

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

Home Federal Bancorp, Inc. of Louisiana  
Form 10-Q  
February 09, 2017  
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, 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

(State or other jurisdiction of incorporation or organization)

02-0815311

(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):

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

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 February 8, 2017: The registrant had 1,953,599 shares of common stock outstanding.

---

INDEX

	<u>Page</u>	
PART I	FINANCIAL INFORMATION	
Item 1:	Financial Statements (Unaudited)	
	Consolidated Statements of Financial Condition	1
	Consolidated Statements of Income	2
	Consolidated Statements of Comprehensive Income	3
	Consolidated Statements of Changes in Stockholders' Equity	4
	Consolidated Statements of Cash Flows	5
	Notes to Consolidated Financial Statements	7
Item 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 3:	Quantitative and Qualitative Disclosures About Market Risk	36
Item 4:	Controls and Procedures	36
PART II	OTHER INFORMATION	
Item 1:	Legal Proceedings	36
Item 1A:	Risk Factors	36
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3:	Defaults Upon Senior Securities	37
Item 4:	Mine Safety Disclosures	37
Item 5:	Other Information	37
Item 6:	Exhibits	37

SIGNATURES

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	December 31, 2016	June 30, 2016
	(In Thousands)	
<b>ASSETS</b>		
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$2,389 and \$2,529 for December 31, 2016 and June 30, 2016, Respectively)	\$13,646	\$4,756
Securities Available-for-Sale	42,039	50,173
Securities Held-to-Maturity (Fair Value of \$23,962 and \$2,349, Respectively	24,542	2,349
Loans Receivable, Net of Allowance for Loan Losses of \$3,439 and \$2,845, Respectively	297,115	290,827
Loans Held-for-Sale	10,931	11,919
Accrued Interest Receivable	1,014	1,024
Premises and Equipment, Net	12,047	12,366
Bank Owned Life Insurance	6,597	6,523
Deferred Tax Asset	1,557	984
Other Assets	820	780
<b>Total Assets</b>	<b>\$410,308</b>	<b>\$381,701</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits	\$310,654	\$287,822
Advances from Borrowers for Taxes and Insurance	355	716
Advances from Federal Home Loan Bank of Dallas	53,037	47,665
Other Bank Borrowings	700	400
Other Accrued Expenses and Liabilities	1,424	1,706
<b>Total Liabilities</b>	<b>366,170</b>	<b>338,309</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock – \$.01 Par Value; 10,000,000 Shares Authorized; None Issued and Outstanding	--	--
Common Stock – \$.01 Par Value; 40,000,000 Shares Authorized; 1,955,039 and 1,967,955 Shares Issued and Outstanding at December 31, 2016 and June 30, 2016, Respectively	23	23
Additional Paid-in Capital	34,265	33,863
Unearned ESOP Stock	(1,273 )	(1,331 )
Unearned RRP Trust Stock	(241 )	(265 )
Retained Earnings	11,905	11,018
Accumulated Other Comprehensive Income	(541 )	84
<b>Total Stockholders' Equity</b>	<b>44,138</b>	<b>43,392</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$410,308</b>	<b>\$381,701</b>

See accompanying notes to unaudited consolidated financial statements.

1

---

HOME FEDERAL BANCORP, INC. OF LOUISIANA  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	For the Three Months Ended December 31, 2016		For the Six Months Ended December 31, 2015	
	2016	2015	2016	2015
(In Thousands, Except per Share Data)				
<b>INTEREST INCOME</b>				
Loans, Including Fees	\$3,794	\$3,541	\$7,688	\$7,177
Investment Securities	8	1	13	3
Mortgage-Backed Securities	252	189	444	384
Other Interest-Earning Assets	8	21	12	33
Total Interest Income	4,062	3,752	8,157	7,597
<b>INTEREST EXPENSE</b>				
Deposits	563	599	1,103	1,204
Federal Home Loan Bank Borrowings	89	63	184	125
Other Bank Borrowings	5	7	8	7
Total Interest Expense	657	669	1,295	1,336
Net Interest Income	3,405	3,083	6,862	6,261
<b>PROVISION FOR LOAN LOSSES</b>				
Net Interest Income after Provision for Loan Losses	3,105	3,057	6,262	6,170
<b>NON-INTEREST INCOME</b>				
Gain on Sale of Loans	587	428	1,385	1,154
Gain on Sale of Real Estate	-	-	110	-
Income on Bank Owned Life Insurance	37	40	74	80
Service Charges on Deposit Accounts	184	139	347	272
Other Income	13	13	23	26
Total Non-Interest Income	821	620	1,939	1,532
<b>NON-INTEREST EXPENSE</b>				
Compensation and Benefits	1,737	1,601	3,459	3,310
Occupancy and Equipment	311	276	618	514
Data Processing	159	147	314	277
Audit and Examination Fees	81	83	133	133
Franchise and Bank Shares Tax	106	91	201	181
Advertising	94	65	166	126
Legal Fees	147	151	228	218
Loan and Collection	49	34	148	117
Deposit Insurance Premium	20	60	65	120
Other Expense	142	158	289	303
Total Non-Interest Expense	2,846	2,666	5,621	5,299
Income Before Income Taxes	1,080	1,011	2,580	2,403
<b>PROVISION FOR INCOME TAX EXPENSE</b>				
Net Income	\$763	\$681	\$1,765	\$1,622

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

EARNINGS PER SHARE:

Basic	\$0.42	\$0.36	\$0.97	\$0.85
Diluted	\$0.40	\$0.35	\$0.94	\$0.83
DIVIDENDS DECLARED	\$0.09	\$0.08	\$0.18	\$0.16

See accompanying notes to unaudited consolidated financial statements.

2

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended December 31, 2016 2015 (In Thousands)		For the Six Months Ended December 31, 2016 2015 (In Thousands)	
Net Income	\$763	\$681	\$1,765	\$1,622
Other Comprehensive Loss, Net of Tax				
Unrealized Holding Loss on Securities Available-for-Sale, Net of Tax of \$220 and \$322 in 2016, respectively, and \$104 and \$131 in 2015, respectively	(427)	(202)	(625 )	(252 )
Total Comprehensive Income	\$336	\$479	\$1,140	\$1,370

See accompanying notes to unaudited consolidated financial statements.

3



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 SIX MONTHS ENDED DECEMBER 31, 2016 AND 2015  
 (Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE – June 30, 2015	\$ 25	\$ 33,375	\$ (1,445 )	\$ (333 )	\$ 11,664	\$ 100	\$ 43,386
Net Income	--	--	--	--	1,622	--	1,622
Other Comprehensive Loss, Net of Applicable Deferred Income Taxes	--	--	--	--	--	(252 )	(252 )
RRP Shares Earned	--	27	--	(127 )	--	--	(100 )
Stock Options Vested	--	97	--	--	--	--	97
Common Stock Issuance for Stock Option Exercises	--	88	--	--	--	--	88
ESOP Compensation Earned	--	71	57	--	--	--	128
Company Stock Purchased	(1 )	--	--	--	(1,802 )	--	(1,803 )
Dividends Declared	--	--	--	--	(337 )	--	(337 )
BALANCE – December 31, 2015	\$ 24	\$ 33,658	\$ (1,388 )	\$ (460 )	\$ 11,147	\$ (152 )	\$ 42,829
BALANCE – June 30, 2016	\$ 23	\$ 33,863	\$ (1,331 )	\$ (265 )	\$ 11,018	\$ 84	\$ 43,392
Net Income	--	--	--	--	1,765	--	1,765
Other Comprehensive Loss Net of Applicable Deferred Income Taxes	--	--	--	--	--	(625 )	(625 )
RRP Shares Earned	--	--	--	24	--	--	24
Stock Options Vested	--	146	--	--	--	--	146
Common Stock Issuance for Share Awards Earned	--	138	--	--	--	--	138

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

Common Stock Issuance for Stock Option Exercises	--	39	--	--	--	--	39
ESOP Compensation Earned	--	79	58	--	--	--	137
Company Stock Purchased	--	--	--	--	(525 )	--	(525 )
Dividends Declared	--	--	--	--	(353 )	--	(353 )
BALANCE – December 31, 2016	\$ 23	\$ 34,265	\$ (1,273 )	\$ (241 )	\$ 11,905	\$ (541 )	\$ 44,138

See accompanying notes to unaudited consolidated financial statements.

4

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended December 31,	
	2016	2015
	(In Thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$1,765	\$1,622
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Net Amortization and Accretion on Securities	18	9
Gain on Sale of Real Estate	(110 )	--
Gain on Sale of Loans	(1,385 )	(1,154 )
Amortization of Deferred Loan Fees	(31 )	(38 )
Depreciation of Premises and Equipment	247	196
ESOP Expense	137	128
Stock Option Expense	146	97
Recognition and Retention Plan Expense	116	117
Share Awards Expense	69	23
Deferred Income Tax	(252 )	(61 )
Provision for Loan Losses	600	91
Increase in Cash Surrender Value on Bank Owned Life Insurance	(74 )	(80 )
Bad Debt Recovery	8	44
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(58,028 )	(46,759 )
Loans Held-for-Sale – Sale and Principal Repayments	60,402	55,242
Accrued Interest Receivable	10	(33 )
Other Operating Assets	(40 )	208
Other Operating Liabilities	(305 )	(324 )
Net Cash Provided by Operating Activities	3,293	9,328
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Originations and Purchases, Net of Principal Collections	(6,950 )	(88 )
Deferred Loan Fees Collected	86	3
Acquisition of Premises and Equipment	(241 )	(1,871 )
Proceeds from Sale of Real Estate	423	--
Activity in Available-for-Sale Securities:		
Principal Payments on Mortgage-Backed Securities	7,178	5,578
Activity in Held-to-Maturity Securities:		
Principal Payments on Mortgage-Backed Securities	591	--
Redemption Proceeds	--	509
Purchases of Securities	(22,793 )	(3 )
Net Cash (Used In) Provided by Investing Activities	(21,706 )	4,128

See accompanying notes to unaudited consolidated financial statements.

5

---

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
(Unaudited)

	Six Months Ended December 31,	
	2016	2015
	(In Thousands)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Increase in Deposits	\$22,832	\$2,662
Proceeds from Federal Home Loan Bank Advances	512,100	44,000
Repayments of Advances from Federal Home Loan Bank	(506,727)	(56,122)
Net Increase in Advances from Borrowers for Taxes and Insurance	(363 )	(278 )
Dividends Paid	(353 )	(337 )
Company Stock Purchased	(525 )	(1,796 )
Proceeds from Stock Options Exercised	39	83
Proceeds from other Bank Borrowings	300	1,500
Recognition and Retention Plan Share Distributions	--	27
Net Cash Provided (Used In) Financing Activities	27,303	(10,261)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,890</b>	<b>3,195</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>4,756</b>	<b>21,166</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$13,646</b>	<b>\$24,361</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest Paid on Deposits and Borrowed Funds	\$1,288	\$1,343
Income Taxes Paid	1,083	865
Market Value Adjustment for Loss on Securities Available-for-Sale	(947 )	(383 )

See accompanying notes to unaudited 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, 2016 are not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2017.

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 consolidated 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, 2016. In preparing these consolidated financial statements, the Company evaluated the events and transactions that occurred through the date these consolidated financial statements were issued.

Use of Estimates

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

Nature of Operations

Home Federal Bancorp, Inc. of Louisiana, a Louisiana corporation, is the fully public stock holding company for Home Federal Bank located in Shreveport, Louisiana. The Bank is a federally chartered, stock savings and loan association and is subject to federal regulation by the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. The Company is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. Services are provided to the Bank's customers by six full-service banking offices and home office, located in Caddo and Bossier Parishes, Louisiana. The area served by the Bank is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found dispersed in a wider geographical area covering much of northwest Louisiana. As of December 31, 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 of origination.

7

---



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 as 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Allowance for Loan Losses (continued)

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

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

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

Off-Balance Sheet Credit Related Financial Instruments

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

Foreclosed Assets

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

Premises and Equipment

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

Income Taxes

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

The Company accounts for income taxes on the asset and liability method. Deferred tax assets and liabilities are recorded based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Income Taxes (continued)

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

Comprehensive Income

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

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, 2016 and December 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 May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). 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. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 making it effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In April 2016, the FASB issued ASU 2016-10 which does not change the core principle of the guidance in Topic 606. The amendments in this Update clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. In May 2016, the FASB issued ASU 2016-12 which does not change the core principle of the guidance in Topic 606. The amendments in this Update affect only certain narrow aspects of Topic 606. Management is currently assessing the impact to the Company's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810). 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 did not have a material effect on the Company's 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 not 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20). The amendments of ASU 2015-01 eliminate from Generally Accepted Accounting Principles the concept of extraordinary items. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU-2015-03, Interest – Imputation of Interest (Subtopic 325-30). The amendments in ASU 2015-03 are intended to simplify the presentation of debt issuance costs. These amendments required that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance of debt issuance costs are not affected by the amendments in this ASU. The amendments are effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been previously issued. In August 2015, the FASB issued ASU 2015-05, which modifies ASU 2015-03 to include line of credit arrangements. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805). 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 did not have a material effect on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes, which simplifies the presentation of deferred taxes by requiring deferred tax assets and liabilities to be classified as non-current on the balance sheet. This update is effective for fiscal years beginning after December 15, 2017. The guidance may be adopted prospectively or retrospectively and early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

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 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.





HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In addition, the amendments in this Update exempt all entities that are not public business entities from disclosing fair value information for financial instruments measured at amortized cost. In addition, for public business entities, 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.

For public business entities, 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 standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. From the lessee's perspective, the new standard establishes a right-of-use (ROU) model that requires a lessee to record ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting pattern of expense recognition in the income statement for a lessee. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718). This Update is being issued as part of the Simplification Initiative. The areas of simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some areas only apply to nonpublic entities. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). The amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public business entities that are SEC filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The

adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350). The amendments in this Update eliminate Step 2 from the goodwill impairment test. For public business entities that are SEC filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2020. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities

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

	December 31, 2016			
	Gross Amortized Cost (In Thousands)	Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$9,902	\$ 6	\$ 441	\$9,467
FNMA Mortgage-Backed Certificates	22,689	299	467	22,521
GNMA Mortgage-Backed Certificates	10,268	3	220	10,051
Total Debt Securities	42,859	308	1,128	42,039
Total Securities Available-for-Sale	\$42,859	\$ 308	\$ 1,128	\$42,039
Securities Held-to-Maturity				
Debt Securities				
FNMA Mortgage-Backed Certificates	\$21,822	\$ --	\$ 580	\$21,242
Equity Securities (Non-Marketable)				
24,702 shares – Federal Home Loan Bank	2,470	--	--	2,470
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	2,720	--	--	2,720
Total Securities Held-to-Maturity	\$24,542	\$ --	\$ 580	\$23,962
	June 30, 2016			
	Gross Amortized Cost (In Thousands)	Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$10,928	\$ 12	\$ 147	\$10,793
FNMA Mortgage-Backed Certificates	26,610	613	--	27,223
GNMA Mortgage-Backed Certificates	12,507	4	354	12,157
Total Debt Securities	50,045	629	501	50,173
Total Securities Available-for-Sale	\$50,045	\$ 629	\$ 501	\$50,173

Securities Held-to-Maturity

Equity Securities (Non-Marketable)

20,989 shares – Federal Home Loan Bank	\$2,099	\$ --	\$ --	\$2,099
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	2,349	--	--	2,349
Total Securities Held-to-Maturity	\$2,349	\$ --	\$ --	\$2,349

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

The amortized cost and fair value of securities by contractual maturity at December 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	\$ 13	\$ 13	\$ --	\$ --
One through Five Years	72	74	--	--
After Five through Ten Years	82	85	--	--
Over Ten Years	42,692	41,867	21,822	21,242
	42,859	42,039	21,822	21,242
Other Equity Securities	--	--	2,720	2,720
Total	\$42,859	\$42,039	\$24,542	\$23,962

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

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

	December 31, 2016			
	Less Than Twelve Months Gross Unrealized Losses Value (In Thousands)		Over Twelve Months Gross Unrealized Losses Value	
Securities Available-for-Sale				
Debt Securities				
Mortgage-Backed Securities	\$582	\$14,216	\$546	\$23,010
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$582	\$14,216	\$546	\$23,010

June 30, 2016	
Less Than Twelve Months	Over Twelve Months

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

	Gross Unrealized Losses Value (In Thousands)		Gross Unrealized Losses Value	
Securities Available-for-Sale				
Debt Securities				
Mortgage-Backed Securities	\$ 147	\$ 17,852	\$ 354	\$ 12,066
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$ 147	\$ 17,852	\$ 354	\$ 12,066

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

At December 31, 2016, securities with a carrying value of \$1.0 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$196.6 million were pledged to secure FHLB advances.

## 3. Loans Receivable

Loans receivable are summarized as follows:

	December 31, 2016	June 30, 2016
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One- to Four-Family Residential	\$ 119,868	\$ 118,035
Commercial	73,226	69,197
Multi-Family Residential	15,548	20,661
Land	23,991	24,308
Construction	13,745	14,442
Equity and Second Mortgage	1,492	1,526
Equity Lines of Credit	18,547	17,290
Total Mortgage Loans	266,417	265,459
Commercial Loans	33,964	27,886
Consumer Loans		
Loans on Savings Accounts	319	404
Automobile and Other Consumer Loans	71	86
Total Consumer and Other Loans	390	490
Total Loans	300,771	293,835
Less: Allowance for Loan Losses	(3,439 )	(2,845 )
Unamortized Loan Fees	(217 )	(163 )
Net Loans Receivable	\$297,115	\$290,827

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

	Six Months Ended December 31, 2016 2015	
	(In Thousands)	
Balance - Beginning of Period	\$2,845	\$2,515
Provision for Loan Losses	600	91
Loan Charge-Offs	(14 )	--
Recoveries	8	44
Balance - End of Period	\$3,439	\$2,650

### 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 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 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, 2016 and June 30, 2016:

December 31, 2016	Pass	Special Mention	Substandard (In Thousands)	Doubtful	Total
<b>Real Estate Loans:</b>					
One- to Four-Family Residential	\$ 118,707	\$ 477	\$ 684	\$ --	\$ 119,868
Commercial	70,646	2,319	261	--	73,226
Multi-Family Residential	15,548	--	--	--	15,548
Land	23,312	123	556	--	23,991
Construction	13,447	298	--	--	13,745
Equity and Second Mortgage	1,492	--	--	--	1,492
Equity Lines of Credit	18,547	--	--	--	18,547
Commercial Loans	31,179	--	2,785	--	33,964
Consumer Loans	390	--	--	--	390
Total	\$ 293,268	\$ 3,217	\$ 4,286	\$ --	\$ 300,771



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

June 30, 2016	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Real Estate Loans:					
One- to Four-Family Residential	\$ 117,881	\$ 40	\$ 114	\$ --	\$ 118,035
Commercial	68,899	30	268	--	69,197
Multi-Family Residential	20,661	--	--	--	20,661
Land	23,753	555	--	--	24,308
Construction	14,442	--	--	--	14,442
Equity and Second Mortgage	1,526	--	--	--	1,526
Equity Lines of Credit	17,290	--	--	--	17,290
Commercial Loans	25,896	--	1,990	--	27,886
Consumer Loans	490	--	--	--	490
<b>Total</b>	<b>\$ 290,838</b>	<b>\$ 625</b>	<b>\$ 2,372</b>	<b>\$ --</b>	<b>\$ 293,835</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 December 31, 2016 and June 30, 2016:

	30-59 Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due (In Thousands)	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
December 31, 2016							
Real Estate Loans:							
One- to Four-Family Residential	\$ 869	\$ 387	\$ 819	\$ 2,075	\$ 117,793	\$ 119,868	\$ 235
Commercial	--	--	--	--	73,226	73,226	--
Multi-Family Residential	--	--	--	--	15,548	15,548	--
Land	--	--	556	556	23,435	23,991	--
Construction	--	--	--	--	13,745	13,745	--

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

Equity and Second Mortgage	--	--	--	--	1,492	1,492	--
Equity Lines of Credit	4	--	--	4	18,543	18,547	--
Commercial Loans	--	--	2,785	2,785	31,179	33,964	--
Consumer Loans	--	--	--	--	390	390	--
Total	\$ 873	\$ 387	\$ 4,160	\$ 5,420	\$ 295,351	\$ 300,771	\$ 235

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

June 30, 2016	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	\$2,646	\$1,674	\$ 114	\$4,434	\$113,601	\$ 118,035	\$ 101
Commercial	--	--	--	--	69,197	69,197	--
Multi-Family Residential	--	--	--	--	20,661	20,661	--
Land	--	555	--	555	23,753	24,308	--
Construction	--	--	--	--	14,442	14,442	--
Equity and Second Mortgage	--	--	--	--	1,526	1,526	--
Equity Lines of Credit	78	15	--	93	17,197	17,290	--
Commercial Loans	--	--	--	--	27,886	27,886	--
Consumer Loans	--	--	--	--	490	490	--
Total	\$2,724	\$2,244	\$ 114	\$5,082	\$288,753	\$293,835	\$ 101

There was no interest income recognized on non-accrual loans during the six months ended December 31, 2016 or year ended June 30, 2016. If the non-accrual loans had been accruing interest at their original contracted rates, gross interest income that would have been recorded for the six months ended December 31, 2016 and year ended June 30, 2016 was approximately \$71,144 and \$1,000, respectively.

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

December 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						
Allowance for loan losses:									
Beginning									
Balances	\$1,517	\$ 321	\$111	\$201	\$ 126	\$117	\$ 444	\$ 8	\$2,845
Charge-Offs	--	--	--	--	--	(14 )	--	--	(14 )
Recoveries	8	--	--	--	--	--	--	--	8

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

Current									
Provision	179	19	(27 )	(7 )	(6 )	23	427	(8 )	600
Ending Balances	\$ 1,704	\$ 340	\$ 84	\$ 194	\$ 120	\$ 126	\$ 871	\$ --	\$ 3,439
Evaluated for									
Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,704	340	84	194	120	126	871	--	3,439
Loans									
Receivable:									
Ending Balances									
– Total	\$ 119,868	\$ 73,226	\$ 15,548	\$ 23,991	\$ 13,745	\$ 20,039	\$ 33,964	\$ 390	\$ 300,771
Ending									
Balances:									
Evaluated for									
Impairment:									
Individually	1,161	2,580	--	679	298	--	2,785	--	7,503
Collectively	\$ 118,707	\$ 70,646	\$ 15,548	\$ 23,312	\$ 13,447	\$ 20,039	\$ 31,179	\$ 390	\$ 293,268

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The change in the allowance for loan losses by loan portfolio class and recorded investment in loans for the year ended June 30, 2016 and the six months ended December 31, 2015 was as follows:

June 30, 2016	Real Estate Loans				Construction	Home Equity Loans And Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential (In Thousands)	Commercial	Multi-Family	Land					
Allowance for loan losses:									
Beginning									
Balances	\$ 1,195	\$ 415	\$ 103	\$ 154	\$ 146	\$ 192	\$ 305	\$ 5	\$ 2,515
Charge-Offs	--	--	--	--	--	--	--	--	--
Recoveries	59	--	--	--	--	--	--	--	59
Current									
Provision	263	(94 )	8	47	(20 )	(75 )	139	3	271
Ending Balances	\$ 1,517	\$ 321	\$ 111	\$ 201	\$ 126	\$ 117	\$ 444	\$ 8	\$ 2,845
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,517	321	111	201	126	117	444	8	2,845
Loans Receivable:									
Ending Balances									
- Total	\$ 118,035	\$ 69,197	\$ 20,661	\$ 24,308	\$ 14,442	\$ 18,816	\$ 27,886	\$ 490	\$ 293,835
Ending Balances:									
Evaluated for Impairment:									
Individually	154	298	--	555	--	--	1,990	--	2,997
Collectively	\$ 117,881	\$ 68,899	\$ 20,661	\$ 23,753	\$ 14,442	\$ 18,816	\$ 25,896	\$ 490	\$ 290,838
December 31, 2015									
	1-4 Family Residential	Commercial	Multi-Family	Land	Construction	Home Equity Loans	Commercial Loans	Consumer Loans	Total

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

									And Lines of Credit
	(In Thousands)								
Allowance for loan losses:									
Beginning Balances	\$ 1,195	\$ 415	\$ 103	\$ 154	\$ 146	\$ 192	\$ 305	\$ 5	\$ 2,515
Charge-Offs	--	--	--	--	--	--	--	--	--
Recoveries	44	--	--	--	--	--	--	--	44
Current Provision	189	(6 )	(21 )	23	7	(75 )	(28 )	2	91
Ending Balances	\$ 1,428	\$ 409	\$ 82	\$ 177	\$ 153	\$ 117	\$ 277	\$ 7	\$ 2,650
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,428	409	82	177	153	117	277	7	2,650
Loans Receivable:									
Ending Balances									
- Total	\$ 109,464	\$ 60,184	\$ 15,022	\$ 21,350	\$ 17,418	\$ 18,851	\$ 28,528	\$ 400	\$ 271,217
Ending Balances:									
Evaluated for Impairment:									
Individually	290	612	--	--	--	--	--	--	902
Collectively	\$ 109,174	\$ 59,572	\$ 15,022	\$ 21,350	\$ 17,418	\$ 18,851	\$ 28,528	\$ 400	\$ 270,315



## 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, 2016 and June 30, 2016:

December 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	\$ 1,161	\$ 1,161	\$ --	\$ 1,161	\$ --	\$ 1,167
Commercial	2,580	2,580	--	2,580	--	3,830
Multi-Family Residential	--	--	--	--	--	--
Land	679	679	--	679	--	682
Construction	298	298	--	298	--	299
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	2,785	2,785	--	2,785	--	2,785
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$ 7,503</b>	<b>\$ 7,503</b>	<b>\$ --</b>	<b>\$ 7,503</b>	<b>\$ --</b>	<b>\$ 8,763</b>

June 30, 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	\$ 154	\$ 154	\$ --	\$ 154	\$ --	\$ 162
Commercial	298	298	--	298	--	274
Multi-Family Residential	--	--	--	--	--	--
Land	555	555	--	555	--	586
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	1,990	1,990	--	1,990	--	2,460
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$ 2,997</b>	<b>\$ 2,997</b>	<b>\$ --</b>	<b>\$ 2,997</b>	<b>\$ --</b>	<b>\$ 3,482</b>

The Bank has no commitments to loan additional funds to borrowers whose loans were previously in non-accrual status. The Bank had \$2.0 million of troubled debt restructurings involving nine commercial business loans to one

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

borrower at June 30, 2016. At December 31, 2016, the Bank had \$4.7 million of troubled debt restructurings consisting of interest rate and payment term modifications for two commercial real estate loans to one borrower. Loan principal balances on these two loans were paid down from \$4.7 million at the date of restructuring to \$2.3 million at December 31, 2016. A summary of the loans that were restructured during the six months ended December 31, 2016 and the year ended June 30, 2016 is as follows (in thousands):

	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
December 31, 2016			
Troubled Debt Restructurings	2	\$ 4,724	\$ 4,724
Troubled Debt Restructurings that Subsequently Defaulted	--	\$ --	\$ --
	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
June 30, 2016			
Troubled Debt Restructurings	9	\$ 1,990	\$ 1,990
Troubled Debt Restructurings that Subsequently Defaulted	--	\$ --	\$ --

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. Deposits

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

	December 31, 2016	June 30, 2016
	(In Thousands)	
Non-Interest Bearing	\$57,089	\$39,280
NOW Accounts	33,049	37,761
Money Markets	44,712	49,251
Passbook Savings	34,576	29,033
	169,426	155,325
Certificates of Deposit	141,228	132,497
Total Deposits	\$310,654	\$287,822

## 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 six months ended December 31, 2016 and 2015 were calculated as follows:

	Three Months Ended December 31, 2016		Six Months Ended December 31, 2015	
	2016	2015	2016	2015
	(In Thousands, Except Per Share Data)			
Net income	\$763	\$681	\$1,765	\$1,622
Weighted average shares outstanding - basic	1,812	1,870	1,812	1,898
Effect of dilutive common stock equivalents	84	71	75	67
Adjusted weighted average shares outstanding - diluted	1,896	1,941	1,887	1,965
Basic earnings per share	\$0.42	\$0.36	\$0.97	\$0.85
Diluted earnings per share	\$0.40	\$0.35	\$0.94	\$0.83

For the three months ended December 31, 2016 and 2015, there were outstanding options to purchase 302,077 and 278,114 shares, respectively, at a weighted average exercise price of \$17.81 and \$17.24 per share, respectively, and for the six months ended December 31, 2016 and 2015, there were outstanding options to purchase 302,588 and 242,270 shares, respectively, at a weighted average exercise price of \$17.80 and \$16.33 per share, respectively. For the quarter ended December 31, 2016 and 2015, 83,822 options and 71,536 options, respectively, were included in the computation of diluted earnings per share.

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

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

	Three Months Ended December 31, 2016		Six Months Ended December 31 2016	
	2015	2015	2015	2015
	(In Thousands)			
Average common shares issued	3,062	3,062	3,062	3,062
Average unearned ESOP shares	(129 )	(140 )	(130 )	(142 )
Average unearned RRP shares	(19 )	(61 )	(19 )	(49 )
Average Company stock purchased	(1,102)	(991 )	(1,101)	(973 )
Weighted average shares outstanding	1,812	1,870	1,812	1,898

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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 December 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 cost associated with the 2005 Recognition Plan is based on a share price of \$10.93 (as adjusted), which represents the market price of the Company's stock on the date on which the 2005 Recognition Plan shares were granted. The cost associated with the 2011 Recognition Plan is based on share prices of \$14.70 and \$18.92 on January 31, 2012 and July 31, 2014, respectively, which represents the fair market price of the Company's stock on the dates on which the 2011 Recognition Plan shares were granted. The cost of the Recognition Plan is being recognized over the five year vesting period. Compensation expense pertaining to the 2011 Recognition Plan was \$116,000, for the six months ended December 31, 2016.

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, all of which were awarded as of December

31, 2016. Both incentive stock options and non-qualified stock options may be granted under the 2011 Option Plan.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-Based Compensation (continued)

Stock Option Plan (continued)

On August 19, 2010 and July 31, 2014, the Company granted 21,616 options and 2,133 options, respectively, under the 2005 Option Plan that were previously forfeited (as adjusted for the conversion) at an exercise price of \$10.93 and \$18.92 per share, respectively. On January 31, 2012 and July 31, 2014, 165,344 options and 29,178 options, respectively, were granted to directors and employees at an exercise price of \$14.70 and \$18.92 per share, respectively, under the 2011 Option Plan. As of December 31, 2016 there were no stock options available for future grant under the 2005 Option Plan or the 2011 Option Plan.

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.

Incentive stock options and non-qualified stock options granted under the Option Plan become vested and exercisable at a rate of 20% per year over five years, commencing one year from the date of the grant, with an additional 20% vesting on each successive anniversary of the date the option was granted. No vesting shall occur after an employee's employment or service as a director is terminated. In the event of 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 recognizes compensation expense during the vesting period based on the fair value of the option on the date of the grant. For the six months ended December 31, 2016, compensation expense under the Option Plans charged to operations was \$84,000.

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 rewards. 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. 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. During the six months ended December 31, 2016, the Company recognized \$131,000 in expenses related to the Stock Incentive Plan.





HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Related Party Transactions

Certain directors and executive officers were indebted to the Bank in the approximate aggregate amounts of \$3.7 million and \$3.8 million at December 31, 2016 and June 30, 2016, 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 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:

	December 31, 2016		June 30, 2016	
	Carrying	Estimated	Carrying	Estimated
	Value	Fair	Value	Fair
	Value			
	(In Thousands)			
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$13,646	\$13,646	\$4,756	\$4,756
Securities Available-for-Sale	42,039	42,039	50,173	50,173
Securities to be Held-to-Maturity	24,542	23,962	2,349	2,349
Loans Held-for-Sale	10,931	10,931	11,919	11,919
Loans Receivable	297,115	287,481	290,827	290,339
<b>Financial Liabilities</b>				
Deposits	310,654	294,148	287,822	285,503
Advances from FHLB	53,037	53,004	47,665	47,802
<b>Off-Balance Sheet Items</b>				
Mortgage Loan Commitments	467	467	296	296

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;

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 instruments that are measured at fair value.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used during the six months ended December 31, 2016.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2016 and June 30, 2016 are as follows:

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	(In Thousands)			
December 31, 2016				

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

Available-for-Sale Debt Securities					
FHLMC	\$--	\$ 9,467	\$	--	\$9,467
FNMA	--	22,521		--	22,521
GNMA	--	10,051		--	10,051
Total	\$--	\$ 42,039	\$	--	\$42,039
Held-to-Maturity Debt Securities					
FNMA	\$--	\$ 21,242	\$	--	\$21,242

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 8. Fair Value Disclosures (continued)

	Fair Value Measurements			Total
	Using:			
June 30, 2016	Quoted Prices in Active Markets for Identifiable Assets (Level 1)		Other Significant Unobservable Inputs (Level 2)	(In Thousands)
	Level 1	Level 2	Level 3	
Available-for-Sale Debt Securities				
FHLMC	\$--	\$ 10,793	\$ --	\$ 10,793
FNMA	--	27,223	--	27,223
GNMA	--	12,157	--	12,157
Total	\$--	\$ 50,173	\$ --	\$ 50,173

## 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 consolidated 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, 2016. In preparing these consolidated financial statements, the Company evaluated the events and transactions that occurred through the date these consolidated 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 from its home office in Shreveport, Louisiana and six full service branch offices located in Shreveport and Bossier City, Louisiana. 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, 2016 to December 31, 2016

General

At December 31, 2016, total assets amounted to \$410.3 million compared to \$381.7 million at June 30, 2016, an increase of approximately \$28.6 million, or 7.5%. The increase in assets was comprised primarily of increases in investment securities of \$14.1 million, or 26.8%, from \$52.5 million at June 30, 2016 to \$66.6 million at December 31, 2016, loans receivable, net of \$6.3 million, or 2.2%, from \$290.8 million at June 30, 2016 to \$297.1 million at December 31, 2016, and an increase in cash and cash equivalents of \$8.9 million, or 186.9%, from \$4.8 million at June 30, 2016 to \$13.6 million at December 31, 2016. These increases were partially offset by a decrease in loans

held-for-sale of \$1.0 million, or 8.3%, from \$11.9 million at June 30, 2016 to \$10.9 million at December 31, 2016.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2016 to December 31, 2016 (continued)

Cash and Cash Equivalents

Cash and cash equivalents increased \$8.9 million, or 186.9%, from \$4.8 million at June 30, 2016 to \$13.6 million at December 31, 2016. The \$8.9 million increase in cash and cash equivalents was due in large part to an increase in deposits and Federal home Loan Bank borrowings, partially offset by investment purchases net of investment principal payments and normal cash fluctuations from lending and operating activities.

Loans Receivable, Net

Loans receivable, net, increased \$6.3 million, or 2.2%, to \$297.1 million at December 31, 2016 compared to \$290.8 million at June 30, 2016. During the six months ended December 31, 2016, our total loan originations amounted to \$153.6 million compared to \$115.5 million for the six months ended December 31, 2015. The increase in loans receivable, net, was primarily due to increases in commercial business loans of \$6.1 million, commercial real estate loans of \$4.0 million, one- to four-family residential loans of \$1.8 million, and home equity lines of credit of \$1.3 million, partially offset by decreases in multi-family residential loans of \$5.1 million, residential construction loans of \$697,000, land loans of \$317,000, and an increase in the allowance for loan losses of \$594,000.

Loans Held-for-Sale

Loans held-for-sale decreased \$1.0 million, or 8.3%, from \$11.9 million at June 30, 2016 to \$10.9 million at December 31, 2016. The decrease in loans held-for-sale resulted primarily from a decrease at December 31, 2016 in receivables from financial institutions purchasing the Company's loans held-for-sale.

Investment Securities

Investment securities amounted to \$66.6 million at December 31, 2016 compared to \$52.5 million at June 30, 2016, an increase of \$14.1 million, or 26.8%. The increase in investment securities was primarily due to the purchase of \$22.8 million of mortgage backed securities to be held-to-maturity, partially offset by principal payments on mortgage-backed securities of \$7.8 million during the period. We chose to place the securities in held-to-maturity as part of our interest rate risk management strategy.

Premises and Equipment, Net

Premises and equipment, net, decreased \$319,000, or 2.6%, to \$12.0 million at December 31, 2016 compared to \$12.4 million at June 30, 2016, primarily due to the sale of real estate adjacent to the Bank's Viking Drive branch in August 2016 with a cost basis of \$313,000.

Asset Quality

At December 31, 2016, the Company had \$4.2 million of non-performing assets compared to \$114,000 of non-performing assets at June 30, 2016 consisting of five single-family residential loans, one land loan, and fifteen commercial business loans at December 31, 2016 compared to two single family residential loans at June 30, 2016. At December 31, 2016, the Company had four single family residential loans, one commercial real estate loan, one land loan, and fifteen commercial business loans to two borrowers classified as substandard compared to two single family residential loans, one commercial real estate loan and nine commercial business loans to one borrower at June 30, 2016. There were no loans classified as doubtful at December 31, 2016 or June 30, 2016. During the quarter ended December 31, 2016, we became aware that two borrowers related to the fifteen commercial business loans in the

aggregate amount of \$2.8 million that are classified as substandard filed for Chapter 11 (reorganization) bankruptcy protection during this period. We are continuing to monitor these credits and presently believe that our allowance for loan losses at December 31, 2016 is adequate. No additional losses are currently anticipated with respect to these loans.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2016 to December 31, 2016 (continued)

Total Liabilities

Total liabilities increased \$27.9 million, or 8.2%, from \$338.3 million at June 30, 2016 to \$366.2 million at December 31, 2016, primarily due to an increase in total deposits of \$22.8 million, or 7.9%, to \$310.7 million at December 31, 2016 compared to \$287.8 million at June 30, 2016 and an increase in advances from the Federal Home Loan Bank of Dallas of \$5.4 million, or 11.3%, to \$53.0 million at December 31, 2016 compared to \$47.7 million at June 30, 2016. The increase in deposits was primarily due to a \$17.8 million, or 45.3%, increase in non-interest bearing demand deposits from \$39.3 million at June 30, 2016 to \$57.1 million at December 31, 2016, an \$8.7 million, or 6.6%, increase in certificates of deposit from \$132.5 million at June 30, 2016 to \$141.2 million at December 31, 2016, and a \$5.5 million, or 19.1%, increase in savings deposits from \$29.0 million at June 30, 2016 to \$34.6 million at December 31, 2016, partially offset by a decrease of \$4.7 million, or 12.5%, in NOW accounts from \$37.8 million at June 30, 2016 to \$33.0 million at December 31, 2016, and a decrease of \$4.5 million, or 9.2%, in money market deposits from \$49.3 million at June 30, 2016 to \$44.7 million at December 31, 2016. At December 31, 2016, the Company had \$14.4 million in brokered deposits compared to \$8.2 million at June 30, 2016. The increase in brokered deposits is due to purchases of \$10.0 million in brokered deposits during the six months ended December 31 2016, partially offset by \$3.8 million of brokered deposits that had matured during the period. 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.

Shareholders' Equity

Shareholders' equity increased \$746,000, or 1.7%, to \$44.1 million at December 31, 2016 from \$43.4 million at June 30, 2016. The primary reasons for the increase in shareholders' equity from June 30, 2016 were net income of \$1.8 million, the vesting of restricted stock awards, vesting of stock options, the release of share awards, and the release of employee stock ownership plan shares totaling \$445,000, and proceeds from the issuance of common stock from the exercise of stock options of \$39,000. These increases in shareholders' equity were partially offset by dividends paid totaling \$353,000, acquisition of Company stock of \$525,000, and a decrease in the Company's accumulated other comprehensive income of \$625,000.

The Bank is required to meet minimum capital standards promulgated by the Office of the Comptroller of the Currency ("OCC"). At December 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 Six Month Periods Ended December 31, 2016 and 2015

General

Net income amounted to \$763,000 for the three months ended December 31, 2016 compared to \$681,000 for the same period in 2015, an increase of \$82,000, or 12.0%. The increase was primarily due to a \$322,000, or 10.4%, increase in net interest income, a \$201,000, or 32.4%, increase in non-interest income and a decrease of \$13,000, or 3.9% in the provision for income tax expense, partially offset by an increase of \$180,000, or 6.8%, in non-interest expense and a \$274,000, increase in provision for loan losses, for the 2016 period compared to the same period in 2015.

The increase in net interest income for the three months ended December 31, 2016 was primarily due to an increase in total interest income, in addition to a decrease in the Company's cost of funds for the three months ended December 31, 2016 compared to the prior year period. The increase in non-interest expense was primarily due to increases in compensation and benefit expense, occupancy and equipment expense, advertising expense, data processing expense,

loan and collection expense and franchise and bank shares tax, partially offset by decreases in deposit insurance premiums, other non-interest expense, legal fees and audit and examination fees.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

Net income amounted to \$1.8 million for the six months ended December 31, 2016 compared to net income of \$1.6 million for the same period in 2015, an increase of \$143,000, or 8.8%. The increase was primarily due to a \$601,000, or 9.6%, increase in net interest income and an increase of \$407,000, or 26.6%, in non-interest income, partially offset by a \$322,000, or 6.1%, increase in non-interest expense, a \$34,000, or 4.4%, increase in income tax expense, and an increase of \$509,000 in the provision for loan losses.

Net Interest Income

Net interest income for the three months ended December 31, 2016 was \$3.4 million, an increase of \$322,000, or 10.4%, in comparison to \$3.1 million for the three months ended December 31, 2015. This increase was primarily due to an increase of \$310,000, or 8.3%, in total interest income, and a decrease of \$12,000, or 1.8%, in the Company's cost of funds. The cost of funds from Federal Home Loan Bank borrowings increased \$26,000, or 41.3%, compared to the prior year three month period while interest paid on deposits decreased \$36,000, or 6.0%, compared to the prior year three month period. Interest paid on other borrowings decreased \$2,000 compared to the prior year three month period. The Company's average interest rate spread was 3.47% for the three months ended December 31, 2016 compared to 3.39% for the three months ended December 31, 2015. The Company's net interest margin was 3.65% for the three months ended December 31, 2016 compared to 3.58% for the three months ended December 31, 2015. The increase in the average interest rate spread on a comparative quarterly basis was primarily the result of a decrease of nine basis points in average rate on interest-bearing liabilities. The increase in net interest margin was primarily the result of a higher average volume of interest-earning assets for the three months ended December 31, 2016 compared to the prior year quarterly period.

Net interest income for the six months ended December 31, 2016 was \$6.9 million, an increase of \$601,000, or 9.6%, in comparison to the six months ended December 31, 2015. The increase in net interest income for the six month period was primarily due to a \$560,000, or 7.4%, increase in total interest income, and a decrease of \$41,000, or 3.1%, in interest expense on borrowings and deposits due to a \$101,000 decrease in interest paid on deposits, partially offset by a \$59,000 increase in cost of funds from Federal Home Loan Bank Borrowings. The Company's average interest rate spread was 3.53% for the six months ended December 31, 2016, compared to 3.43% for the six months ended December 31, 2015. The Company's net interest margin was 3.71% for the six months ended December 31, 2016, compared to 3.62% for the six months ended December 31, 2015. The increase in the average interest rate spread is attributable primarily to a decrease of eight basis points in average rate on interest bearing liabilities. The increase in net interest margin was primarily the result of a higher average volume of interest earning assets for the six months ended December 31, 2016 compared to the prior six month period.

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 \$300,000 and \$600,000 was made during the three and six months ended December 31, 2016, respectively, compared to a \$26,000 and \$91,000 provision made during the three and six months ended December 31, 2015, respectively. The allowance for loan losses was \$3.4 million, or 1.14% of total loans receivable, at December 31, 2016 compared to \$2.8 million, or 0.97% of total loans receivable, at June 30, 2016. At December 31, 2016, the Company had \$4.2 million of non-performing assets compared to \$114,000 of non-performing assets at June 30, 2016 consisting of five single-family residential loans, one land loan, and fifteen commercial business loans at December 31, 2016 compared to two single family residential loans at June 30, 2016. At December 31, 2016, the Company had

four single family residential loans, one commercial real estate loan, one land loan, and fifteen commercial business loans to two borrowers classified as substandard compared to two single family residential loans, one commercial real estate loan and nine commercial business loans to one borrower at June 30, 2016. There were no loans classified as doubtful at December 31, 2016 or June 30, 2016. During the quarter ended December 31, 2016, we became aware that two borrowers related to the fifteen commercial business loans in the aggregate amount of \$2.8 million that are classified as substandard filed for Chapter 11 (reorganization) bankruptcy protection during this period. We are continuing to monitor these credits and presently believe that our allowance for loan losses at December 31, 2016 is adequate. No additional losses are currently anticipated with respect to these loans.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

Non-interest Income

Total non-interest income amounted to \$821,000 for the three months ended December 31, 2016, an increase of \$201,000, or 32.4%, compared to \$620,000 for the same period in 2015. The increase was due to increases of \$159,000 in gain on sale of loans and \$45,000 in service charges on deposit accounts, partially offset by a decrease of \$3,000 in income on bank owned life insurance compared to the same period in 2015.

Total non-interest income amounted to \$1.9 million for the six months ended December 31, 2016, an increase of \$407,000, or 26.6%, compared to \$1.5 million for the same period in 2015. The increase was primarily due to increases of \$231,000 in gain on sale of loans, \$110,000 in gain on sale of real estate, and \$75,000 in service charges on deposit accounts, partially offset by a \$3,000 decrease in other non-interest income, and a \$6,000 decrease in bank owned life insurance compared to the same period in 2015.

Non-interest Expense

Total non-interest expense increased \$180,000, or 6.8%, for the three months ended December 31, 2016 compared to the prior year period. The increase in non-interest expense was primarily due to increases of \$136,000 in compensation and benefits expenses, \$35,000 in occupancy and equipment expense, \$29,000 in advertising expense, \$12,000 in data processing expense, \$15,000 in loan and collection expense, and \$15,000 in franchise and bank shares tax expense. The increases were partially offset by decreases of \$40,000 in deposit insurance premiums, \$16,000 in other non-interest expense, \$4,000 in legal fees and \$2,000 in audit and examination fees.

Total non-interest expense increased \$322,000, or 6.1%, for the six months ended December 31, 2016 compared to the prior year period. The increase in non-interest expense for the six months ended December 31, 2016, compared to the same period in 2015, is primarily attributable to increases of \$149,000 in compensation and benefits expense, \$104,000 in occupancy and equipment expense, \$40,000 in advertising expense, \$37,000 in data processing expense, \$31,000 in loan and collection expense, \$20,000 in franchise and bank shares tax expense, and \$10,000 in legal fees. These increases were partially offset by decreases of \$55,000 in deposit insurance premiums, and \$14,000 in other non-interest expense.

The increase in occupancy and equipment expense for both the three and six months ended December 31, 2016, was primarily due to our new branch location in North Shreveport that opened in May 2016. The increases in compensation and benefits expense were a result of normal compensation and benefits increases, including increases in stock option and plan share award expense, and the hiring of additional commercial and residential loan officers. The aggregate compensation expense recognized by the Company for its Stock Option, Share Award, ESOP, and Recognition and Retention Plans amounted to \$238,000 and \$468,000 for the three and six months ended December 31, 2016 compared to \$200,000 and \$365,000 for the three and six months ended December 31, 2015.

The Louisiana bank shares tax is assessed on the Bank's equity and earnings. For the three and six months ended December 31, 2016, the Company recognized franchise and bank shares tax expense of \$106,000 and \$201,000 compared to \$91,000 and \$181,000, respectively, for the same periods in 2015.

Income Taxes

Income taxes amounted to \$317,000 and \$815,000 for the three and six months ended December 31, 2016 resulting in an effective tax rate of 29.4% and 31.6%, respectively. Income taxes amounted to \$330,000 and \$781,000 for the three

and six months ended December 31, 2015, respectively, resulting in an effective tax rate of 32.6% and 32.5%. The decrease in the effective income tax rates for the three and six months ended December 31, 2016, is primarily the result of the effect of non-taxable income changes and deferred tax asset valuation account adjustments.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

	Three Months Ended December 31,							
	2016	Average		2015	Average		Average	
	Average	Interest	Yield/	Average	Interest	Yield/	Rate	
	Balance		Rate	Balance		Rate		
	(Dollars In Thousands)							
Interest-earning assets:								
Loans receivable	\$306,598	\$3,794	4.95	%	\$276,657	\$3,541	5.12	%
Investment securities	60,512	260	1.72		41,236	191	1.85	
Interest-earning deposits	6,463	8	0.46		26,337	20	0.31	
Total interest-earning assets	\$373,573	4,062	4.35	%	\$344,230	3,752	4.36	%
Non-interest-earning assets	27,860				24,481			
Total assets	\$401,433				\$368,711			
Interest-bearing liabilities:								
Savings accounts	\$33,230	38	0.45	%	\$22,143	21	0.38	%
NOW accounts	34,270	48	0.56		34,574	77	0.56	
Money market accounts	46,055	36	0.32		46,635	34	0.32	
Certificate accounts	139,848	441	1.26		145,289	467	1.26	
Total interest-bearing deposits	253,403	563	0.89		248,641	599	0.96	
Other bank borrowings	550	5	3.64		742	7	3.58	
FHLB advances	43,059	89	0.82		26,310	63	0.96	
Total interest-bearing liabilities	\$297,012	657	0.88	%	\$275,693	669	0.97	%
Non-interest-bearing liabilities:								
Non-interest bearing demand accounts	53,766				44,727			
Other liabilities	3,164				2,459			
Total liabilities	353,942				322,879			
Total Stockholders' Equity(1)	47,491				45,832			
Total liabilities and equity	\$401,433				\$368,711			
Net interest-earning assets	\$76,561				\$68,537			
Net interest income; average interest rate spread(2)		\$3,405	3.47	%		\$3,083	3.39	%
Net interest margin(3)			3.65	%			3.58	%
Average interest-earning assets to average interest-bearing liabilities			125.78	%			124.86	%

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

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

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



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

	Six Months Ended December 31,						
	2016			2015			
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate	
	(Dollars In Thousands)						
Interest-earning assets:							
Loans receivable	\$306,572	\$7,688	5.02	% \$280,407	\$7,177	5.12	%
Investment securities	58,782	457	1.56	42,603	387	1.82	
Interest-earning deposits	4,563	12	0.52	23,342	33	0.28	
Total interest-earning assets	\$369,917	8,157	4.41	% \$346,352	7,597	4.39	%
Non-interest-earning assets	26,336			23,817			
Total assets	\$396,253			\$370,169			
Interest-bearing liabilities:							
Savings accounts	\$31,389	69	0.44	% \$21,156	39	0.37	%
NOW accounts	35,226	98	0.56	34,873	153	0.88	
Money market accounts	46,982	75	0.32	47,168	72	0.31	
Certificate accounts	137,094	861	1.26	145,523	940	1.29	
Total interest-bearing deposits	250,691	1,103	0.88	248,720	1,204	0.97	
Other bank borrowings	475	8	3.25	371	7	3.58	
FHLB advances	44,457	184	0.83	28,340	125	0.88	
Total interest-bearing liabilities	\$295,623	1,295	0.88	% \$277,431	1,336	0.96	%
Non-interest-bearing liabilities:							
Non-interest bearing demand accounts	50,251			44,407			
Other liabilities	3,164			2,489			
Total liabilities	349,038			324,327			
Total Stockholders' Equity(1)	47,215			45,842			
Total liabilities and equity	\$396,253			\$370,169			
Net interest-earning assets	\$74,294			\$68,921			
Net interest income; average interest rate spread(2)		\$6,862	3.53	%	\$6,261	3.43	%
Net interest margin(3)			3.71	%		3.62	%
Average interest-earning assets to average interest-bearing liabilities			125.13	%		124.84	%

(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 December 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 \$291,000 at December 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 December 31, 2016, Home Federal Bank had \$53.0 million in advances from the Federal Home Loan Bank of Dallas and had \$122.0 million in additional borrowing capacity. Additionally, at December 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 \$15.5 million. There were no amounts purchased under this agreement as of December 31, 2016.

At December 31, 2016, Home Federal Bank had outstanding loan commitments of \$46.7 million to originate loans. At December 31, 2016, certificates of deposit scheduled to mature in less than one year totaled \$51.6 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 December 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 11.51%, 16.51%, 11.51%, and 17.76%, respectively.

Off-Balance Sheet Arrangements

At December 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 December 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)
October 1, 2016 – October 31, 2016	235	24.00	235	118,578
November 1, 2016 – November 30, 2016	10,500	24.64	10,500	108,078
December 1, 2016 – December 31, 2016	545	25.06	545	107,533
Total	11,280	24.65	11,280	107,533

## Notes to this table:

On December 9, 2015, the Company announced that its Board of Directors approved a sixth stock repurchase (a) program to repurchase up to 102,000 shares or approximately 5.0% of the Company's then outstanding shares of common stock. The repurchase program does not have an expiration date.

On October 12, 2016, the Company announced that its Board of Directors approved a seventh stock repurchase (b) program for the repurchase of up to 97,000 shares to commence after the completion of the sixth stock repurchase program.

## 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

- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Co-Principal  
Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Co-Principal  
Executive Officer
- 31.3 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

SIGNATURES

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Date: February 9, 2017 By: /s/ Glen W. Brown  
Glen W. Brown  
Senior Vice President and Chief Financial Officer  
(Duly authorized officer and principal financial and  
accounting officer)