	\$1,195	\$ 415	\$103	\$154	\$ 146	\$192	\$ 305	\$ 5	\$2,515
Charge-Offs	--	--	--	--	--	--	--	--	--
Recoveries	53	--	--	--	--	--	--	--	53
Current Provision	251	(88 )	(20 )	47	(10 )	(77 )	72	6	181

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Ending Balances	\$ 1,499	\$ 327	\$ 83	\$ 201	\$ 136	\$ 115	\$ 377	\$ 11	\$ 2,749
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,499	327	83	201	136	115	377	11	2,749
Loans Receivable:									
Ending Balances									
- Total	\$ 112,304	\$ 69,316	\$ 15,451	\$ 24,317	\$ 15,589	\$ 18,625	\$ 29,028	\$ 640	\$ 285,270
Ending Balances:									
Evaluated for Impairment:									
Individually	260	604	--	--	--	--	2,785	--	3,649
Collectively	\$ 112,044	\$ 68,712	\$ 15,451	\$ 24,317	\$ 15,589	\$ 18,625	\$ 26,243	\$ 640	\$ 281,621

**HOME FEDERAL BANCORP, INC. OF LOUISIANA**

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The change in the allowance for loan losses by loan portfolio class and recorded investment in loans for the year ended June 30, 2015 and the nine months ended March 31, 2015, was as follows:

June 30, 2015	Real Estate Loans					Home Equity Loans And Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential (In Thousands)	Commercial	Multi-Family	Land	Construction				
Allowance for loan losses:									
Beginning									
Balances	\$ 1,224	\$ 464	\$ 128	\$ 168	\$ 105	\$ 99	\$ 202	\$ 6	\$ 2,396
Charge-Offs	(181 )	--	--	--	--	--	--	--	(181 )
Recoveries	--	--	--	--	--	--	--	--	--
Current									
Provision	152	(49 )	(25 )	(14 )	41	93	103	(1 )	300
Ending Balances	\$ 1,195	\$ 415	\$ 103	\$ 154	\$ 146	\$ 192	\$ 305	\$ 5	\$ 2,515
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,195	415	103	154	146	192	305	5	2,515
Loans Receivable:									
Ending Balances									
- Total	\$ 103,332	\$ 62,080	\$ 15,246	\$ 19,866	\$ 17,620	\$ 24,647	\$ 28,019	\$ 319	\$ 271,129
Ending Balances:									
Evaluated for Impairment:									
Individually	125	537	--	--	--	25	--	--	687
Collectively	\$ 103,207	\$ 61,543	\$ 15,246	\$ 19,866	\$ 17,620	\$ 24,622	\$ 28,019	\$ 319	\$ 270,442
March 31, 2015	Real Estate Loans					Home Equity	Commercial Loans	Consumer Loans	Total
	1-4 Family	Commercial	Multi-Family	Land	Construction				

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	Residential					Loans And Lines of Credit				
	(In Thousands)									
Allowance for loan losses:										
Beginning Balances	\$ 1,224	\$ 464	\$ 128	\$ 168	\$ 105	\$ 99	\$ 202	\$ 6	\$ 2,396	
Charge-Offs	(151 )	--	--	--	--	--	--	--	(151 )	
Recoveries	--	--	--	--	--	--	--	--	--	
Current Provision	152	(83 )	(51 )	16	45	71	61	(1 )	210	
Ending Balances	\$ 1,225	\$ 381	\$ 77	\$ 184	\$ 150	\$ 170	\$ 263	\$ 5	\$ 2,455	
Evaluated for Impairment:										
Individually	--	--	--	--	--	--	--	--	--	
Collectively	1,225	381	77	184	150	170	263	5	2,455	
Loans Receivable:										
Ending Balances										
- Total	\$ 98,923	\$ 55,011	\$ 15,845	\$ 23,666	\$ 18,179	\$ 26,595	\$ 29,587	\$ 341	\$ 268,147	
Ending Balances:										
Evaluated for Impairment:										
Individually	126	605	--	--	--	24	--	--	755	
Collectively	\$ 98,797	\$ 54,406	\$ 15,845	\$ 23,666	\$ 18,179	\$ 26,571	\$ 29,587	\$ 341	\$ 267,392	



**HOME FEDERAL BANCORP, INC. OF LOUISIANA**

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The following tables present loans individually evaluated for impairment, segregated by class of loans, as of March 31, 2016 and June 30, 2015:

March 31, 2016	Recorded Investment		Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	Unpaid Principal Balance	With Allowance				
	(In Thousands)					
Real Estate Loans:						
One- to Four-Family Residential	\$260	\$ 260	\$ --	\$ 260	\$ --	\$ 271
Commercial	604	604	--	604	--	592
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	2,785	2,785	--	2,785	--	3,055
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$3,649</b>	<b>\$ 3,649</b>	<b>\$ --</b>	<b>\$ 3,649</b>	<b>\$ --</b>	<b>\$ 3,918</b>

June 30, 2015	Recorded Investment		Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	Unpaid Principal Balance	With Allowance				
	(In Thousands)					
Real Estate Loans:						
One- to Four-Family Residential	\$125	\$ 125	\$ --	\$ 125	\$ --	\$ 133
Commercial	537	537	--	537	--	556
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	25	25	--	25	--	25
Commercial Loans	--	--	--	--	--	--
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$687</b>	<b>\$ 687</b>	<b>\$ --</b>	<b>\$ 687</b>	<b>\$ --</b>	<b>\$ 714</b>

The Bank has no commitments to loan additional funds to borrowers whose loans were previously in non-accrual status.

There was no interest income recognized on non-accrual loans for the nine months ended March 30, 2016 or 2015. If the non-accrual loans had been accruing interest at their original contracted rates, gross interest income that would have been recorded for the nine months ended March 31, 2016 and 2015 was \$776 and \$2,700, respectively.

#### 4. Deposits

Deposits at March 31, 2016 and June 30, 2015 consist of the following classifications:

	March 31, 2016	June 30, 2015
	(In Thousands)	
Non-Interest Bearing	\$44,090	\$45,024
NOW Accounts	36,081	31,214
Money Market	47,334	45,593
Passbook Savings	26,407	18,435
	153,912	140,266
Certificates of Deposit	136,741	145,972
Total Deposits	\$290,653	\$286,238

**HOME FEDERAL BANCORP, INC. OF LOUISIANA****5. 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. Earnings per share for the three and nine months ended March 31, 2016 and 2015 were calculated as follows:

	Three Months Ended March 31, 2016 2015		Nine Months Ended March 31, 2016 2015	
	(In Thousands, Except Per Share Data)			
Net income	\$774	\$843	\$2,396	\$2,501
Weighted average shares outstanding - basic	1,851	1,970	1,892	1,991
Effect of dilutive common stock equivalents	63	54	66	54
Adjusted weighted average shares outstanding - diluted	1,914	2,024	1,958	2,045
Basic earnings per share	\$0.42	\$0.43	\$1.27	\$1.26
Diluted earnings per share	\$0.40	\$0.42	\$1.22	\$1.22

For the three months ended March 31, 2016 and 2015, there were outstanding options to purchase 304,952 and 222,933 shares, respectively, at a weighted average exercise price of \$17.79 and \$14.77 per share, respectively, and for the nine months ended March 31, 2016 and 2015, there were outstanding options to purchase 263,014 and 226,011 shares, respectively, at a weighted average exercise price of \$16.88 and \$14.71 per share, respectively. For the quarter ended March 31, 2016 and 2015, 63,300 and 53,989 options, respectively, were included in the computation of diluted earnings per share.

**The following table presents the components of weighted average outstanding shares for purposes of calculating earnings per share:**

	Three Months Ended March 31, 2016 2015		Nine Months Ended March 31, 2016 2015	
	(In Thousands)			
Average common shares issued	3,062	3,062	3,062	3,062
Average unearned ESOP shares	(137 )	(148 )	(140 )	(152 )
Average unearned RRP shares	(25 )	(41 )	(32 )	(47 )
Average treasury shares	(1,049)	(903 )	(998 )	(872 )
Weighted average shares outstanding	1,851	1,970	1,892	1,991

**6. 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 for the exchange ratio of 0.9110 on December 22, 2010). 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. The 2005 Recognition Plan terminated on June 8, 2015 and the remaining 564 shares vested on August 19, 2015.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

### 6. Stock – Based Compensation (continued)

#### Recognition and Retention Plan (continued)

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, all of which were awarded as of March 31, 2016.

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 Recognition Plan cost is recognized over the five year vesting period. During the nine months ended March 31, 2016, the Company recognized \$174,000 in expense related to the Recognition Plans.

#### 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 for the exchange ratio). Both incentive stock options and non-qualified stock options may be granted under the 2005 Option Plan. The 2005 Stock Option Plan terminated on June 8, 2015; however, outstanding stock options will remain in effect for the remainder of their original ten year terms.

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", together with the 2005 Option Plan, the "Option Plans") 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 2011 Option Plan, all of which were awarded as of March 31, 2016.

Under the Option Plans, 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 and the maximum term is ten years. Incentive stock options and non-qualified stock options granted under the Option Plans become vested and exercisable at a rate of 20% per year over five years, commencing one year from the date of the grant, with an additional 20% vesting on each successive anniversary of the date the option was granted. No vesting shall occur after an employee's employment or service as a director is terminated. In the event of the death or disability of an employee or director or change in control of the Company, the unvested options shall become vested and exercisable. The Company accounts for the Option Plans under the guidance of FASB ASC Topic 718, Compensation – Stock Compensation.

#### Stock Incentive Plan

On November 12, 2014, the shareholders of the Company approved the adoption of the Company's 2014 Stock Incentive Plan (the "Stock Incentive Plan") for the benefit of employees and non-employee directors as an incentive to

contribute to the success of the Company and reward employees for outstanding performance and the attainment of targeted goals. The Stock Incentive Plan covers a total of 150,000 shares, of which no more than 37,500 shares, or 25% of the plan, may be share awards. The balance of the plan is reserved for stock option awards which would total 112,500 stock options assuming all the share awards are issued. There are a maximum of 3,000 unawarded share awards under the 2014 Stock Incentive Plan. All incentive stock options granted under the Stock Incentive Plan are intended to comply with the requirements of Section 422 of the Internal Revenue Code. On October 26, 2015, the Company granted a total of 34,500 plan share awards and 103,500 stock options to directors, officers, and other key employees vesting ratably over five years. The Stock Incentive Plan cost is recognized over the five year vesting period. For the nine months ended March 31, 2016, the Company recognized \$58,000 in expenses related to the Stock Incentive Plan.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

### 7. Related Party Transactions

Certain directors and executive officers were indebted to the Bank in the approximate aggregate amounts of \$4.0 million and \$3.8 million at March 31, 2016 and June 30, 2015, respectively.

### 8. Fair Value Disclosures

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.

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.



**HOME FEDERAL BANCORP, INC. OF LOUISIANA****8. Fair Value Disclosures (continued)****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.

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

	March 31, 2016		June 30, 2015	
	Carrying	Estimated	Carrying	Estimated
	Value	Fair	Value	Fair
	Value			
	(In Thousands)			
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$7,547	\$7,547	\$21,166	\$21,166
Securities Available-for-Sale	42,486	42,486	44,885	44,885
Securities to be Held-to-Maturity	1,509	1,509	2,010	2,010
Loans Held-for-Sale	7,284	7,284	14,203	14,203
Loans Receivable	282,365	282,236	268,427	267,157
<b>Financial Liabilities</b>				
Deposits	290,653	288,990	268,238	266,412
Advances from FHLB	27,227	27,353	38,411	38,751
<b>Off-Balance Sheet Items</b>				
Mortgage Loan Commitments	247	247	290	290

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.

The Company follows the guidance of 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. ASC 820 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;

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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****8. Fair Value Disclosures (continued)**

The standard 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 March 31, 2016 and June 30, 2015 are as follows:

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Significant Identifiable Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
March 31, 2016				
Available-for-Sale Debt Securities				
FHLMC	\$--	\$ 245	\$ --	\$245
FNMA	--	29,027	--	29,027
GNMA	--	13,214	--	13,214
Total	\$--	\$ 42,486	\$ --	\$42,486

Fair Value Measurements Using:

June 30, 2015	Quoted Prices in Active Markets for Significant Identifiable Assets			Unobservable Inputs (Level 3)	Total
	Observable Inputs (Level 2)	(In Thousands)			
Available-for-Sale Debt Securities					
FHLMC	\$--	\$ 284	\$ --	\$ 284	
FNMA	--	27,807	--	27,807	
GNMA	--	16,794	--	16,794	
Total	\$--	\$ 44,885	\$ --	\$44,885	

**HOME FEDERAL BANCORP, INC. OF LOUISIANA**

**9. Subsequent Events**

In accordance with FASB ASC 855, Subsequent Events, the Company evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of March 31, 2016. In preparing these financial statements, the Company evaluated the events and transactions that occurred through the date these financial statements were issued.

## 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 of the Bank on December 22, 2010. 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.

Home Federal Bank operates five full service branch offices and its home office located in Shreveport and Bossier City, Louisiana. A sixth full service branch office is expected to open in North Shreveport in May 2016. The Company's primary market area is the Shreveport-Bossier City metropolitan area. The Company offers security brokerage and advisory services through a third party provider. The Bank's home office also serves as the office for the commercial lending division and as a loan production office.

#### **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, 2015 to March 31, 2016**

##### **General**

At March 31, 2016, total assets amounted to \$362.6 million, a decrease of \$7.2 million, or 2.0%, compared to total assets of \$369.8 million at June 30, 2015. The decrease in assets was comprised primarily of decreases in investment securities of \$2.9 million, or 6.2%, from \$46.9 million at June 30, 2015, to \$44.0 million at March 31, 2016, a decrease in loans held-for-sale of \$6.9 million, or 48.7%, from \$14.2 million at June 30, 2015, to \$7.3 million at

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March 31, 2016, and a decrease in cash and cash equivalents of \$13.6 million, or 64.3%, from \$21.2 million at June 30, 2015 to \$7.5 million at March 31, 2016. These decreases were partially offset by increases in loans receivable, net of \$13.9 million, or 5.2%, from \$268.4 million at June 30, 2015 to \$282.4 million at March 31, 2016, and premises and equipment of \$2.0 million, or 19.9%, from \$10.2 million at June 30, 2015 to \$12.2 million at March 31, 2016.

## **HOME FEDERAL BANCORP, INC. OF LOUISIANA**

### **Discussion of Financial Condition Changes from June 30, 2015 to March 31, 2016 (continued)**

#### **Cash and Cash Equivalents**

Cash and cash equivalents decreased \$13.6 million, or 64.3%, from \$21.2 million at June 30, 2015 to \$7.5 million at March 31, 2016. The \$13.6 million decrease in cash and cash equivalents was due in large part to a decrease in federal funds sold balances from \$15.9 million at June 30, 2015 to \$1.7 million at March 31, 2016.

#### **Loans Receivable, Net**

Loans receivable, net, increased \$13.9 million, or 5.2%, from \$268.4 million at June 30, 2015 to \$282.4 million at March 31, 2016. During the nine months ended March 31, 2016, our total loan originations amounted to \$180.8 million compared to \$198.9 million for the nine months ended March 31, 2015. There were increases in one-to-four-family residential loans of \$9.0 million, commercial real estate loans of \$7.2 million, land loans of \$4.5 million, commercial business loans of \$1.0 million, loans on savings accounts of \$340,000, and multi-family residential loans of \$205,000, partially offset by decreases in home equity lines of credit of \$5.1 million, construction loans of \$2.0 million and equity and second mortgage loans of \$932,000.

#### **Loans Held-for-Sale**

Loans held-for-sale decreased \$6.9 million, or 48.7%, from \$14.2 million at June 30, 2015 to \$7.3 million at March 31, 2016. The decrease in loans held-for-sale resulted primarily from a decrease at March 31, 2016 in receivables from financial institutions purchasing the Company's loans held-for-sale.

#### **Investment Securities**

Investment securities, which include mortgage-backed securities and equity securities amounted to \$44.0 million at March 31, 2016 compared to \$46.9 million at June 30, 2015, a decrease of \$2.9 million, or 6.2%. The decrease in investment securities was primarily due to principal payments on mortgage backed securities of \$8.0 million, partially offset by the acquisition of mortgage backed securities in the amount of \$6.0 million.

#### **Premises and Equipment, Net**

Premises and equipment, net, increased \$2.0 million, to \$12.2 million at March 31, 2016, compared to \$10.2 million at June 30, 2015, primarily due to the completion costs on a new branch location in Bossier City and the acquisition of real estate and construction costs for a future branch location in the Shreveport area expected to open in May 2016.

#### **Asset Quality**

At March 31, 2016, the Company had \$218,000 of non-performing assets compared to \$80,000 of non-performing assets at June 30, 2015, consisting of three single-family residential loans at March 31, 2016, compared to two single family residential loans at June 30, 2015. We had \$380,000 of loans classified as substandard at March 31, 2016, consisting of two single-family residential loans totaling \$115,000 and one commercial real estate loan in the amount of \$265,000, compared to \$37,000 of loans classified as substandard at June 30, 2015, consisting of one single-family residential loan in the amount of \$13,000 and one line of credit in the amount of \$24,000. The Company had no loans classified as doubtful at March 31, 2016 or June 30, 2015.





## HOME FEDERAL BANCORP, INC. OF LOUISIANA

### Discussion of Financial Condition Changes from June 30, 2015 to March 31, 2016 (continued)

#### Total Liabilities

Total liabilities decreased \$6.7 million, or 2.1%, from \$326.4 million at June 30, 2015, to \$319.7 million at March 31, 2016, primarily due to a decrease in advances from the Federal Home Loan Bank of Dallas of \$11.2 million, or 29.1%, to \$27.2 million at March 31, 2016, compared to \$38.4 million at June 30, 2015, partially offset by an increase in total deposits of \$4.4 million, or 1.5%, to \$290.7 million at March 31, 2016, compared to \$286.2 million at June 30, 2015. The increase in deposits was primarily due to an \$8.0 million, or 43.2%, increase in savings deposits from \$18.4 million at June 30, 2015 to \$26.4 million at March 31, 2016, a \$4.9 million, or 15.6%, increase in NOW accounts from \$31.2 million at June 30, 2015 to \$36.1 million at March 31, 2016, and a \$1.7 million, or 3.8%, increase in money market deposits from \$45.6 million at June 30, 2015 to \$47.3 million at March 31, 2016, partially offset by a \$9.2 million, or 6.3%, decrease in certificates of deposit from \$146.0 million at June 30, 2015 to \$136.7 million at March 31, 2016, and a decrease of \$934,000, or 2.1%, in non-interest bearing demand deposits from \$45.0 million at June 30, 2015 to \$44.1 million at March 31, 2016. At March 31, 2016 the Company had \$9.9 million in brokered deposits compared to \$12.7 million at June 30, 2015. The brokered certificates of deposit which have maturity dates greater than twelve months are callable by Home Federal Bank after twelve months pursuant to early redemption provisions. The \$2.8 million, or 22.0%, decrease in brokered deposits at March 31, 2016 compared to June 30, 2015 was primarily a result of Home Federal Bank replacing the brokered deposits with core deposits as part of our current strategy to reduce our reliance on brokered certificates of deposit.

#### Stockholders' Equity

Stockholders' equity decreased \$508,000, or 1.2%, to \$42.9 million at March 31, 2016, from \$43.4 million at June 30, 2015. The primary reasons for the decrease in stockholders' equity from June 30, 2015, were the acquisition of Company stock of \$2.7 million, dividends paid of \$500,000 and a decrease in the Company's accumulated other comprehensive income of \$224,000. These decreases in stockholders' equity were partially offset by net income of \$2.4 million, the vesting of restricted stock awards and stock options totaling \$258,000, the release of employee stock ownership plan shares totaling \$194,000 and proceeds from the issuance of common stock from the exercise of stock options of \$91,000. The Company's book value per share increased from \$20.57 at June 30, 2015 to \$21.47 at March 31, 2016 based on shares outstanding of 2,109,606 and 1,996,880, respectively.

The Bank is required to meet minimum capital standards promulgated by the OCC. At March 31, 2016, Home Federal Bank'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, 2016 and 2015

#### General

Net income amounted to \$774,000 for the three months ended March 31, 2016 compared to \$843,000 for the same period in 2015, a decrease of \$69,000, or 8.2%. The decrease was primarily due to a \$171,000, or 18.1%, decrease in non-interest income and a \$73,000, or 2.7%, increase in non-interest expense, partially offset by an increase of \$140,000, or 4.5%, in net interest income, and a \$35,000, or 8.5%, decrease in income tax expense for the 2016 period compared to the same period in 2015.

Net income amounted to \$2.4 million for the nine months ended March 31, 2016 compared to net income of \$2.5 million for the same period in 2015, a decrease of \$105,000, or 4.2%. The decrease was primarily due to a \$661,000,

or 8.9%, increase in non-interest expense, partially offset by an increase of \$321,000, or 3.5%, in net-interest income, a \$138,000, or 6.4%, increase in non-interest income, a \$68,000, or 5.5%, decrease in income tax expense, and a decrease of \$29,000, or 13.8%, in the provision for loan losses.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2016 and 2015 (continued)

### Net Interest Income

Net interest income for the three months ended March 31, 2016 was \$3.2 million, an increase of \$140,000, or 4.5%, in comparison to \$3.1 million for the three months ended March 31, 2015. This increase was primarily due to an increase of \$156,000, or 4.2%, in total interest income, partially offset by an increase of \$16,000, or 2.5%, in aggregate interest expense primarily due to an increase in interest paid on deposits, compared to the prior quarterly period. The cost of funds from Federal Home Loan Bank borrowings decreased \$5,000, or 7.6%, compared to the prior year three month period. Interest on other bank borrowings increased \$8,000 for the three months ended March 31, 2016 in comparison to the prior year three month period.

Net interest income for the nine months ended March 31, 2016 was \$9.5 million, an increase of \$321,000, or 3.5%, in comparison to the nine months ended March 31, 2015. The increase in net interest income for the nine month period was primarily due to a \$474,000, or 4.3%, increase in total interest income, partially offset by a \$153,000, or 8.4%, increase in interest expense on borrowings and deposits due to an overall increase in average interest bearing liabilities. The Company's average interest rate spread was 3.47% for the nine months ended March 31, 2016, compared to 3.61% for the nine months ended March 31, 2015. The Company's net interest margin was 3.66% for the nine months ended March 31, 2016, compared to 3.79% for the nine months ended March 31, 2015. The decrease in net interest margin and average interest rate spread is attributable primarily to a lower average yield on interest earning assets.

### Provision for Losses on Loans

Based on an analysis of historical experience, the volume and type of lending conducted by Home Federal Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to our market area and other factors related to the collectability of Home Federal Bank's loan portfolio, a provision for loan losses of \$90,000 and \$181,000 was made during the three and nine months ended March 31, 2016, respectively, compared to a \$90,000 and \$210,000 provision made during the three and nine months ended March 31, 2015, respectively. The allowance for loan losses was \$2.7 million, or 0.96% of total loans, at March 31, 2016 compared to \$2.5 million, or 0.92% of total loans, at March 31, 2015. At March 31, 2016, Home Federal Bank had three non-performing loans in the aggregate amount of \$218,000 and no other non-performing assets or troubled-debt restructurings. At March 31, 2015, Home Federal had three non-performing loans in the aggregate amount of \$144,000. There can be no assurance that the loan loss allowance will be sufficient to cover losses on non-performing assets in the future.

### Non-interest Income

Total non-interest income amounted to \$775,000 for the three months ended March 31, 2016, a decrease of \$171,000, or 18.1%, compared to \$946,000 for the same period in 2015. The decrease was due to a decrease of \$191,000 in gain on sale of loans, and a decrease of \$1,000 in both income on bank owned life insurance and other non-interest income, partially offset by an increase of \$22,000 in service charges on deposit accounts compared to the same period in 2015.

Total non-interest income amounted to \$2.3 million for the nine months ended March 31, 2016, an increase of \$138,000, or 6.4%, compared to \$2.2 million for the same period in 2015. The increase was primarily due to increases of \$81,000 in service charges on deposit accounts, and \$76,000 in gain on sale of loans, partially offset by a \$10,000 decrease in gain on sale of securities, a \$6,000 decrease in other non-interest income, and a \$3,000 decrease

in bank owned life insurance compared to the same period in 2015.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

### Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2016 and 2015 (continued)

#### Non-interest Expense

Total non-interest expense increased \$73,000, or 2.7%, for the three months ended March 31, 2016 compared to the prior year period. The increase in non-interest expense was primarily due to increases of \$80,000 in compensation and benefits expense, \$52,000 in legal fees, \$11,000 in franchise and bank share taxes, \$7,000 in data processing expense, \$7,000 in advertising expense, and \$1,000 in other non-interest expense. These increases were partially offset by a decrease of \$70,000 in loan collection expense, \$10,000 in audit and examination fees, and \$5,000 in occupancy and equipment expense.

Total non-interest expense increased \$661,000, or 8.9%, for the nine months ended March 31, 2016 compared to the prior year period. The increase in non-interest expense for the nine months ended March 31, 2016, compared to the same period in 2015, is primarily attributable to increases of \$443,000 in compensation and benefits expense, \$73,000 in franchise and bank shares taxes, \$67,000 in legal fees, \$46,000 in deposit insurance premiums, \$40,000 in data processing expense, \$31,000 in other non-interest expense, \$22,000 in audit and examination fees, and \$11,000 in occupancy and equipment expense. These increases were partially offset by a decrease of \$70,000 in loan collection expense, and \$2,000 in advertising expense.

The increases in compensation and benefits expense for both the three and nine month periods were primarily due to increases in the compensation paid to mortgage lenders along with increases in support staff for the mortgage lenders, along with normal compensation and benefits increases, including stock option and recognition and retention plan expense. The aggregate compensation expense recognized by the Company for its Stock Option, ESOP, and Recognition and Retention and Stock Incentive Plans amounted to \$217,000 and \$581,000 for the three and nine months ended March 31, 2016, respectively, compared to \$160,000 and \$477,000 for the three and nine months ended March 31, 2015.

The Louisiana bank shares tax is assessed on the Bank's equity and earnings. For the three and nine months ended March 31, 2016, the Company recognized franchise and bank shares tax expense of \$83,000 and \$266,000, respectively, compared to \$72,000 and \$193,000, respectively, for the same periods in 2015.

#### Income Taxes

Income taxes amounted to \$378,000 and \$1.2 million for the three and nine months ended March 31, 2016, respectively, resulting in effective tax rates of 32.8% and 32.6%, respectively, for each period. Income taxes amounted to \$413,000 and \$1.2 million for the three and nine months ended March 31, 2015, respectively, resulting in effective tax rates of 32.9% for both periods.



**HOME FEDERAL BANCORP, INC. OF LOUISIANA**

## Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2016 and 2015 (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 March 31,						
	2016			2015			
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate	
	(Dollars In Thousands)						
Interest-earning assets:							
Investment securities	\$43,007	\$199	1.85	% \$51,340	\$248	1.93	%
Loans receivable	288,028	3,644	5.06	276,182	3,457	5.01	
Interest-earning deposits	12,288	19	0.62	2,443	1	0.18	
Total interest-earning assets	343,323	3,862	4.50	329,965	3,706	4.49	
Non-interest-earning assets	23,670			24,082			
Total assets	\$366,993			\$354,047			
Interest-bearing liabilities:							
Savings accounts	25,219	25	0.39	14,593	8	0.21	
NOW accounts	35,779	70	0.79	30,659	59	0.77	
Money market accounts	48,296	37	0.31	43,630	33	0.30	
Certificate accounts	139,644	441	1.26	136,148	460	1.35	
Total deposits	248,938	573	0.92	225,030	560	1.00	
Other Borrowings	940	11	4.68	262	3	4.24	
FHLB advances	26,574	61	0.92	41,424	66	0.64	
Total interest-bearing liabilities	276,452	645	0.93	% 266,716	629	0.94	%
Non-interest-bearing liabilities:							
Non-interest bearing demand accounts	43,816			41,390			
Other liabilities	2,172			1,423			
Total liabilities	322,440			309,529			
Total Stockholders' Equity(1)	44,553			44,518			
Total liabilities and equity	\$366,993			\$354,047			
Net interest-earning assets	\$66,871			\$63,249			
Net interest income; average interest rate spread(2)		\$3,217	3.57	%	\$3,077	3.55	%
Net interest margin(3)			3.75	%		3.73	%
Average interest-earning assets to average interest-bearing liabilities			124.19	%		123.71	%

(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 Nine Month Periods Ended March 31, 2016 and 2015 (continued)

	Nine Months Ended March 31,			2015				
	2016		Average	Average		Average		
	Average	Interest	Yield/	Average	Interest	Yield/		
	Balance		Rate	Balance		Rate		
	(Dollars In Thousands)							
Interest-earning assets:								
Investment securities	\$42,737	\$586	1.83	%	\$53,289	\$778	1.95	%
Loans receivable	282,948	10,821	5.10		265,809	10,201	5.12	
Interest-earning deposits	19,657	52	0.35		2,704	6	0.27	
Total interest-earning assets	345,342	11,459	4.42		321,802	10,985	4.55	
Non-interest-earning assets	23,769				22,825			
Total assets	\$369,111				\$344,627			
Interest-bearing liabilities:								
Savings accounts	22,511	63	0.37		13,581	21	0.20	
NOW accounts	35,175	224	0.85		29,142	159	0.73	
Money market accounts	47,544	109	0.31		43,534	106	0.32	
Certificate accounts	143,563	1,381	1.28		130,321	1,361	1.39	
Total deposits	248,793	1,777	0.95		216,578	1,647	1.01	
Other bank borrowings	559	18	4.29		88	3	4.23	
FHLB advances	27,751	186	0.89		41,666	178	0.57	
Total interest-bearing liabilities	277,103	1,981	0.95	%	258,332	1,828	0.94	%
Non-interest-bearing liabilities:								
Non-interest bearing demand accounts	44,210				39,249			
Other liabilities	2,384				1,909			
Total liabilities	323,697				299,490			
Total Stockholders' Equity(1)	45,414				45,137			
Total liabilities and equity	\$369,111				\$344,627			
Net interest-earning assets	\$68,239				\$63,470			
Net interest income; average interest rate spread(2)		\$9,478	3.47	%	\$9,157	3.61	%	
Net interest margin(3)			3.66	%		3.79	%	
Average interest-earning assets to average interest-bearing liabilities			124.63	%		124.57	%	

(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 Month Periods Ended March 31, 2016 and 2015 (continued)

#### 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 \$2.4 million at March 31, 2016.

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 March 31, 2016, Home Federal Bank had \$27.2 million in advances from the Federal Home Loan Bank of Dallas and had \$117.6 million in additional borrowing capacity. Additionally, at March 31, 2016, 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 \$15.1 million. There were no amounts purchased under this agreement as of March 31, 2016.

At March 31, 2016, Home Federal Bank had outstanding loan commitments of \$24.7 million to originate loans. At March 31, 2016, certificates of deposit scheduled to mature in less than one year totaled \$62.2 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.

At March 31, 2016, Home Federal Bank exceeded each of its regulatory capital requirements with tangible, common equity tier 1, core and risk-based capital ratios of 11.64%, 16.78%, 11.64% and 17.88%, respectively.

#### Off-Balance Sheet Arrangements

At March 31, 2016, 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

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.

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 President and Chief Executive Officer (principal executive officer) and our Chief Financial Officer (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 President and 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.



**HOME FEDERAL BANCORP, INC. OF LOUISIANA****ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

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

The Company's repurchases of its common stock made during the quarter ended March 31, 2016 are set forth in the table below:

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)(b)
January 1, 2016 – January 31, 2016	7,010	\$ 22.07	7,010	94,990
February 1, 2016 – February 29, 2016	34,122	22.45	34,122	60,868
March 1, 2016 – March 31, 2016	-	-	-	60,868
Total	41,132	\$ 22.39	41,132	60,868

Notes to this table:

On December 9, 2015, the Company announced by press release a repurchase program to repurchase up to (a) 102,000 shares, or approximately 5.0% of the Company's outstanding shares of common stock. The repurchase program does not have an expiration date.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

**ITEM 6. EXHIBITS**

No.	Description
10.0	Home Federal Bank 2016 Loan Officer Incentive Plan <sup>(1)*</sup>



- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Principal 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
  - 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

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\*Denotes a management contract or compensatory plan or arrangement.

(1) Incorporated herein by reference from the Company's Current Report on Form 8-K filed with the SEC on February 11, 2016 (File No. 001-35019).

**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: May 12, 2016 By: /s/ Glen W. Brown  
Glen W. Brown  
Senior Vice President and Chief Financial Officer  
(Duly authorized officer and principal financial and  
accounting officer)