

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

Home Federal Bancorp, Inc. of Louisiana
Form 10-Q
November 10, 2015
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: September 30, 2015
or

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

For the transition period from to

Commission file number: 001-35019

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

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

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

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

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

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

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

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

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

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

Shares of common stock, par value \$.01 per share, outstanding as of November 9, 2015: The registrant had 2,086,561 shares of common stock outstanding.

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SIGNATURES

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	September 30, 2015	June 30, 2015
ASSETS		
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$19,001 and \$16,105 for September 30, 2015 and June 30, 2015, Respectively)	\$ 22,780	\$ 21,166
Securities Available-for-Sale	41,549	44,885
Securities Held-to-Maturity (Fair Value of \$1,502 and \$2,010, Respectively)	1,502	2,010
Loans Held-for-Sale	10,948	14,203
Loans Receivable, Net of Allowance for Loan Losses of \$2,613 and \$2,515, Respectively	268,982	268,427
Accrued Interest Receivable	949	927
Premises and Equipment, Net	11,375	10,188
Bank Owned Life Insurance	6,405	6,365
Deferred Tax Asset	889	824
Other Real Estate Owned	--	40
Other Assets	765	798
Total Assets	\$ 366,144	\$ 369,833
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	\$ 293,274	\$ 286,238
Advances from Borrowers for Taxes and Insurance	744	578
Advances from Federal Home Loan Bank of Dallas	26,351	38,411
Other Accrued Expenses and Liabilities	1,756	1,220
Total Liabilities	322,125	326,447
STOCKHOLDERS' EQUITY		
Preferred Stock – \$.01 Par Value; 10,000,000 Shares Authorized; None Issued and Outstanding	--	--
Common Stock – \$.01 Par Value; 40,000,000 Shares Authorized; 2,100,241 and 2,109,606 Shares Issued and Outstanding at September 30, 2015 and June 30, 2015, Respectively	25	25
Additional Paid-in Capital	33,502	33,375
Unearned ESOP Stock	(1,417)	(1,445)
Unearned RRP Trust Stock	(278)	(333)
Retained Earnings	12,137	11,664
Accumulated Other Comprehensive Income	50	100
Total Stockholders' Equity	44,019	43,386

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 366,144	\$ 369,833
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See accompanying notes to unaudited consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Three Months Ended September 30, 2015 2014 (In Thousands, Except per Share Data)	
INTEREST INCOME		
Loans, Including Fees	\$3,636	\$3,307
Investment Securities	6	1
Mortgage-Backed Securities	195	244
Other Interest-Earning Assets	8	3
Total Interest Income	3,845	3,555
INTEREST EXPENSE		
Deposits	605	535
Federal Home Loan Bank Borrowings	62	45
Total Interest Expense	667	580
Net Interest Income	3,178	2,975
PROVISION FOR LOAN LOSSES		
Net Interest Income after Provision for Loan Losses	3,113	2,935
NON-INTEREST INCOME		
Gain on Sale of Loans	725	472
Income on Bank Owned Life Insurance	40	41
Service Charges on deposit accounts	134	101
Other Income	13	15
Total Non-Interest Income	912	629
NON-INTEREST EXPENSE		
Compensation and Benefits	1,708	1,500
Occupancy and Equipment	239	229
Data Processing	130	119
Audit and Examination Fees	50	53
Franchise and Bank Shares Tax	91	73
Advertising	61	75
Legal Fees	66	69
Loan and Collection	83	66
Deposit Insurance Premium	60	31
Other Expense	145	122
Total Non-Interest Expense	2,633	2,337
Income Before Income Taxes	1,392	1,227
PROVISION FOR INCOME TAX EXPENSE		
	451	404

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Net Income	\$941	\$823
EARNINGS PER COMMON SHARE:		
Basic	\$0.49	\$0.41
Diluted	\$0.47	\$0.40
DIVIDENDS DECLARED	\$0.08	\$0.07

See accompanying notes to unaudited consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended September 30, 2015 2014 (In Thousands)	
Net Income	\$941	\$823
Other Comprehensive Loss, Net of Tax		
Unrealized Holding Loss on Securities Available-for-Sale, Net of Tax of \$26 in 2015 and \$81 in 2014	(50)	(158)
Total Comprehensive Income	\$891	\$665

See accompanying notes to unaudited consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(Unaudited)

	Common Stock	Paid-in Capital	ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(In Thousands)							
BALANCE – June 30, 2014	\$ 34	\$ 32,853	\$ (1,561)	\$ (609)	\$ 27,588	\$ (15,698)	\$ 172	\$ 42,779
Net Income	--	--	--	--	823	--	--	823
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(158)	(158)
RRP Shares Earned	--	--	--	10	--	--	--	10
Stock Options Vested	--	43	--	--	--	--	--	43
Common Stock Issuance for Stock Option Exercises	--	17	--	--	--	--	--	17
ESOP Compensation Earned	--	27	29	--	--	--	--	56
Company Stock Purchased	--	--	--	--	--	(756)	--	(756)
Dividends Declared	--	--	--	--	(156)	--	--	(156)
BALANCE – September 30, 2014	\$ 34	\$ 32,940	\$ (1,532)	\$ (599)	\$ 28,255	\$ (16,454)	\$ 14	\$ 42,658
BALANCE – June 30, 2015	\$ 25	\$ 33,375	\$ (1,445)	\$ (333)	\$ 11,664	\$ --	\$ 100	\$ 43,386
Net Income	--	--	--	--	941	--	--	941
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	--	(50)	(50)
RRP Shares Earned	--	--	--	55	--	--	--	55

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Stock Options Vested	--	44	--	--	--	--	--	44
Common Stock Issuance for Stock								
Option Exercises	--	50	--	--	--	--	--	50
ESOP Compensation Earned	--	33	28	--	--	--	--	61
Company Stock Purchased	--	--	--	--	(299)	--	--	(299)
Dividends Declared	25	--	--	--	(169)	--	--	(169)
BALANCE – September 30, 2015	\$ 25	\$ 33,502	\$ (1,417)	\$ (278)	\$ 12,137	\$--	\$ 50	\$ 44,019

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended September 30, 2015 2014	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$941	\$823
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Bad Debt Recovery	33	--
Net Amortization and Accretion on Securities	6	3
Gain on Sale of Loans	(725)	(472)
Amortization of Deferred Loan Fees	(20)	(76)
Depreciation of Premises and Equipment	98	84
ESOP Expense	61	56
Stock Option Expense	44	44
Recognition and Retention Plan Expense	59	57
Deferred Income Tax	(39)	29
Provision for Loan Losses	65	40
Increase in Cash Surrender Value on Bank Owned Life Insurance	(40)	(41)
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(27,007)	(23,062)
Loans Held-for-Sale – Sale and Principal Repayments	30,986	21,874
Accrued Interest Receivable	(22)	(21)
Other Operating Assets	73	(40)
Other Operating Liabilities	532	435
Net Cash Provided by (Used In) Operating Activities	5,045	(267)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Originations and Purchases, Net of Principal Collections	(635)	(8,714)
Deferred Loan Fees Collected	1	4
Acquisition of Premises and Equipment	(1,284)	(1,624)
Activity in Available-for-Sale Securities:		
Principal Payments on Mortgage-Backed Securities	3,255	2,540
Purchases of Securities	--	(9,843)
Activity in Held-to-Maturity Securities:		
Redemption Proceeds	509	128
Purchases of Securities	(2)	(762)
Net Cash Provided by (Used in) Investing Activities	1,844	(18,271)

See accompanying notes to unaudited consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

	Three Months Ended September 30,	
	2015	2014
	(In Thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Deposits	\$7,037	\$(20,284)
Proceeds from Federal Home Loan Bank Advances	44,000	349,750
Repayments of Advances from Federal Home Loan Bank	(56,060)	(319,058)
Net Increase in Advances from Borrowers for Taxes and Insurance	166	186
Dividends Paid	(169)	(156)
Company Stock Purchased	(299)	(756)
Proceeds from Stock Options Exercised	50	17
Net Cash (Used in) Provided by Financing Activities	(5,275)	9,699
NET INCREASE (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,614	(8,839)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	21,166	13,633
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$22,780	\$4,794
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest Paid on Deposits and Borrowed Funds	\$665	\$571
Income Taxes Paid	1	1
Market Value Adjustment for Loss on Securities Available-for-Sale	(75)	(240)

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 three month period ended September 30, 2015, are not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2016.

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

In accordance with the subsequent events topic of the ASC, the Company evaluates events and transactions that occur after the balance sheet date for potential recognition in the financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of September 30, 2015. In preparing these financial statements, the Company evaluated the events and transactions that occurred through the date these financial statements were issued.

Use of Estimates

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

Nature of Operations

Home Federal Bancorp, Inc. of Louisiana, a Louisiana corporation, is the fully public stock holding company for Home Federal Bank located in Shreveport, Louisiana. The Bank is a federally chartered, stock savings and loan association and is subject to federal regulation by the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. The Company is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. Services are provided to the Bank's customers by five full-service banking offices and one administrative 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 September 30, 2015, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which previously engaged in the sale of annuity contracts and does not currently engage in a meaningful amount of business.

Cash and Cash Equivalents

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

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Securities

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

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

Loans Held-for-Sale

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

Loans

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

Allowance for Loan Losses

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

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

susceptible to significant revision as more information becomes available.

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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, 2015 and September 30, 2015 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 August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. The amendments of ASU 2014-13 allow for a reporting entity that consolidates a collateralized financing entity within the scope of the guidance to elect to measure the financial assets and the financial liabilities of that collateralized financing entity using the measurement alternative. Under the measurement alternative, the reporting entity should measure both the financial assets and the financial liabilities of that collateralized financing entity in its consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The amendments are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company's 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 guarantee, 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 financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. 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.

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:

	September 30, 2015			
	Gross Amortized Cost (In Thousands)	Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$257	\$ 16	\$ --	\$273
FNMA Mortgage-Backed Certificates	25,368	603	170	25,801
GNMA Mortgage-Backed Certificates	15,847	4	376	15,475
Total Debt Securities	41,472	623	546	41,549
Total Securities Available-for-Sale	\$41,472	\$ 623	\$ 546	\$41,549
Securities Held-to-Maturity				
Equity Securities (Non-Marketable)				
12,520 Shares – Federal Home Loan Bank	\$1,252	\$ --	\$ --	\$1,252
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	1,502	--	--	1,502
Total Securities Held-to-Maturity	\$1,502	\$ --	\$ --	\$1,502
	June 30, 2015			
	Gross Amortized Cost (In Thousands)	Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$267	\$ 17	\$ --	\$284
FNMA Mortgage-Backed Certificates	27,263	605	61	27,807
GNMA Mortgage-Backed Certificates	17,203	5	414	16,794
Total Debt Securities	44,733	627	475	44,885
Total Securities Available-for-Sale	\$44,733	\$ 627	\$ 475	\$44,885

Securities Held-to-Maturity

Equity Securities (Non-Marketable)

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

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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 September 30, 2015, follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Debt Securities				
Within One Year or Less	\$1	\$1	\$--	\$--
One through Five Years	169	172	--	--
After Five through Ten Years	90	94	--	--
Over Ten Years	41,212	41,282	--	--
	41,472	41,549	--	--
Other Equity Securities	--	--	1,502	1,502
Total	\$41,472	\$41,549	\$1,502	\$1,502

There were no sales of available-for-sale securities during the three months ended September 30, 2015.

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

	September 30, 2015			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities Available-for-Sale				
Debt Securities				
Mortgage-Backed Securities	\$--	\$ --	\$546	\$25,028
Marketable Equity Securities	--	--	--	--
Total Securities Available-for-Sale	\$--	\$ --	\$546	\$25,028

	June 30, 2015	
	Less Than Twelve Months	Over Twelve Months

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

The Company's investment in equity securities consists primarily of FHLB stock, and shares of First National Bankers Bankshares, Inc. ("FNBB"). Management monitors its investment portfolio to determine whether any investment securities 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 September 30, 2015, securities with a carrying value of \$1.7 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$167.9 million were pledged to secure FHLB advances.

3. Loans Receivable

Loans receivable are summarized as follows:

	September 30, 2015	June 30, 2015
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One- to Four-Family Residential	\$ 106,924	\$ 103,332
Commercial	60,283	62,080
Multi-Family Residential	15,135	15,246
Land	19,057	19,866
Construction	17,804	17,620
Equity and Second Mortgage	2,247	2,460
Equity Lines of Credit	21,656	22,187
Total Mortgage Loans	243,106	242,791
Commercial Loans	28,348	28,019
Consumer Loans		
Loans on Savings Accounts	206	209
Automobile and Other Consumer Loans	104	110
Total Consumer and Other Loans	310	319
Total Loans	271,764	271,129
Less: Allowance for Loan Losses	(2,613)	(2,515)
Unamortized Loan Fees	(169)	(187)
Net Loans Receivable	\$268,982	\$268,427

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

	Three Months Ended September 30, 2015 2014	
	(In Thousands)	
Balance - Beginning of Period	\$2,515	\$2,396
Provision for Loan Losses	65	40
Loan Charge-Offs	--	(151)
Recoveries	33	--
Balance - End of Period	\$2,613	\$2,285

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 September 30, 2015 and June 30, 2015:

September 30, 2015	Pass	Special Mention	Substandard	Doubtful	Total
			(In Thousands)		
Real Estate Loans:					
One- to Four-Family Residential	\$106,591	\$ 218	\$ 115	\$ --	\$106,924
Commercial	59,719	346	218	--	60,283
Multi-Family Residential	15,135	--	--	--	15,135
Land	19,057	--	--	--	19,057
Construction	17,804	--	--	--	17,804
Equity and Second Mortgage	2,247	--	--	--	2,247
Equity Lines of Credit	21,656	--	--	--	21,656
Commercial Loans	28,348	--	--	--	28,348
Consumer Loans	310	--	--	--	310
Total	\$270,867	\$ 564	\$ 333	\$ --	\$271,764

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Loans Receivable (continued)

Credit Quality Indicators (continued)

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

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 September 30, 2015 and June 30, 2015:

	30-59 Days 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
September 30, 2015							
Real Estate Loans:							
One- to Four-Family Residential	\$ 1,954	\$ 1,178	\$ 289	\$ 3,421	\$ 103,503	\$ 106,924	\$ 276
Commercial	--	--	--	--	60,283	60,283	--
Multi-Family Residential	--	--	--	--	15,135	15,135	--
Land	570	--	--	570	18,487	19,057	--
Construction	--	--	--	--	17,804	17,804	--
Equity and Second Mortgage	--	--	--	--	2,247	2,247	--
Equity Lines of Credit	--	--	--	--	21,656	21,656	--

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Commercial Loans	--	--	--	--	28,348	28,348	--
Consumer Loans	--	--	--	--	310	310	--
Total	\$2,524	\$1,178	\$ 289	\$ 3,991	\$267,773	\$ 271,764	\$ 276

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Loans Receivable (continued)

Credit Quality Indicators (continued)

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

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

The change in the allowance for loan losses by loan portfolio class and recorded investment in loans for the three months ended September 30, 2015 was as follows:

September 30, 2015	Real Estate Loans				Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total	
	1-4 Family Residential	Commercial	Multi-Family	Land					
	(In Thousands)								
Allowance for loan losses:									
Beginning Balances	\$1,195	\$415	\$103	\$154	\$146	\$192	\$305	\$5	\$2,515
Charge-Offs	--	--	--	--	--	--	--	--	--
Recoveries	33	--	--	--	--	--	--	--	33
Current Provision	129	6	(30)	(6)	(29)	(55)	51	(1)	65

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Ending Balances	\$ 1,357	\$ 421	\$ 73	\$ 148	\$ 117	\$ 137	\$ 356	\$ 4	\$ 2,613
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,357	421	73	148	117	137	356	4	2,613
Loans Receivable:									
Ending Balances –									
Total	\$ 106,924	\$ 60,283	\$ 15,135	\$ 19,057	\$ 17,804	\$ 23,903	\$ 28,348	\$ 310	\$ 271,764
Ending Balances:									
Evaluated for Impairment:									
Individually	333	564	--	--	--	--	--	--	897
Collectively	\$ 106,591	\$ 59,719	\$ 15,135	\$ 19,057	\$ 17,804	\$ 23,903	\$ 28,348	\$ 310	\$ 270,867

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, 2015 and three months ended September 30, 2014, was as follows:

June 30, 2015	Real Estate Loans					Home Equity Loans And Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential (In Thousands)	Commercial	Multi-Family	Land	Construction				
Allowance for loan losses: Beginning									
Balances	\$ 1,224	\$ 464	\$ 128	\$ 168	\$ 105	\$ 99	\$ 202	\$ 6	\$ 2,396
Charge-Offs	(181)	--	--	--	--	--	--	--	(181)
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	152	(49)	(25)	(14)	41	93	103	(1)	300
Ending Balances	\$ 1,195	\$ 415	\$ 103	\$ 154	\$ 146	\$ 192	\$ 305	\$ 5	\$ 2,515
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,195	415	103	154	146	192	305	5	2,515
Loans Receivable:									
Ending Balances									
- Total	\$ 103,332	\$ 62,080	\$ 15,246	\$ 19,866	\$ 17,620	\$ 24,647	\$ 28,019	\$ 319	\$ 271,129
Ending Balances: Evaluated for Impairment:									
Individually	125	537	--	--	--	25	--	--	687
Collectively	\$ 103,207	\$ 61,543	\$ 15,246	\$ 19,866	\$ 17,620	\$ 24,622	\$ 28,019	\$ 319	\$ 270,442
September 30, 2014									
	Real Estate Loans								
	1-4	Commercial	Multi-	Land	Construction	Home	Commercial	Consumer	Total
	Family		Family			Equity	Loans	Loans	
	Residential					Loans			
						and			
						Lines			

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									of
									Credit
	(In Thousands)								
Allowance for loan losses:									
Beginning									
Balances	\$1,224	\$ 464	\$128	\$168	\$ 105	\$99	\$ 202	\$ 6	\$2,396
Charge-Offs	(151)	--	--	--	--	--	--	--	(151)
Recoveries	--	--	--	--	--	--	--	--	--
Current Provision	96	(108)	(56)	12	22	29	45	--	40
Ending Balances	\$1,169	\$ 356	\$72	\$180	\$ 127	\$128	\$ 247	\$ 6	\$2,285
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,169	356	72	180	127	128	247	6	2,285
Loans Receivable:									
Ending Balances -									
Total	\$96,279	\$ 55,554	\$15,967	\$22,513	\$ 13,366	\$19,698	\$ 27,032	\$ 411	\$250,820
Ending Balances:									
Evaluated for Impairment:									
Individually	128	617	--	--	--	27	--	--	772
Collectively	\$96,151	\$ 54,937	\$15,967	\$22,513	\$ 13,366	\$19,671	\$ 27,032	\$ 411	\$250,048

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 September 30, 2015 and June 30, 2015:

September 30, 2015	Recorded Investment		Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	Unpaid Principal Balance	With Allowance				
Real Estate Loans:						
One- to Four-Family Residential	\$ 333	\$ 333	\$ --	\$ 333	\$ --	\$ 347
Commercial	564	564	--	564	--	587
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	--	--	--	--	--	--
Commercial Loans	--	--	--	--	--	--
Consumer Loans	--	--	--	--	--	--
Total	\$ 897	\$ 897	\$ --	\$ 897	\$ --	\$ 934

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

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

There was no interest income recognized on non-accrual loans during the three months ended September 30, 2015 or year ended June 30, 2015. If the non-accrual loans had been accruing interest at their original contracted rates, gross interest income that would have been recorded for the three months ended September 30, 2015 and year ended June 30, 2015 was approximately \$286 and \$1,058, respectively.

4. Deposits

Deposits at September 30, 2015 and June 30, 2015 consist of the following classifications:

	September 30, 2015	June 30, 2015
	(In Thousands)	
Non-Interest Bearing	\$44,252	\$45,024
NOW Accounts	34,489	31,214
Money Markets	47,206	45,593
Passbook Savings	20,938	18,435
	146,885	140,266
Certificates of Deposit	146,389	145,972
Total Deposits	\$293,274	\$286,238

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 months ended September 30, 2015 and 2014 were calculated as follows:

	Three Months Ended September 30, 2015 2014 (In Thousands, Except Per Share Data)	
Net income	\$941	\$823
Weighted average shares outstanding - basic	1,927	2,006
Effect of dilutive common stock equivalents	64	52
Adjusted weighted average shares outstanding - diluted	1,991	2,058
Basic earnings per share	\$0.49	\$0.41
Diluted earnings per share	\$0.47	\$0.40

For the three months ended September 30, 2015 and 2014, there were outstanding options to purchase 204,137 and 228,259 shares, respectively, at a weighted average exercise price of \$15.07 and \$14.68 per share, respectively. For the quarter ended September 30, 2015, 63,662 options, were included in the computation of diluted earnings per share.

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

	Three Months Ended September 30, 2015 2014 (In Thousands)	
Average common shares issued	2,106	3,062
Average unearned ESOP shares	(143)	(154)
Average unearned RRP shares	(36)	(50)
Average treasury shares	--	(852)
Weighted average shares outstanding	1,927	2,006

6. Stock-Based Compensation

Recognition and Retention Plan

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Recognition and Retention Plan and Trust Agreement (the "2005 Recognition Plan") as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's common stock subject to award under the 2005 Recognition Plan totaled 63,547 shares (as adjusted for the exchange ratio of 0.9110 on December 22, 2010). As the shares were acquired for the 2005 Recognition Plan, the purchase price of these shares was recorded as a contra equity account. As the shares are distributed, the contra equity account is reduced. The 2005 Recognition Plan terminated on June 8, 2015 and the remaining 564 shares vested on August 19, 2015.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock – Based Compensation (continued)

Recognition and Retention Plan (continued)

On December 23, 2011, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2011 Recognition and Retention Plan and Trust Agreement (the "2011 Recognition Plan", together with the 2005 Recognition Plan, the "Recognition Plan") as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's common stock available for award under the 2011 Recognition Plan totaled 77,808 shares, all of which were awarded as of September 30, 2015.

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

The Recognition Plan cost is recognized over the five year vesting period. During the three months ended September 30, 2015, the Company recognized \$59,000 in expense related to the Recognition Plans.

Stock Option Plan

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Stock Option Plan (the "2005 Option Plan") for the benefit of directors, officers, and other key employees. The aggregate number of shares of common stock reserved for issuance under the 2005 Option Plan totaled 158,868 (as adjusted for the exchange ratio). Both incentive stock options and non-qualified stock options may be granted under the 2005 Option Plan. The 2005 Stock Option Plan terminated on June 8, 2015, however outstanding stock options will remain in effect for the remainder of their original ten year terms.

On December 23, 2011, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2011 Stock Option Plan (the "2011 Option Plan", together with the 2005 Option Plan, the "Option Plans") for the benefit of directors, officers, and other key employees. The aggregate number of shares of common stock reserved for issuance under the 2011 Option Plan totaled 194,522, all of which were awarded as of September 30, 2015. Both incentive stock options and non-qualified stock options may be granted under the 2011 Option Plan.

On August 18, 2005, the Company granted 158,858 options (as adjusted for the conversion described in Note 1) to directors and employees. Under the Option Plan, the exercise price of each option cannot be less than the fair market value of the underlying common stock as of the date of the option grant, which was \$10.82 (as adjusted), and the maximum term is ten years. As of August 18, 2015 all of the awards were either exercised or forfeited. 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 September 30, 2015 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock – Based Compensation (continued)

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. There are undetermined amount of unawarded shares under the 2014 Stock Incentive Plan. 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. As of September 30, 2015, there were no share awards or stock options granted pursuant to the Stock Incentive Plan. 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.

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 September 30, 2015 and June 30, 2015, respectively.

8. Fair Value Disclosures

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

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

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

Cash and Cash Equivalents

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

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

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

Mortgage Loans Held-for-Sale

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

Loans Receivable

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Fair Value Disclosures (continued)

Deposit Liabilities

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

Advances from Federal Home Loan Bank

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

Off-Balance Sheet Credit-Related Instruments

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

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

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

	September 30, 2015		June 30, 2015	
	Carrying	Estimated	Carrying	Estimated
	Value	Fair	Value	Fair
	Value	Value	Value	Value