

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

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: December 31, 2011  
or

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

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

Commission file number: 001-35019

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

Louisiana  
(State or other jurisdiction of incorporation or organization)

02-0815311  
(IRS Employer Identification No.)

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

71101  
(Zip Code)

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

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

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

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

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

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

(Do not check if a smaller reporting company)

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

Shares of common stock, par value \$.01 per share, outstanding as of February 10, 2012: The registrant had 3,051,881 shares of common stock outstanding.

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## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(Unaudited)

ASSETS	December 31, 2011 (In Thousands, Except Share Data)	June 30, 2011
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$752 and \$6,422 for December 31, 2011 and June 30, 2011, Respectively)	\$ 6,259	\$ 9,599
Securities Available-for-Sale	76,045	75,039
Securities Held-to-Maturity	5,279	5,725
Loans Held-for-Sale	12,599	6,653
Loans Receivable, Net of Allowance for Loan Losses of \$1,116 and \$842, Respectively	140,285	125,371
Accrued Interest Receivable	775	801
Premises and Equipment, Net	4,935	3,937
Bank Owned Life Insurance	5,747	5,639
Other Assets	504	556
<b>Total Assets</b>	<b>\$ 252,428</b>	<b>\$ 233,320</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits	\$ 173,462	\$ 153,616
Advances from Borrowers for Taxes and Insurance	108	235
Advances from Federal Home Loan Bank of Dallas	25,612	26,891
Other Accrued Expenses and Liabilities	704	960
Deferred Tax Liability	237	435
<b>Total Liabilities</b>	<b>200,123</b>	<b>182,137</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock – 10,000,000 Shares of \$.01 Par Value		
Authorized; None Issued and Outstanding	--	--
Common Stock – 40,000,000 Shares of \$.01 Par Value		
Authorized; 3,051,881 Shares and 3,045,829 Shares	32	32

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Issued and Outstanding at December 31,  
2011 and

June 30, 2011, Respectively

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

See accompanying notes to consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

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

	For the Three Months Ended December 31, 2011                  2010		For the Six Months Ended December 31, 2011                  2010	
<b>INTEREST INCOME</b>				
Loans, Including Fees	\$2,507	\$1,894	\$4,769	\$3,692
Investment Securities	16	12	80	24
Mortgage-Backed Securities	700	631	1,242	1,354
Other Interest-Earning Assets	3	7	8	11
<b>Total Interest Income</b>	<b>3,226</b>	<b>2,544</b>	<b>6,099</b>	<b>5,081</b>
<b>INTEREST EXPENSE</b>				
Deposits	628	566	1,249	1,140
Federal Home Loan Bank Borrowings	161	238	337	495
<b>Total Interest Expense</b>	<b>789</b>	<b>804</b>	<b>1,586</b>	<b>1,635</b>
<b>Net Interest Income</b>	<b>2,437</b>	<b>1,740</b>	<b>4,513</b>	<b>3,446</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>188</b>	<b>151</b>	<b>274</b>	<b>223</b>
Net Interest Income after Provision for Loan Losses	2,249	1,589	4,239	3,223
<b>NON-INTEREST INCOME</b>				
Gain on Sale of Loans	498	451	1,091	1,030
Gain on Sale of Investments	51	82	254	311
Income on Bank Owned Life Insurance	52	--	108	--
Other Income	101	247	192	273
<b>Total Non-Interest Income</b>	<b>702</b>	<b>780</b>	<b>1,645</b>	<b>1,614</b>
<b>NON-INTEREST EXPENSE</b>				
Compensation and Benefits	1,205	984	2,326	2,001
Occupancy and Equipment	173	120	369	244
Data Processing	90	52	166	88
Audit and Examination Fees	65	52	115	106
Franchise and Bank Shares Tax	49	55	144	86
Advertising	76	121	136	139
Legal Fees	125	29	202	61
Loan and Collection	26	42	57	75
Deposit Insurance Premium	28	31	53	59
Other Expense	117	124	238	241
<b>Total Non-Interest Expense</b>	<b>1,954</b>	<b>1,610</b>	<b>3,806</b>	<b>3,100</b>
<b>Income Before Income Taxes</b>	<b>997</b>	<b>759</b>	<b>2,078</b>	<b>1,737</b>
<b>PROVISION FOR INCOME TAX EXPENSE</b>	<b>317</b>	<b>257</b>	<b>596</b>	<b>589</b>

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Net Income	\$680	\$502	\$1,482	\$1,148
<b>EARNINGS PER COMMON SHARE:</b>				
Basic	\$0.24	\$0.17	\$0.52	\$0.39
Diluted	\$0.23	\$0.17	\$0.51	\$0.39
DIVIDENDS DECLARED	\$0.06	\$0.06	\$0.12	\$0.12

See accompanying notes to consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED DECEMBER 31, 2011 AND 2010  
(Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
(In Thousands)								
BALANCE – June 30, 2010	\$ 14	\$ 13,655	\$(826 )	\$(145 )	\$ 20,665	\$(2,094 )	\$ 2,096	\$ 33,365
Common Stock Issuance	20	18,253	(1,167 )					17,106
Net Income	--	--	--	--	1,148	--	--	1,148
Other Comprehensive Loss:								
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(998 )	(998 )
RRP Shares Earned	--	--	--	116	--	--	--	116
Stock Options Vested	--	11	--	--	--	--	--	11
ESOP Compensation Earned	--	(1 )	28	--	--	--	--	27
Dividends Declared	--	--	--	--	(145 )	--	--	(145 )
Treasury Stock Retirement	(2 )	(826 )	--	--	(1,312 )	2,140	--	--
Acquisition Treasury Stock	--	--	--	--	--	(46 )	--	(46 )
BALANCE – December 31, 2010	\$ 32	\$ 31,092	\$(1,965 )	\$(29 )	\$ 20,356	\$--	\$ 1,098	\$ 50,584
BALANCE – June 30, 2011	\$ 32	\$ 30,880	\$(1,907 )	\$(29 )	\$ 20,781	\$--	\$ 1,426	\$ 51,183



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

See accompanying notes to consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

## CASH FLOWS FROM OPERATING ACTIVITIES

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

## CASH FLOWS FROM INVESTING ACTIVITIES

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

See accompanying notes to consolidated financial statements.

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

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

See accompanying notes to consolidated financial statements.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Home Federal Bancorp, Inc. of Louisiana (the “Company”) and its subsidiary, Home Federal Bank (“Home Federal Bank” or the “Bank”). These consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the six month period ended December 31, 2011, is not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2012.

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

In accordance with the subsequent events topic of the ASC, the Company evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of December 31, 2011. In preparing these financial statements, the Company evaluated the events and transactions that occurred through the date these financial statements were issued.

Use of Estimates

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

Nature of Operations

On December 22, 2010, Home Federal Bank, completed its second step conversion and reorganization from the mutual holding company form of organization to the fully public stock holding structure and formed Home Federal Bancorp, Inc. of Louisiana, a Louisiana corporation to serve as the stock holding company for the Bank. In connection with the conversion and reorganization, the Company sold 1,945,220 shares of its common stock in a subscription and community offering and syndicated community offering at a price of \$10.00 per share. The Company also issued approximately 1,100,609 shares of common stock and cash in lieu of fractional shares in exchange for shares of the former holding company, other than shares held by Home Federal Mutual Holding Company of Louisiana and treasury stock, which were cancelled. The Company received net proceeds of \$18.0 million, after offering expenses. The Bank is a federally chartered, stock savings and loan association and is subject to federal regulation by the Federal Deposit Insurance Corporation and the Office of the Comptroller of the

Currency. Services are provided to its customers by four full-service banking offices and one agency office, which are located in Caddo and Bossier Parishes, Louisiana. The area served by the Bank is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found dispersed in a wider geographical area covering much of northwest Louisiana. As of December 31, 2011, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which is currently inactive.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Cash and Cash Equivalents

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

Securities

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

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

Loans Held-for-Sale

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

Loans

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

Allowance for Loan Losses



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

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Allowance for Loan Losses (continued)

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

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

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

Off-Balance Sheet Credit Related Financial Instruments

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

Foreclosed Assets

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

Premises and Equipment

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

Income Taxes

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

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 1. Summary of Accounting Policies (continued)

## Income Taxes (continued)

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

## Comprehensive Income

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

## 2. Securities

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

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

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

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

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

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In Thousands)				
Within One Year or Less	\$--	\$--	\$--	\$--
One through Five Years	--	--	20	20

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

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

The following tables show information pertaining to gross unrealized losses on securities available-for-sale and held-to-maturity at December 31, 2011 and June 30, 2011, respectively, aggregated by investment category and length of time that individual securities have been in a continuous loss position. There were no unrealized losses on securities available-for-sale at June 30, 2011, and there were no unrealized losses on securities held-to-maturity at December 31, 2011.

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

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

The Company's investment in equity securities consists primarily of FHLB stock, a \$1.3 million (book value) investment in an adjustable-rate mortgage fund (referred to as the ARM Fund) and shares of First National Bankers Bankshares, Inc. ("FNBB"). The fair value of the ARM Fund has traditionally correlated with the interest rate environment. At December 31, 2011, the unrealized gain on this investment was \$11,000. Management monitors its investment portfolio to determine whether any investment securities which have unrealized losses should be considered other than temporarily impaired.



At December 31, 2011, securities with a carrying value of \$21.3 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$67.5 million were pledged to secure FHLB advances.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable

Loans receivable are summarized as follows:

	December 31, 2011	June 30, 2011
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One-to-Four Family Residential	\$ 48,828	\$ 45,567
Commercial	34,228	32,763
Multi-Family Residential	13,006	8,360
Land	11,738	11,254
Construction	13,060	10,325
Equity and Second Mortgage	1,296	1,519
Equity Lines of Credit	6,351	5,974
Total Mortgage Loans	128,507	115,762
Commercial Loans	12,859	10,237
Consumer Loans		
Loans on Savings Accounts	306	328
Automobile and Other Consumer Loans	166	163
Total Consumer and Other Loans	472	491
Total Loans	141,838	126,490
Less: Allowance for Loan Losses	(1,116 )	(842 )
Unamortized Loan Fees	(437 )	(277 )
Net Loans Receivable	\$ 140,285	\$ 125,371

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

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

## Credit Quality Indicators

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

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

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

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

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

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

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

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

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

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

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

The following tables present an aging analysis of past due loans, segregated by class of loans, as of December 31, 2011 and June 30, 2011:

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

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

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The allowance for loan losses and recorded investment in loans for the six months ended December 31, 2011 and the year ended June 30, 2011, was as follows:

December 31, 2011	Real Estate Loans						Commercial Loans	Consumer Loans	Total
	Residential	Commercial	Multi- Family	Land	Construction	Other			
Allowance for loan losses:									
Beginning Balances	\$ 110	\$ 125	\$ 140	\$ 150	\$ 130	\$ --	\$ 175	\$ 12	\$ 842
Charge-Offs	--	--	--	--	--	--	--	--	--
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	115	(65 )	(37 )	230	(14 )	--	48	(3 )	274
Ending Balances	\$ 225	\$ 60	\$ 103	\$ 380	\$ 116	\$ --	\$ 223	\$ 9	\$ 1,116
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	225	60	103	380	116	--	223	9	1,116
Loans Receivable:									
Ending Balances -									
Total	\$ 48,828	\$ 34,228	\$ 13,006	\$ 11,738	\$ 13,060	\$ 7,647	\$ 12,859	\$ 472	\$ 141,838
Ending Balances:									
Evaluated for Impairment:									
Individually	217	--	--	--	--	--	--	--	217
Collectively	\$ 48,611	\$ 34,228	\$ 13,006	\$ 11,738	\$ 13,060	\$ 7,647	\$ 12,859	\$ 472	\$ 141,621
June 30, 2011	Real Estate Loans						Commercial Loans	Consumer Loans	
	Residential	Commercial	Multi- Family	Land	Construction	Other			



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Allowance  
for loan  
losses:

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

Evaluated for  
Impairment:

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

Loans

Receivable:

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

Ending  
Balances:

Evaluated for  
Impairment:

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

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

December 31, 2011	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment (In Thousands)	Related Allowance	Average Recorded Investment
Real Estate Loans:						
One-to-Four Family Residential	\$217	\$217	\$--	\$217	\$--	\$217
Commercial	--	--	--	--	--	--
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	--	--	--	--	--	--
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$217</b>	<b>\$ 217</b>	<b>\$--</b>	<b>\$217</b>	<b>\$--</b>	<b>\$217</b>
Real Estate Loans:						
One-to-Four Family Residential	\$15	\$15	\$--	\$15	\$--	\$15
Commercial	--	--	--	--	--	--
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	--	--	--	--	--	--
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$15</b>	<b>\$ 15</b>	<b>\$--</b>	<b>\$15</b>	<b>\$--</b>	<b>\$15</b>

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



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. Earnings Per Share

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

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

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

## 5. Stock-Based Compensation

## Recognition and Retention Plan

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

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

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Stock-Based Compensation (continued)

Recognition and Retention Plan (continued)

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

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

Stock Option Plan

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

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

On August 18, 2005, the Company granted 158,868 (as adjusted) options to directors and employees. Under the 2005 Option Plan, the exercise price of each option cannot be less than the fair market value of the underlying common stock as of the date of the option grant, which was \$10.82 (as adjusted), and the maximum term is ten years. On August 19, 2010, 21,616 options, which had been forfeited, were granted at an exercise price of \$10.93 per share. Incentive stock options and non-qualified stock options granted under the 2005 Option Plan become vested and exercisable at a rate of 20% per year over five years, commencing one year from the date of the grant, with an additional 20% vesting on each successive anniversary of the date the option was granted. No vesting shall occur after an employee's employment or service as a director is terminated. As of December 31, 2011, 2,133 stock options were available for future grant under the 2005 Option Plan. In the event of the death or disability of an employee or director or change in control of the Company, the unvested options shall become vested and exercisable. The Company accounts for the Option Plan under the guidance of FASB ASC Topic 718, Compensation – Stock Compensation.

6. Fair Value of Financial Instruments

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

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Fair Value of Financial Instruments (continued)

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

Cash and Cash Equivalents

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

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

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

Mortgage Loans Held-for-Sale

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

Loans Receivable

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

Deposit Liabilities

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

Advances from Federal Home Loan Bank

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

Off-Balance Sheet Credit-Related Instruments

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

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





## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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