

HOME FEDERAL BANCORP, INC. OF LOUISIANA
Form 10-Q
May 14, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2010
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: 000-51117

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

Federal
(State or other jurisdiction of incorporation or organization)

86-1127166
(IRS Employer Identification No.)

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

71101
(Zip Code)

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

(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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Shares of common stock, par value \$.01 per share, outstanding as of May 14, 2010: The registrant had 3,348,237 shares of common stock outstanding, of which 2,135,375 shares were held by Home Federal Mutual Holding Company of Louisiana, the registrant’s mutual holding company, and 1,212,862 shares were held by the public and directors, officers and employees of the registrant, and the registrant’s employee benefit plans.

INDEX

PART I	--	FINANCIAL INFORMATION	Page
Item 1:		Financial Statements (unaudited)	
		Consolidated Statements of Financial Condition	1
		Consolidated Statements of (Loss) 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	23
Item 3:		Quantitative and Qualitative Disclosures About Market Risk	29
Item 4:		Controls and Procedures	29
Item 4T.		Controls and Procedures	29
PART II - OTHER INFORMATION			
Item 1:		Legal Proceedings	30
Item 1A:		Risk Factors	30
Item 2:		Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 3:		Defaults Upon Senior Securities	31
Item 4:		Submission of Matters to a Vote of Security Holders	31
Item 5:		Other Information	31
Item 6:		Exhibits	31
SIGNATURES			

PART I - FINANCIAL INFORMATION

Item 1: Financial Statements (Unaudited)

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	March 31, 2010 (In Thousands)	June 30, 2009
ASSETS		
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$12,486 and \$8,508 for March 31, 2010 and June 30, 2009, respectively)	\$ 15,384	\$ 10,007
Securities Available-for-Sale	69,186	92,647
Securities Held-to-Maturity	2,157	2,184
Loans Held for Sale	3,453	1,277
Loans Receivable, Net	76,634	46,948
Accrued Interest Receivable	541	543
Premises and Equipment, Net	3,087	982
Other Assets	373	178
Total Assets	\$ 170,815	\$ 154,766
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	\$ 102,803	\$ 86,146
Advances from Borrowers for Taxes and Insurance	115	137
Advances from Federal Home Loan Bank of Dallas	34,035	35,997
Other Accrued Expenses and Liabilities	1,289	1,082
Deferred Tax Liability	485	94
Total Liabilities	138,727	123,456
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Preferred Stock – No Par Value; 2,000,000 Shares Authorized; None Issued and Outstanding	--	--
Common stock - 8,000,000 shares of \$.01 par value authorized; 3,558,958 shares issued; 3,348,237 shares and 3,373,464 shares outstanding at March 31, 2010 and June 30, 2009, respectively	14	14
Additional paid-in capital	13,643	13,608
Treasury Stock, at Cost – 210,721 Shares at March 31, 2010; 185,494 Shares at June 30, 2009	(2,094)	(1,887)
Unearned ESOP Stock	(840)	(883)
Unearned RRP Trust Stock	(145)	(269)
Retained Earnings	20,277	20,288
Accumulated Other Comprehensive Income	1,233	439

Total Stockholders' Equity	32,088	31,310
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 170,815	\$ 154,766

See accompanying notes to consolidated financial statements.

1

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
	(In Thousands, Except Per Share Data)			
INTEREST INCOME				
Loans, Including Fees	\$1,304	\$502	\$3,532	\$1,540
Investment Securities	17	23	53	94
Mortgage-Backed Securities	933	1,417	3,090	4,009
Other Interest-Earning Assets	3	1	7	21
Total Interest Income	2,257	1,943	6,682	5,664
INTEREST EXPENSE				
Deposits	544	572	1,678	1,884
Federal Home Loan Bank Borrowings	298	367	941	1,026
Total Interest Expense	842	939	2,619	2,910
Net Interest Income	1,415	1,004	4,063	2,754
PROVISION FOR LOAN LOSSES	--	--	--	--
Net Interest Income after Provision for Loan Losses	1,415	1,004	4,063	2,754
NON-INTEREST (LOSS) INCOME				
Gain on Sale of Loans	193	1	322	1
Gain on Sale of Investments	308	113	494	146
Impairment charge on investment securities	(627)	) --	(627)	) --
Other Income	15	7	39	27
Total Non-Interest (Loss) Income	(111)	) 121	228	174
NON-INTEREST EXPENSE				
Compensation and Benefits	921	432	2,350	1,238
Occupancy and Equipment	111	51	291	141
Data Processing	31	19	77	55
Audit and Professional Fees	132	73	309	183
Franchise and Bank Shares Tax	38	38	113	113
Merger and Stock Issuance Costs	--	--	--	133
Other Expense	199	99	520	276
Total Non-Interest Expense	1,432	712	3,660	2,139
(Loss) Income Before Income Taxes	(128)	) 413	631	789
PROVISION FOR INCOME TAX EXPENSE	164	140	422	268
Net (Loss) Income	\$(292)	) \$273	\$209	\$521
(LOSS) INCOME PER COMMON SHARE:				
Basic	\$(0.09)	) \$0.08	\$0.06	\$0.16
Diluted	\$(0.09)	) \$0.08	\$0.06	\$0.16

DIVIDENDS DECLARED	\$ 0.06	\$0.06	\$0.18	\$0.18
--------------------	---------	--------	--------	--------

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Nine Months Ended March 31, 2010 and 2009

(Unaudited)

	For the Nine Months Ended March 31, 2010 2009 (In Thousands)	
Net Income	\$ 209	\$ 521
Other Comprehensive Income, Net of Tax		
Unrealized Holding Gains Arising During the Period	1,290	4,046
Reclassification Adjustment for Gains Included in Net Income	(496)	(233)
Total Other Comprehensive Income	794	3,813
Total Comprehensive Income	\$ 1,003	\$ 4,334

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
NINE MONTHS ENDED MARCH 31, 2010 AND 2009
(Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock (In Thousands)	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE – JUNE 30, 2008	\$14	\$ 13,567	\$(940)	\$(395)	\$20,071	\$ (1,809)	\$ (2,634)	\$ 27,874
Net Income	--	--	--	--	521	--	--	521
Other Comprehensive Income: Changes in Unrealized Gain on Securities Available- for-Sale, Net of Tax Effects	--	--	--	--	--	--	3,813	3,813
RRP Shares Earned	--	--	--	126	--	--	--	126
Stock Options Vested	--	43	--	--	--	--	--	43
ESOP Compensation Earned	--	(12)	43	--	--	--	--	31
Dividends Declared	--	--	--	--	(224)	--	--	(224)
Acquisition of Treasury Stock	--	--	--	--	--	(49)	--	(49)
BALANCE – MARCH 31, 2009	\$14	\$ 13,598	\$(897)	\$(269)	\$20,368	\$ (1,858)	\$ 1,179	\$ 32,135
	\$ 14	\$ 13,608	\$ (883)	\$ (269)	\$ 20,288	\$ (1,887)	\$ 439	\$ 31,310

BALANCE – JUNE
30, 2009

Net Income	--	--	--	--	209	--	--	209
Other Comprehensive Income:								
Changes in Unrealized Gain on Securities Available-for-Sale, Net of Tax Effects	--	--	--	--	--	--	794	794
RRP Shares Earned	--	--	--	124	--	--	--	124
Stock Options Vested	--	43	--	--	--	--	--	43
ESOP Compensation Earned	--	(8)	43	--	--	--	--	35
Dividends Declared	--	--	--	--	(220)	--	--	(220)
Acquisition of Treasury Stock	--	--	--	--	--	(207)	--	(207)
BALANCE –	\$		\$	\$				
MARCH 31, 2010	14	\$ 13,643	(840)	(145)	\$ 20,277	\$ (2,094)	\$ 1,233	\$ 32,088

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31, 2010		2009	
	(In Thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income	\$	209	\$	521
Adjustments to Reconcile Net Income to Net Cash (Used in) Provided by Operating Activities				
Net Amortization and Accretion on Securities		(259)		(208)
Gain on Sale of Investments		(494)		(146)
Amortization of Deferred Loan Fees		(166)		(11)
Impairment charge on investment securities		627		--
Depreciation of Premises and Equipment		82		43
ESOP Expense		35		31
Stock Option Expense		43		43
Recognition and Retention Plan Expense		93		94
Deferred Income Tax		(18)		(11)
Gain on Sale of Loans		(322)		(1)
Changes in Assets and Liabilities				
Loans Held-for-Sale – Originations		(40,003)		(10,229)
Loans Held-for-Sale – Principal Repayments		38,150		10,015
Accrued Interest Receivable		2		(30)
Other Operating Assets		(208)		(6)
Other Operating Liabilities		238		325
Net Cash (Used in) Provided by Operating Activities		(1,991)		430
CASH FLOWS FROM INVESTING ACTIVITIES				
Loan Originations and Purchases, Net of Principal Collections		(29,711)		(285)
Deferred Loan Fees Collected		204		10
Acquisition of Premises and Equipment		(2,187)		(140)
Activity in Available-for-Sale Securities:				
Proceeds from Sales of Securities		12,997		6,697
Principal Payments on Mortgage-backed Securities		11,791		8,319
Purchases of Securities		--		(24,269)
Activity in Held-to-Maturity Securities				
Principal Payments on Mortgage-Backed Securities		60		96
Purchases of Securities		(32)		(608)
Proceeds from Disposition of Foreclosed Real Estate		--		42
Net Cash Used in Investing Activities	\$	(6,878)	\$	(10,138)

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended March 31,	
	2010	2009
	(In Thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	\$ 16,657	\$ 1,466
Proceeds from Federal Home Loan Bank Advances	19,500	45,950
Repayments of Advances from Federal Home Loan Bank	(21,462)	(36,831)
Net Decrease in Mortgage-Escrow Funds	(22)	(86)
Dividends Paid	(220)	(224)
Acquisition of Treasury Stock	(207)	(49)
Stock Purchase Deposits Received	--	4,556
Stock Purchase Deposits Refunded	--	(8,131)
Net Cash Provided by Financing Activities	14,246	6,651
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,377	(3,057)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	10,007	7,363
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 15,384	\$ 4,306
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest Paid on Deposits and Borrowed Funds	\$ 2,649	\$ 2,889
Income Taxes Paid	177	--
Market Value Adjustment for Gain on Securities Available-for-Sale	1,203	5,778

See accompanying notes to consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT 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 (the “Bank”). These consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the nine month period ended March 31, 2010 are not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2010.

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”). The FASB established the Codification as the source of authoritative accounting principles effective for interim and annual periods ended on or after September 15, 2009. Prior FASB standards are no longer being referenced by the FASB, and the Company adopted the Codification as of September 30, 2009. The adoption did not have an impact on our financial position or results of operations.

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 effects of all subsequent events that provide additional evidence of conditions that existed at the balance sheet date are recognized in the financial statements as of March 31, 2010. In preparing these financial statements, the Company evaluated subsequent events 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations

On January 18, 2005, the Bank completed its reorganization to the mutual holding company form of organization and formed the Company to serve as the mid-tier stock holding company for the Bank. In connection with the reorganization, the Company sold 1,423,583 shares of its common stock in a subscription and community offering at a price of \$10.00 per share. The Company also issued 2,135,375 shares of common stock in the reorganization to Home Federal Mutual Holding Company of Louisiana, or 63.8% of our outstanding common stock at March 31, 2010. Home Federal 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 Thrift Supervision. Services are provided to its customers by three banking offices and one agency office, all of which are located in the City of Shreveport, 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 March 31, 2010, the Bank had one wholly-owned subsidiary, Metro Financial Services, Inc., which is currently inactive.

Cash and Cash Equivalents

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

Securities

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

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 fair value of the collateral of the loan. If the fair value of the collateral is less than the recorded investment in the loan, the 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. Substandard loans are those which are in excess of ninety days delinquent. The allowance is established by a charge to interest income equal to all interest previously accrued and income is subsequently recognized only to the extent that cash payments are received. When, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, the loan is returned to accrual status.

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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Off-Balance Sheet Credit Related Financial Instruments

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

Foreclosed Assets

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

Premises and Equipment

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

Income Taxes

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

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

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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2.

SECURITIES

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

		March 31, 2010		
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
		(In Thousands)		
Securities Available-for-Sale:				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$3, 164	\$104	\$--	\$3,268
FNMA Mortgage-Backed Certificates	62,247	1,765	3	64,009
GNMA Mortgage-Backed Certificates	120	1	--	121
Total Debt Securities	65,531	1,870	3	67,398
Equity Securities				
244,550 Shares, AMF ARM Fund	1,788	--	--	1,788
Total Securities Available-for-Sale	\$67,319	\$1,870	\$3	\$69,186
Securities Held-to-Maturity:				
Debt Securities				
GNMA Mortgage-Backed Certificates	\$213	\$19	\$--	\$232
FNMA Mortgage-Backed Certificates	78	2	--	80
FHLMC Mortgage-Backed Certificates	28	2	--	30
Total Debt Securities	319	23	--	342
Equity Securities (Non-Marketable)				
18,385 Shares - Federal Home Loan Bank	1,838	--	--	1,838
Total Securities Held-to-Maturity	\$2,157	\$23	\$--	\$2,180

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2.

SECURITIES (Continued)

		June 30, 2009		
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
		(In Thousands)		
Securities Available-for-Sale:				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$ 14,237	\$ 333	\$ 10	\$ 14,560
FNMA Mortgage-Backed Certificates	75,194	1,197	166	76,225
GNMA Mortgage-Backed Certificates	136	1	2	135
Total Debt Securities	89,567	1,531	178	90,920
Equity Securities				
244,550 Shares, AMF ARM Fund	2,415	--	688	1,727
Total Securities Available-for-Sale	\$ 91,982	\$ 1,531	\$ 866	\$ 92,647
Securities Held-to-Maturity:				
Debt Securities				
GNMA Mortgage-Backed Certificates	\$ 260	\$ 10	\$ --	\$ 270
FNMA Mortgage-Backed Certificates	88	1	--	89
FHLMC Mortgage-Backed Certificates	30	--	--	30
Total Debt Securities	378	11	--	389
Equity Securities (Non-Marketable)				
18,064 Shares - Federal Home Loan Bank	1,806	--	--	1,806
Total Securities Held-to-Maturity	\$ 2,184	\$ 11	\$ --	\$ 2,195

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. SECURITIES (Continued)

The amortized cost and fair value of debt securities by contractual maturity at March 31, 2010, follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Within One Year or Less	\$ --	\$ --	\$ --	\$ --
One through Five Years	--	--	18	18
After Five through Ten Years	693	704	131	139
Over Ten Years	64,838	66,694	170	185
			\$	
Total	\$ 65,531	\$ 67,398	319	\$ 342

For the nine months ended March 31, 2010 and 2009, proceeds from the sale of securities available-for-sale amounted to \$13.0 million and \$6.7 million, respectively. Gross realized gains amounted to \$494,000 and \$146,000, respectively.

The following tables show information pertaining to gross unrealized losses on securities available-for-sale at March 31, 2010 and June 30, 2009, aggregated by investment category and length of time that individual securities have been in a continuous loss position. There were no unrealized losses on securities held-to-maturity at March 31, 2010 or June 30, 2009.

	March 31, 2010			
	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	\$ --	\$ --	3	1,679
Marketable Equity Securities	--	--	--	--
Total Securities			\$	\$
Available-for-Sale	\$ --	\$ --	3	1,679

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. SECURITIES (Continued)

	June 30, 2009			
	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	\$10	\$864	\$168	\$23,801
Marketable Equity Securities	--	--	688	1,727
Total Securities				
Available-for-Sale	\$10	\$864	\$856	\$25,528

The Company's investment in equity securities consists primarily of shares of an adjustable rate mortgage loan mutual fund. The unrealized losses associated with this fund were primarily caused by the investment downgrade of certain non-agency private label mortgage-backed securities held by the fund and uncertainty in spreads in the bond market for mortgage-related securities along with the performance of a small number of the bonds within the fund.

No impairment charges were recognized on investment securities during the year ended June 30, 2009. Impairment charges of approximately \$627,216 were recognized during the three months ended March 31, 2010. These impairment charges were taken to write-down the book value of our investment in a mortgage-backed security based mutual fund to its fair value of \$1.8 million at March 31, 2010, based on our determination that the investment was other-than-temporarily impaired. This determination for the fund, the AMF Ultra Short Mortgage Fund, was made, in part, based on credit rating downgrades in certain of the private label mortgage-backed securities held by the fund, as well as an analysis of the overall status of the fund. We intend to continue to hold this fund and it is possible that additional impairment charges will be recorded in subsequent periods.

The unrealized losses on the Company's investment in mortgage-backed securities were caused by interest rate changes. The contractual cash flows of these investments are guaranteed by agencies of the U.S. government. Accordingly, it is expected that these securities would not be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2010.

At March 31, 2010, securities with a carrying value of \$3.5 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$37.1 million were pledged to secure FHLB advances.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3.LOANS RECEIVABLE

Loans receivable at March 31, 2010 and June 30, 2009, are summarized as follows:

	March 31, 2010	June 30, 2009
	(In Thousands)	
Loans Secured by Mortgages on Real Estate:		
Secured by One-to-Four Family Residences	\$ 39,735	\$ 22,106
Commercial - Real Estate Secured	11,203	7,855
Construction	5,791	338
Secured by Other Properties	10,948	4,884
Total Mortgage Loans	67,677	35,183
Commercial Loans	5,966	6,590
Consumer and Other Loans:		
Equity and Second Mortgage	3,162	4,914
Loans on Savings Accounts	251	359
Equity Lines of Credit	165	451
Automobile Loans	27	40
Total Consumer and Other Loans	3,605	5,764
Total Loans	77,248	47,537
Less: Allowance for Loan Losses	(453)	(466)
Unamortized Loan Fees	(161)	(123)
Net Loans Receivable	\$ 76,634	\$ 46,948

An analysis of the allowance for loan losses for the three and nine months ended March 31, 2010 and 2009 follows:

	Three Months Ended		Nine Months Ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	(In Thousands)			
Balance - Beginning of Period	\$ 453	\$ 226	\$ 466	\$ 235
Provision for Loan Losses	--	--	--	--
Loan Charge-Offs	--	--	(13)	(9)
Balance - End of Year	\$ 453	\$ 226	\$ 453	\$ 226

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. EARNINGS (LOSS) PER SHARE

Basic earnings per common share is computed based on the weighted average number of shares outstanding. Diluted earnings per share is computed based on the weighted average number of shares outstanding and common share equivalents that would arise from the exercise of dilutive securities. Earnings per share for the three and nine month periods ended March 31, 2010 and 2009 were calculated as follows:

	Three Months Ended March 31, 2010		Three Months Ended March 31, 2009	
	Basic	Diluted	Basic	Diluted
	(In Thousands, Except Per Share Data)			
Net (Loss) Income	\$(292	) \$(292	) \$273	\$273
Weighted average shares outstanding	3,242	3,242	3,260	3,260
Effect of unvested common stock awards	--	--	--	--
Adjusted weighted average shares used in earnings per share computation	3,242	3,242	3,260	3,260
(Loss) Earnings per share	\$(0.09	) \$(0.09	) \$0.08	\$0.08

	Nine Months Ended March 31, 2010		Nine Months Ended March 31, 2009	
	Basic	Diluted	Basic	Diluted
	(In Thousands, Except Per Share Data)			
Net Income	\$209	\$209	\$521	\$521
Weighted average shares outstanding	3,248	3,248	3,257	3,257
Effect of unvested common stock awards	--	--	--	--
Adjusted weighted average shares used in earnings per share computation	3,248	3,248	3,257	3,257
Earnings per share	\$0.06	\$0.06	\$0.16	\$0.16

For the three months ended March 31, 2010 and 2009, there were weighted-average outstanding options to purchase 158,134 and 169,290 shares, respectively, and for the nine months ended March 31, 2010 and 2009, there were weighted-average outstanding options to purchase 158,134 and 169,676 shares, respectively, at \$9.85 per share. For the three and nine months ended March 31, 2010, the options were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market value price of the common shares during the periods.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. RECOGNITION AND RETENTION PLAN

On August 10, 2005, the shareholders of the Company approved the establishment of the Home Federal Bancorp, Inc. of Louisiana 2005 Recognition and Retention Plan and Trust Agreement (the "Recognition Plan") for the benefit of directors, officers, and employees as an incentive to retain personnel of experience and ability in key positions. The aggregate number of shares of the Company's common stock subject to award under the Recognition Plan totals 69,756 shares. As the shares were acquired for the Recognition Plan, the purchase price of these shares was recorded as a contra equity account. As the shares are distributed, the contra equity account is reduced. During the nine months ended March 31, 2010, 12,611 shares vested and were released from the Recognition Plan Trust and 14,893 shares remained in the Recognition Plan Trust at March 31, 2010. As of March 31, 2010, 2,290 Recognition Plan shares had been forfeited and are available for future grant.

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

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

Note 6. STOCK OPTION PLAN

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

On August 18, 2005, the Company granted 174,389 options to directors and key employees. Under the Option Plan, the exercise price of each option cannot be less than the fair market value of the underlying common stock as of the date of the option grant, which was \$9.85, and the maximum term is ten years. Incentive stock options and non-qualified stock options granted under the Option Plan become vested and exercisable at a rate of 20% per year over five years, commencing one year from the date of the grant, with an additional 20% vesting on each successive anniversary of the date the option was granted. No vesting shall occur after an employee's employment or service as a director is terminated. As of March 31, 2010, 16,255 stock options had been forfeited and are available for future grant. In the event of the death or disability of an employee or director or change in control of the Company, the unvested options shall become vested and exercisable. The Company accounts for the Option Plan under the guidance of FASB ASC Topic 718 Compensation – Stock Compensation.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. FAIR VALUE ACCOUNTING

The Company has adopted FASB ASC Topic 820, Fair Value Measurements and Disclosures, which requires disclosure of the fair value of all financial instruments for which it is practical to estimate fair value.

The following methods and assumptions were used by the Bank 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 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.

Accrued Interest Payable

The carrying amount of accrued interest payable on deposits and borrowings approximates the fair value.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. FAIR VALUE ACCOUNTING (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.

At March 31, 2010 and June 30, 2009, the carrying amount and estimated fair values of the Company's financial instruments were as follows:

	March 31, 2010		June 30, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In Thousands)			
Financial Assets				
Cash and Cash Equivalents	\$ 15,384	\$ 15,384	\$ 10,007	\$ 10,007
Securities Available-for-Sale	69,186	69,186	92,647	92,647
Securities to be Held-to-Maturity	2,157	2,180	2,184	2,195
Loans Held-for-Sale	3,453	3,453	1,277	1,277
Loans Receivable	76,634	81,186	46,948	50,461
Accrued Interest Receivable	541	541	543	543
Financial Liabilities				
Deposits	102,803	105,219	86,146	88,314
Accrued Interest Payable	127	127	157	157
Advances from Borrowers	115	115	137	137
Advances from FHLB	34,035	34,413	35,997	37,088
Off-Balance Sheet Liabilities				
Mortgage Loan Commitments	--	212	--	69

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.

On July 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurement, now codified in 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. SFAS No. 157 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;

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. FAIR VALUE ACCOUNTING (Continued)

- § Nullifies the guidance in EITF 02-3, which required the deferral of profit at inception of a transaction involving a derivative financial instrument in the absence of observable data supporting the valuation technique;
- § Eliminates large position discounts for financial instruments quoted in active markets and requires consideration of the company's creditworthiness when valuing liabilities; and

§ Expands disclosures about instrument that are measured at fair value.

ASC 820 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. FAIR VALUE ACCOUNTING (Continued)

Fair values of assets and liabilities measured on a recurring basis at March 31, 2010 and June 30, 2009 are as follows:

March 31, 2010

	Fair Value Measurements Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (In Thousands)	Total
Available-for-Sale			
Debt Securities	\$ --	\$ 67,398	\$ 67,398
Equity Securities	1,788	--	1,788
Total	\$ 1,788	\$ 67,398	\$ 69,186

June 30, 2009

	Fair Value Measurements Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (In Thousands)	Total
Available-for-Sale			
Debt Securities	\$ --	\$ 90,920	\$ 90,920
Equity Securities	1,727	--	1,727
Total	\$ 1,727	\$ 90,920	\$ 92,647

Note 8. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140 ("SFAS 166"). This statement is not yet included in the codification, but will impact ASC 860, Transfers and Servicing. This statement prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement in transferred financial assets. Specifically, among other aspects, SFAS 166 amends Statement of Financial Standard

No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, or SFAS 140, by removing the concept of a qualifying special-purpose entity from SFAS 140 and removes the exception from applying FIN 46(R) to variable interest entities that are qualifying special-purpose entities. It also modifies the financial-components approach used in SFAS 140. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The Company is continuing to evaluate the impact that this pronouncement will have on our consolidated financial position and results of operations.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ("SFAS 167"). This statement is not yet included in the codification, but will impact ASC 810, Consolidation. This statement amends FASB Interpretation No. 46, Consolidation of Variable Interest Entities (revised December 2003) — an interpretation of ARB No. 51, or FIN 46(R), to require an enterprise to determine whether its variable interest or interests give it a controlling financial interest in a variable interest entity. The primary beneficiary of a variable interest entity is the enterprise that has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. SFAS 167 also amends FIN 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS 167 is effective for fiscal years beginning after November 15, 2009. The Company is continuing to evaluate the impact that this pronouncement will have on our consolidated financial position and results of operations.

In August 2009, the FASB issues Accounting Standards Update ("ASU") 2009-05, Fair Value Measurements and Disclosures, which updates ASC 820, Fair Value Measurements and Disclosures. The updated guidance affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell the asset in an orderly transaction and clarifies and includes additional factors for determining whether there has been a significant decrease in market activity for an asset when the market for that asset is not active. It also requires an entity to base its conclusion about whether a transaction was not orderly on the weight of the evidence. This guidance is effective beginning October 1, 2009. The Company does not expect that the guidance will have a significant impact on our financial position or results of operations.

The above pronouncements are not expected to have a significant impact on the consolidated financial statements of the Company.

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. 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 condition and results of operations.

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, 2009 to March 31, 2010

At March 31, 2010, total assets amounted to \$170.8 million, compared to \$154.8 million at June 30, 2009, an increase of approximately \$16.0 million, or 10.4%. The increase in assets was primarily due to an increase in loans of \$31.9 million, or 66.1%, and an increase in cash and cash equivalents of \$5.4 million, or 53.7%, partially offset by a decrease in investment securities of \$23.5 million, or 24.8%.

The increase in loans was primarily due to an increase in commercial lending. Commercial real estate loans increased to \$11.2 million at March 31, 2010 compared to \$7.9 million at June 30, 2009. The decrease in securities was caused by securities sold amounting to \$24.4 million, and normal principal paydowns.

The Company's total liabilities amounted to \$138.7 million at March 31, 2010 an increase of approximately \$15.3 million, or 12.4%, compared to total liabilities of \$123.5 million at June 30, 2009. This increase was primary due to an increase in deposits of \$16.7 million, or 19.3%, from \$86.1 million at June 30, 2009 to \$102.8 million at March 31, 2010. This increase was partially offset by a \$2.0 million, or 5.5%, decrease in advances from the Federal Home Loan

Bank.

23

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Stockholders' equity increased \$778,000, or 2.5%, to \$32.1 million at March 31, 2010 compared to \$31.3 million at June 30, 2009. This increase was primarily the result of the change in the Company's accumulated other comprehensive income associated with securities available-for-sale of \$794,000, the recognition of net income of \$209,000 for the nine months ended March 31, 2010, and the distribution of shares associated with the Company's Recognition and Retention Plan of \$124,000. These increases were offset by dividends of \$220,000 paid during the nine months ended March 31, 2010, and the acquisition of treasury shares of \$207,000.

The Bank is required to meet minimum capital standards promulgated by the Office of Thrift Supervision ("OTS"). At March 31, 2010, Home Federal Bank's regulatory capital was well in excess of the minimum capital requirements.

Comparison of Operating Results for the Three and Nine Month Periods Ended March 31, 2010 and 2009

General

The Company's net loss amounted to \$292,000 for the three months ended March 31, 2010, compared to net income of \$273,000 for the same period in 2009, a decrease in net income of \$565,000, for the period. The net loss reported for the three months ended March 31, 2010 was primarily due to the recognition of a \$627,000 (pre-tax) non-cash impairment charge taken with respect to the Company's \$2.4 million investment in a mutual fund, and increased compensation and other operating expenses as the Company hired additional employees while expanding its office and branch network. The impairment charge reflects the determination that the decline in fair value in such investment was other than temporary. While the determination that the mutual fund investment was impaired resulted in the reporting of a net loss for the quarter ended March 31, 2010, it had only minimal impact on stockholders' equity since the majority of the impairment charge was previously reflected as an unrealized loss on available for sale securities. The decrease was partially offset by an increase in net interest income of \$411,000, or 40.9%, and an increase of \$387,000, in gain on sale of investments and loans.

For the nine months ended March 31, 2010, net income amounted to \$209,000, compared to \$521,000 for the same period in 2009, a decrease of \$312,000, or 59.9%. The decrease resulted primarily from a \$1.5 million, or 71.1%, increase in non-interest expense, and a \$154,000, or 57.5%, increase in income tax expense. These increases were partially offset by a \$1.3 million, or 47.5%, increase in net interest income, and a \$54,000, or 31.0%, increase in non-interest income. Similar to the increases in non-interest expense and net interest income for the quarter ended March 31, 2010, the increase in non-interest expense was primarily due to an increase in compensation and benefits expense as well as additional marketing expense. The increase in net interest income for the nine month period was primarily due to an increase in interest income and fees from loans combined with a decrease in the Company's cost of funds.

Net Interest Income

Net interest income for the three months ended March 31, 2010, was \$1.4 million, an increase of \$411,000, or 40.9%, in comparison to \$1.0 million for the three months ended March 31, 2009. This increase was primarily due to an increase of \$314,000 in total interest income and a decrease of \$97,000 in the Company's cost of funds, consisting of deposits and Federal Home Loan Bank borrowings. The increase in total interest income was primarily due to an increase in interest income generated from mortgage loans of \$802,000, partially offset by decreases in interest income on investment securities and mortgage-backed securities of \$6,000 and \$484,000, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Net interest income for the nine months ended March 31, 2010, was \$4.1 million, an increase of \$1.3 million, or 47.5%, in comparison to \$2.8 million for the nine months ended March 31, 2009. This increase was primarily due to an increase of \$1.0 million in total interest income, and a decrease of \$291,000 in total interest expense. The increase in total interest income was primarily due to an increase in interest income generated from mortgage loans of \$2.0 million, partially offset by decreases in interest income generated from investment securities and mortgage-backed securities of \$41,000 and \$919,000, respectively.

The Company's average interest rate spread was 3.04% and 2.89%, respectively, for the three and nine months ended March 31, 2010, compared to 2.00% and 1.83%, respectively, for the three and nine months ended March 31, 2009. The Company's net interest margin was 3.47% and 3.37%, respectively, for the three and nine months ended March 31, 2010, compared to 2.68% and 2.55%, respectively, for the three and nine months ended March 31, 2009. The increase in net interest income and net interest margin is attributable primarily to the decrease in interest expense on interest-bearing liabilities, and average costs associated with deposits and advances from the Federal Home Loan Bank, and a substantial increase in interest income from mortgage loans offset by smaller decreases in investment securities income. Net interest income increased primarily due to the increase in volume of average interest earning assets and is reflected in the increase of the average interest rate spread, which remained relatively stable during the 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 Home Federal's market area and other factors related to the collectibility of Home Federal Bank's loan portfolio, no provisions for loan losses were made during the three and nine months ended March 31, 2010 and 2009. The Bank's allowance for loan losses was \$452,809, or 0.57% of total loans, at March 31, 2010 compared to \$225,629, or 0.76% of total loans, at March 31, 2009. At March 31, 2010, Home Federal Bank had one non-performing loan with a balance of \$15,000. There can be no assurance that the loan loss allowance will be sufficient to cover losses on non-performing assets in the future.

Non-interest Income

Total non-interest income reflected a loss of \$111,000 for the three months ended March 31, 2010, compared to income of \$121,000 for the same period in 2009, a decrease in income of \$232,000. This decrease was primarily due to the recognition of an impairment loss on an equity investment in a mutual fund in the amount of \$627,000 as discussed above, partially offset by increases in gain on sales of loans and securities amounting to \$192,000 and \$195,000, respectively.

Total non-interest income amounted to \$228,000 for the nine months ended March 31, 2010, compared to \$174,000 for the same period in 2009, an increase of \$54,000, or 31.0%. The increase was primarily due to an increase of \$669,000, in gain on sales of loans and securities, partially offset by the investment impairment loss recognized of \$627,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-interest Expense

Total non-interest expense increased \$720,000, or 101.1%, for the three months ended March 31, 2010 compared to the same period in 2009. The increase in non-interest expense was primarily due to an increase in compensation and benefits expense of \$489,000, or 113.2%, for the three months ended March 31, 2010 over the same period in 2009 and an increase in audit and professional fees of \$59,000, or 80.8%. Other non-interest expenses increased \$100,000 for the three months ended March 31, 2010 over the same period in 2009.

The increase in compensation and benefits expense was primarily attributable to the hiring of new personnel and operating costs of new and expanding commercial loan activities. The increase in audit and professional fees was a due to increases in the Company's legal costs during the three months ended March 31, 2010. The increase in other non-interest expense is a result of increases in various general and administrative expense categories, such as printing and office supplies expense, advertising, and automobile expense.

Total non-interest expense increased \$1.5 million, or 71.1%, for the nine months ended March 31, 2010, compared to the same period in 2009. The increase was primarily due to an increase of \$1.1 million, or 89.8%, in compensation and benefits expense, an increase of \$150,000, or 106.4%, in occupancy and equipment expense, and an increase in other operating expense of \$244,000.

On August 11, 2008, the board of directors of Home Federal Bancorp, Inc. of Louisiana terminated the stock offering in connection with the conversion of Home Federal Mutual Holding Company of Louisiana and the acquisition of a local financial institution that was contingent on the completion of the offering. The recognition of merger and stock issuance expense in the amount of \$133,000 for the nine months ended March 31, 2009 was a result of this action.

The increase in compensation and benefits expense was a result of new personnel hires and normal compensation increases, including stock option and recognition and retention plan expenses for the three and nine months ended March 31, 2010. Compensation expense recognized by the Company for its Stock Option Plan and Recognition and Retention Plan amounted to \$14,000 and \$31,000, respectively, for the three months ended March 31, 2010, and \$43,000 and \$93,000, respectively, for the nine months ended March 31, 2010.

The increase in occupancy and equipment expense was primarily due to an increase in office lease expense of approximately \$19,000 for the nine months ended March 31, 2010, compared to the same period in 2009, an increase in office furniture and equipment expense and depreciation of approximately \$92,000 for the nine months ended March 31, 2010, compared to the same period in 2009, and an increase in building maintenance and depreciation of \$37,000 for the nine months ended March 31, 2010, compared to the same period in 2009. The increase in lease expense was due primarily to additional lease space the Bank acquired in order to accommodate the new lending personnel hired in the third quarter ended March 31, 2010.

Effective January 1, 2006, the Company, through its subsidiary Home Federal Bank, became subject to the Louisiana bank shares tax. This tax is assessed on the Bank's equity and earnings. For the three and nine months ended March 31, 2010, the Company recognized franchise and bank shares tax expense of \$38,000 and \$113,000, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Income Taxes

Income taxes amounted to \$164,000 and \$140,000 for the three months ended March 31, 2010 and 2009, respectively, resulting in effective tax rates of 128.1% and 33.9%, respectively. Income taxes amounted to \$422,000 and \$268,000 for the nine months ended March 31, 2010 and 2009, respectively, resulting in effective tax rates of 66.9% and 34.0%, respectively. Effective income tax rates for the three and nine months ended March 31, 2010, reflect management's position that a full tax benefit from the investment impairment loss of \$627,000 recognized during the quarter ended March 31, 2010, may ultimately not be realized. A deferred tax benefit valuation allowance of \$205,000 was recorded to recognize the estimated tax benefit that may be lost in the event that this loss is not fully deductible for tax purposes. Current income tax expense was increased \$205,000 as a result of the valuation allowance.

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 \$6.6 million at March 31, 2010.

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 provide an additional source of funds. At March 31, 2010, Home Federal Bank had \$34.0 million in advances from the Federal Home Loan Bank of Dallas.

At March 31, 2010, Home Federal Bank had outstanding loan commitments of \$21.2 million to originate loans. At March 31, 2010, certificates of deposit scheduled to mature in less than one year, totaled \$39.1 million. Based on prior experience, management believes that a significant portion of such deposits will remain with the Company, 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.

Home Federal Bank is required to maintain regulatory capital sufficient to meet tangible, core and risk-based capital ratios of at least 1.5%, 3.0% and 8.0%, respectively. At March 31, 2010, Home Federal Bank exceeded each of its

capital requirements with ratios of 17.33%, 17.33% and 39.82%, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In connection with the Bank's reorganization to the mutual holding company form of organization, Home Federal Bancorp, Inc. of Louisiana, the parent holding company of the Bank, sold 1,423,583 shares of its common stock in a subscription and community offering, which was completed on January 18, 2005 at a price of \$10.00 per share. The shares issued include 113,887 shares acquired by the Bank's Employee Stock Ownership Plan. Net proceeds from the offering were approximately \$13.6 million. The Company invested approximately 50% of the net proceeds from the reorganization in the Bank.

Off-Balance Sheet Arrangements

At March 31, 2010, the Bank 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 Bank's assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does the effect of inflation.

Forward-Looking Statements

This Form 10-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

See Item 4T below.

ITEM 4T - CONTROLS AND PROCEDURES

Evaluation of Disclosures Controls and Procedures. Under the supervision and with the participation of our management, including our Chief Executive Officer and our principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the applicable time periods specified by the Securities and Exchange Commission's rules and forms.

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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Not applicable.

(b) Not applicable.

(c) Purchases of Equity Securities

The following table represents the repurchasing activity of the stock repurchase program during the third quarter of fiscal 2010:

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
January 1, 2010 – January 31, 2010	-	\$ -	-	93,637
February 1, 2010 – February 28, 2010	-	-	-	93,637
March 1, 2010 – March 31, 2010	-	-	-	93,637
Total	-	\$ -	-	93,637

Notes to this table:

(a) On August 26, 2008, the Company issued a press release announcing that the Board of Directors authorized a stock repurchase program (the "program") on August 13, 2008.

(b) The Company was authorized to repurchase 10% or 125,000 of the outstanding shares other than shares held by Home Federal Mutual Holding Company.

(c) The program does not have an expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The following Exhibits are filed as part of this report:

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

SIGNATURES

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Date: May 14, 2010

By: /s/Daniel R. Herndon
Daniel R. Herndon
President and Chief Executive Officer

Date: May 14, 2010

By: /s/Clyde D. Patterson
Clyde D. Patterson
Executive Vice President and Chief Financial Officer
(principal financial officer)