

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

Home Federal Bancorp, Inc. of Louisiana  
Form 10-Q  
November 14, 2018

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, 2018

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  
every  
Interactive  
Data File  
required to be  
submitted  
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 such  
files). Yes  
No

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

Act. (Check One):

Large accelerated filer   Accelerated filer  
Non-accelerated filer   Smaller reporting company  
Emerging growth company

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

Yes   No

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Shares of common stock, par value \$.01 per share, outstanding as of November 13, 2018: The registrant had 1,879,702 shares common stock outstanding.

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SIGNATURES

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(Unaudited)

	September 30, 2018	June 30, 2018
	(In Thousands)	
<b>ASSETS</b>		
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$9,974 and \$11,974 for September 30, 2018 and June 30, 2018, Respectively)	\$13,340	\$15,867
Securities Available-for-Sale	31,329	29,324
Securities Held-to-Maturity (Fair Value of \$26,409 and \$27,818, Respectively)	27,692	28,888
Loans Held-for-Sale	4,899	6,762
Loans Receivable, Net of Allowance for Loan Losses of \$3,497 and \$3,425, Respectively	326,621	317,493
Accrued Interest Receivable	1,193	1,146
Premises and Equipment, Net	12,752	12,243
Bank Owned Life Insurance	6,843	6,808
Deferred Tax Asset	1,144	1,102
Foreclosed Assets	1,826	1,177
Other Assets	689	840
<b>Total Assets</b>	<b>\$428,328</b>	<b>\$421,650</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits	\$370,745	\$360,260
Advances from Borrowers for Taxes and Insurance	859	725
Short-term Federal Home Loan Bank advances	286	5,282
Long-term Federal Home Loan Bank advances	6,282	6,355
Other Borrowings	--	300
Other Accrued Expenses and Liabilities	2,197	1,691
<b>Total Liabilities</b>	<b>380,369</b>	<b>374,613</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock – \$.01 Par Value; 10,000,000 Shares Authorized; None Issued and Outstanding	--	--
Common Stock – \$.01 Par Value; 40,000,000 Shares Authorized; 1,894,105 and 1,894,081 Shares Issued and Outstanding at September 30, 2018 and June 30, 2018, Respectively	23	23
Additional Paid-in Capital	35,246	35,057
Unearned ESOP Stock	(1,071 )	(1,100 )
Unearned RRP Trust Stock	2	(22 )
Retained Earnings	14,880	14,125
Accumulated Other Comprehensive Income	(1,121 )	(1,046 )
<b>Total Stockholders' Equity</b>	<b>47,959</b>	<b>47,037</b>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$428,328	\$421,650
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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, 2018    2017 (In Thousands, Except per Share Data)	
<b>INTEREST INCOME</b>		
Loans, Including Fees	\$4,494	\$4,284
Investment Securities	14	11
Mortgage-Backed Securities	298	260
Other Interest-Earning Assets	80	38
Total Interest Income	4,886	4,593
<b>INTEREST EXPENSE</b>		
Deposits	929	707
Other Borrowings	1	--
Federal Home Loan Bank Borrowings	68	144
Total Interest Expense	998	851
Net Interest Income	3,888	3,742
<b>PROVISION FOR LOAN LOSSES</b>		
Net Interest Income after Provision for Loan Losses	3,638	3,442
<b>NON-INTEREST INCOME</b>		
Gain on Sale of Fixed Asset	3	--
Gain on Sale of Securities	--	94
Gain on Sale of Loans	392	605
Income on Bank Owned Life Insurance	35	36
Service Charges on Deposit Accounts	227	216
Other Income	13	17
Total Non-Interest Income	670	968
<b>NON-INTEREST EXPENSE</b>		
Compensation and Benefits	1,616	1,714
Occupancy and Equipment	320	310
Data Processing	150	167
Audit and Examination Fees	54	50
Franchise and Bank Shares Tax	100	98
Advertising	58	40
Legal Fees	139	146
Loan and Collection	62	80
Deposit Insurance Premium	30	28
Valuation Adjustment Real Estate Owned	75	--
Other Expense	172	198
Total Non-Interest Expense	2,776	2,831

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Income Before Income Taxes	1,532	1,579
PROVISION FOR INCOME TAX EXPENSE	314	571
Net Income	\$1,218	\$1,008
EARNINGS PER COMMON SHARE:		
Basic	\$0.68	\$0.55
Diluted	\$0.63	\$0.53
DIVIDENDS DECLARED	\$0.14	\$0.12

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, 2018    2017 (In Thousands)	
Net Income	\$1,218	\$1,008
Other Comprehensive Loss, Net of Tax		
Unrealized Holding Loss on Securities Available-for-Sale, Net of Tax of \$20 in 2018 and \$45 in 2017	(75 )	(86 )
Total Comprehensive Income	\$1,143	\$922

See accompanying notes to unaudited consolidated financial statements.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017  
 (Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Unearned RRP Trust Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(In Thousands)						
BALANCE – June 30, 2017	\$ 23	\$ 34,516	\$ (1,215 )	\$(46)	\$ 13,320	\$ (352 )	\$ 46,246
Net Income	--	--	--	--	1,008	--	1,008
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	(86 )	(86 )
RRP Shares Earned	--	--	--	24	--	--	24
Stock Options Vested	--	34	--	--	--	--	34
Common Stock Issuance for Stock Option Exercises	--	13	--	--	--	--	13
ESOP Compensation Earned	--	48	29	--	--	--	77
Company Stock Purchased	--	--	--	--	(719 )	--	(719 )
Dividends Declared	--	--	--	--	(234 )	--	(234 )
BALANCE – September 30, 2017	\$ 23	\$ 34,611	\$ (1,186 )	\$(22)	\$ 13,375	(438 )	\$ 46,363
BALANCE – June 30, 2018	\$ 23	\$ 35,057	\$ (1,100 )	\$(22)	\$ 14,125	\$ (1,046 )	\$ 47,037
Net Income	--	--	--	--	1,218	--	1,218
Changes in Unrealized Gain on Securities Available-for- Sale, Net of Tax Effects	--	--	--	--	--	(75 )	(75 )
RRP Shares Earned	--	--	--	24	--	--	24
Stock Options Vested	--	34	--	--	--	--	34
Common Stock Issuance for Stock Option Exercises	--	90	--	--	--	--	90

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ESOP Compensation Earned	--	65	29	--	--	--	94
Company Stock Purchased	--	--	--	--	(198 )	--	(198 )
Dividends Declared	--	--	--	--	(265 )	--	(265 )
BALANCE – September 30, 2018	\$ 23	\$ 35,246	\$ (1,071 )	\$2	\$ 14,880	\$ (1.121 )	\$ 47,959

See accompanying notes to unaudited consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANACONSOLIDATED STATEMENTS OF CASH FLOWS(Unaudited)

	Three Months Ended September 30, 2018      2017 (In Thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$1,218	\$1,008
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Bad Debt Recovery	1	4
Net Amortization and Accretion on Securities	28	55
Gain on Sale of Loans	(392 )	(605 )
Gain on Sale of Securities	--	(94 )
Amortization of Deferred Loan Fees	(44 )	(26 )
Depreciation of Premises and Equipment	121	128
ESOP Expense	94	77
Stock Option Expense	34	34
Recognition and Retention Plan Expense	7	7
Deferred Income Tax	(42 )	(89 )
Valuation Adjustment Real Estate Owned	75	--
Provision for Loan Losses	250	300
Increase in Cash Surrender Value on Bank Owned Life Insurance	(35 )	(36 )
Share Awards Expense	34	34
Changes in Assets and Liabilities:		
Loans Held-for-Sale – Originations and Purchases	(14,507 )	(25,285 )
Loans Held-for-Sale – Sale and Principal Repayments	16,762	31,279
Accrued Interest Receivable	(47 )	(27 )
Other Operating Assets	151	229
Other Operating Liabilities	506	722
Net Cash Provided by Operating Activities	4,214	7,715
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Originations and Purchases, Net of Principal Collections	(10,001 )	(8,796 )
Deferred Loan Fees Collected	7	115
Acquisition of Premises and Equipment	(705 )	101
Activity in Available-for-Sale Securities:		
Principal Payments on Mortgage-Backed Securities	1,628	2,491
Purchases of Securities	(3,751 )	--
Sale of Securities	--	3,555
Activity in Held-to-Maturity Securities:		
Principal Payments on Mortgage-Backed Securities	1,204	800
Net Cash Used in Investing Activities	(11,618 )	(1,734 )

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30, 2018      2017 (In Thousands)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Increase in Deposits	\$10,485	\$4,456
Proceeds from Federal Home Loan Bank Advances	--	17,400
Repayments of Advances from Federal Home Loan Bank	(5,069 )	(31,466 )
Repayments of Other Borrowings	(300 )	--
Net Increase in Advances from Borrowers for Taxes and Insurance	134	211
Dividends Paid	(265 )	(234 )
Company Stock Purchased	(198 )	(719 )
Proceeds from Stock Options Exercised	90	13
 Net Cash Provided by (Used in) Financing Activities	 4,877	 (10,339)
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	 (2,527 )	 (4,358 )
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	 15,867	 11,905
 <b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	 \$13,340	 \$7,547
 <b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest Paid on Deposits and Borrowed Funds	\$695	\$807
Income Taxes Paid	--	1
Market Value Adjustment for Loss on Securities Available-for-Sale	(95 )	(131 )

See accompanying notes to unaudited consolidated financial statements.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Home Federal Bancorp, Inc. of Louisiana (the "Company") and its subsidiary, Home Federal Bank ("Home Federal Bank" or the "Bank"). These consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the three month period ended September 30, 2018 are not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2019.

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, 2018. 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 six full-service banking offices and home office, located in Caddo and Bossier Parishes, Louisiana. The area served by the Bank is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found dispersed in a wider geographical area covering much of northwest Louisiana. As of September 30, 2018, 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 as unpaid principal balances less allowances for loan losses and unamortized deferred loan fees. Net nonrefundable fees (loan origination fees, commitment fees, discount points) and costs associated with lending activities are being deferred and subsequently amortized into income as an adjustment of yield on the related interest earning assets using the interest method. Interest income on contractual loans receivable is recognized on the accrual method. Unearned discount on property improvement and automobile loans is deferred and amortized on the interest method over the life of the loan.

Allowance for Loan Losses

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

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

susceptible to significant revision as more information becomes available.

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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 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. A loan is considered a troubled debt restructuring ("TDR") if the Company, for economic or legal reasons related to a debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. Concessions granted under a TDR typically involve a temporary or permanent reduction in payments or interest rate or an extension of a loan's stated maturity date at less than a current market rate of interest. Loans identified as TDRs are designated as impaired.

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 known and inherent losses in the existing loan portfolio both probable and reasonable to estimate.

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. Estimated useful lives are as follows:

Buildings and Improvements	10 - 40 Years
Furniture and Equipment	3 - 10 Years

Bank-Owned Life Insurance

The Company has purchased life insurance contracts on the lives of certain key employees. The Bank is the beneficiary of these policies. These contracts are reported at their cash surrender value, and changes in the cash surrender value are included in non-interest income.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Allowance for Loan Losses (continued)

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 basis 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.

The Company follows the provisions of the Income Taxes Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740. ASC 740 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

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.

Earnings per Share

Earnings per share are computed based upon the weighted average number of common shares outstanding during the period.

Non-Direct Response Advertising

The Company expenses all advertising costs, except for direct-response advertising, as incurred. Non-direct response advertising costs were \$58,000 and \$40,000 for the three months ended September 30, 2018 and 2017, respectively.

In the event the Company incurs expense for material direct-response advertising, it will be amortized over the estimated benefit period. Direct-response advertising consists of advertising whose primary purpose is to elicit sales to customers who could be shown to have responded specifically to the advertising and results in probable future benefits. For the three months ended September 30, 2018 and 2017, the Company did not incur any amount of direct-response advertising.

Stock-Based Compensation

GAAP requires all share-based payments to employees, including grants of employee stock options and recognition and retention share awards, to be recognized as expense in the statement of operations based on their fair values. The amount of compensation is measured at the fair value of the options or recognition and retention share awards when granted, and this cost is expensed over the required service period, which is normally the vesting period of the options or recognition and retention awards.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Reclassification

Certain financial statement balances included in the prior year consolidated financial statements have been reclassified to conform to the current period presentation.

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 balance sheets along with net income, they are components of comprehensive income (loss).

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The amendments in ASU 2014-09 supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The general principle of ASU 2014-09 requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. The guidance sets forth a five step approach to be utilized for revenue recognition. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 making it effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In April 2016, the FASB issued ASU 2016-10 which does not change the core principle of the guidance in Topic 606. The amendments in this Update clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. In May 2016, the FASB issued ASU 2016-12 which does not change the core principle of the guidance in Topic 606. The amendments in this Update affect only certain minor aspects of Topic 606. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

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

The provisions within this Update require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the



entity has elected to measure the liability at fair value in accordance with the fair value option. This amendment excludes from net income gains or losses that the entity may not realize because those financial liabilities are not usually transferred or settled at their fair values before maturity. The amendments in this Update require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

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

In February 2016, the FASB issued ASU 2016-02, Leases. From the lessee's perspective, the new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting pattern of expense recognition in the income statement for a lessee.

The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public business entities that are SEC filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods with those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20). This Update was issued in response to diversity in practice in the amortization period for premiums of callable debt securities and in how the potential for exercise of a call is factored into current impairment assessments. As such, these amendments reduce the amortization period for certain callable debt securities carried at a premium and require the premium to be amortized over the period not to exceed the earliest call date. These amendments do not apply to securities carried at a discount. The effective date of this Update is for fiscal years beginning on or after December 15, 2018. The Company does not expect ASU 2017-08 to have a material impact on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718). The amendments in this ASU provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in FASB ASC 718. The effective date of this Update is for fiscal years beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company does not expect ASU 2017-09 to have a material impact on its consolidated financial statements.

In November 2017, the FASB issued ASU 2017-14, Income Statement – Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606) (SEC Update). This Update adds, amends, and supersedes SEC paragraphs of the ASC pursuant to Staff Accounting Bulletin No. 116 and SEC Release 33-10403. This ASU is effective upon issuance.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. On December 22, 2017, the U.S. Federal Government enacted a tax bill, H.R.1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (Tax Cuts and Jobs Act). The amendments in this Update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Consequently, the amendments in this Update eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users. However, because the amendments in this Update only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of this Update is permitted, including adoption in any interim period (1) for public business entities for reporting periods for which financial statements have not yet been issued and (2) for all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this Update should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In May 2018, the FASB issued ASU 2018-06, Codification Improvements to Topic 942, Financial Services – Depository and Lending. The amendments in this Update supersede the guidance in Subtopic 942-740, Financial Services – Depository and Lending – Income Taxes, that is related to Circular 202 because that guidance has been rescinded by the Office of the Comptroller of the Currency (OCC) and is no longer relevant. This ASU is effective upon issuance.

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. Topic 718 improves several areas of nonemployee share-based payment accounting. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption on Topic 606. The Company does expect ASU 2018-07 to have a material impact on its consolidated financial statements.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities

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

	September 30, 2018			
	Amortized Cost (In Thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$9,119	\$ 2	\$ 628	\$8,493
FNMA Mortgage-Backed Certificates	13,546	1	483	13,064
GNMA Mortgage-Backed Certificates	10,083	1	312	9,772
Total Debt Securities	32,748	4	1,423	31,329
Total Securities Available-for-Sale	\$32,748	\$ 4	\$ 1,423	\$31,329
Securities Held-to-Maturity				
Debt Securities				
GNMA Mortgage-Backed Certificates	\$1,154	\$ --	\$ 56	\$1,098
FNMA Mortgage-Backed Certificates	23,678	--	1,227	22,451
Total Debt Securities	24,832	--	1,283	23,549
Equity Securities (Non-Marketable)				
26,100 Shares – Federal Home Loan Bank	2,610	--	--	2,610
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	2,860	--	--	2,860
Total Securities Held-to-Maturity	\$27,692	\$ --	\$ 1,283	\$26,409
	June 30, 2018			
	Amortized Cost (In Thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities				
FHLMC Mortgage-Backed Certificates	\$7,601	\$ 2	\$ 518	\$7,085
FNMA Mortgage-Backed Certificates	12,465	1	554	11,912
GNMA Mortgage-Backed Certificates	10,581	2	256	10,327
Total Debt Securities	30,647	5	1,328	29,324

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Total Securities Available-for-Sale	\$30,647	\$ 5	\$ 1,328	\$29,324
Securities Held-to-Maturity				
Debt Securities				
GNMA Mortgage-Backed Securities	\$1,160	\$ --	\$ 45	\$1,115
FNMA Mortgage-Backed Securities	24,882	--	1,025	23,857
Total Debt Securities	26,042	--	1,070	24,972
Equity Securities (Non-Marketable)				
25,959 Shares – Federal Home Loan Bank	2,596	--	--	2,596
630 Shares – First National Bankers Bankshares, Inc.	250	--	--	250
Total Equity Securities	2,846	--	--	2,846
Total Securities Held-to-Maturity	\$28,888	\$ --	\$ 1,070	\$27,818

## 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, 2018 follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In Thousands)				
Debt Securities				
Within One Year or Less	\$8	\$8	\$--	\$--
One through Five Years	17,666	17,055	--	--
After Five through Ten Years	8,163	7,925	--	--
Over Ten Years	6,911	6,341	24,832	23,549
	32,748	31,329	24,832	23,549
Other Equity Securities	--	--	2,860	2,860
Total	\$32,748	\$31,329	\$27,692	\$26,409

Securities available-for-sale totaling \$3.8 million were purchased during the three months ending September 30, 2018.

The following tables show information pertaining to gross unrealized losses on securities available-for-sale at September 30, 2018 and June 30, 2018 aggregated by investment category and length of time that individual securities have been in a continuous loss position.

	September 30, 2018			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In Thousands)				
Securities Available-for-Sale				
Mortgage-Backed Securities	\$257	\$8,368	\$1,166	\$22,350
Total Securities Available-for-Sale	\$257	\$8,368	\$1,166	\$22,350

June 30, 2018			
Less Than Twelve Months		Over Twelve Months	
Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In Thousands)			



(In Thousands)

Securities Available-for-Sale

Mortgage-Backed Securities \$71 \$4,709 \$1,257 \$24,547

Total Securities Available-for-Sale \$71 \$4,709 \$1,257 \$24,547

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. Securities (continued)

The unrealized losses on the Company's investment in mortgage-backed securities at September 30, 2018 and June 30, 2018 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 September 30, 2018.

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.

At September 30, 2018, securities with a carrying value of \$1.2 million were pledged to secure public deposits, and securities and mortgage loans with a carrying value of \$147.8 million were pledged to secure FHLB advances.

## 3. Loans Receivable

Loans receivable are summarized as follows:

	September 30, 2018	June 30, 2018
	(In Thousands)	
Loans Secured by Mortgages on Real Estate		
One-to-Four Family Residential	\$ 121,280	\$ 121,257
Commercial	80,413	74,416
Multi-Family Residential	46,230	38,079
Land	19,875	20,474
Construction	9,266	11,921
Equity and Second Mortgage	1,507	1,541
Equity Lines of Credit	16,545	17,387
 Total Mortgage Loans	 295,116	 285,075
 Commercial Loans	 34,553	 35,458
Consumer Loans		
Loans on Savings Accounts	466	462
Other Consumer Loans	208	185
 Total Consumer Loans	 674	 647
Total Loans	330,343	321,180
 Less: Allowance for Loan Losses	 (3,497 )	 (3,425 )
Unamortized Loan Fees	(225 )	(262 )
 Net Loans Receivable	 \$326,621	 \$317,493



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

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

	Three Months Ended September 30, 2018 2017 (In Thousands)	
Balance - Beginning of Period	\$3,425	\$3,729
Provision for Loan Losses	250	300
Loan Charge-Offs	(179 )	(802 )
Recoveries	1	4
Balance - End of Period	\$3,497	\$3,231

## Credit Quality Indicators

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

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

**Pass** - Loans classified as pass are well protected by the current net worth or paying capacity of the obligor or by the fair value, less cost to acquire and sell the underlying collateral in a timely manner.

**Pass Watch** - Loans are considered marginal, meaning some weakness has been identified which could cause future impairment of repayment. However, these relationships are currently protected from any apparent loss by collateral.

**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.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The following tables present the grading of loans, segregated by class of loans, as of September 30, 2018 and June 30, 2018:

September 30, 2018	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Real Estate Loans:					
One-to-Four Family Residential	\$ 120,481	\$ 20	\$ 779	\$ --	\$ 121,280
Commercial	76,353	--	4,060	--	80,413
Multi-Family Residential	46,230	--	--	--	46,230
Land	16,659	3,216	--	--	19,875
Construction	9,266	--	--	--	9,266
Equity and Second Mortgage	1,507	--	--	--	1,507
Equity Lines of Credit	16,477	--	68	--	16,545
Commercial Loans	33,974	--	579	--	34,553
Consumer Loans	674	--	--	--	674
Total	\$ 321,621	\$ 3,236	\$ 5,486	\$ --	\$ 330,343

June 30, 2018	Pass	Special Mention	Substandard	Doubtful	Total
	(In Thousands)				
Real Estate Loans:					
One-to-Four Family Residential	\$ 120,317	\$ 652	\$ 996	\$ --	\$ 121,257
Commercial	74,416	--	4,060	--	74,416
Multi-Family Residential	38,079	--	--	--	38,079
Land	20,474	--	--	--	20,474
Construction	11,921	--	--	--	11,921
Equity and Second Mortgage	1,541	--	--	--	1,541
Equity Lines of Credit	17,300	--	87	--	17,387
Commercial Loans	29,817	--	873	--	35,458
Consumer Loans	647	--	--	--	647
Total	\$ 314,512	\$ 652	\$ 6,016	\$ --	\$ 321,180

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.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

The following tables present an aging analysis of past due loans, segregated by class of loans, as of September 30, 2018 and June 30, 2018:

September 30, 2018	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment >90 Days and Accruing
(In Thousands)							
Real Estate Loans:							
One-to-Four Family							
Residential	\$1,014	\$1,665	\$1,568	\$4,247	\$117,033	\$121,280	\$ 724
Commercial	--	--	--	--	80,413	80,413	--
Multi-Family Residential	--	--	--	--	46,230	46,230	--
Land	--	--	--	--	19,875	19,875	--
Construction	--	--	--	--	9,266	9,266	--
Equity and Second							
Mortgage	--	--	--	--	1,507	1,507	--
Equity Lines of Credit	29	49	159	237	16,308	16,545	91
Commercial Loans	--	--	122	122	34,431	34,553	--
Consumer Loans	--	--	--	--	674	674	--
Total	\$1,043	\$1,714	\$1,849	\$4,606	\$325,737	\$330,343	\$ 815

June 30, 2018	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
(In Thousands)							
Real Estate Loans:							
One-to-Four Family							
Residential	\$1,481	\$ 230	\$1,954	\$3,665	\$117,592	\$121,257	\$ 680
Commercial	--	--	--	--	74,416	74,416	--
Multi-Family Residential	--	--	--	--	38,079	38,079	--
Land	--	--	--	--	20,474	20,474	--
Construction	--	--	--	--	11,921	11,921	--
Equity and Second							
Mortgage	--	--	--	--	1,541	1,541	--
Equity Lines of Credit	134	59	117	310	17,077	17,387	30



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Commercial Loans	--	--	416	416	35,042	35,458	--
Consumer Loans	--	--	--	--	647	647	--
Total	\$1,615	\$289	\$2,487	\$4,391	\$316,789	\$321,180	\$710

There was no interest income recognized on non-accrual loans during the three months ended September 30, 2018 or year ended June 30, 2018. 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, 2018 and the year ended June 30, 2018 was approximately \$19,000 and \$126,000, respectively.

## 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 three months ended September 30, 2018 was as follows:

September 30, 2018	Real Estate Loans				Construction	Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi- Family	Land					
Allowance for loan losses:									
Beginning									
Balances	\$ 1,166	\$ 436	\$ 256	\$ 161	\$ 163	\$ 311	\$ 929	\$ 3	\$ 3,425
Charge-Offs	(159 )	--	--	--	--	(20 )	--	--	(179 )
Recoveries	--	--	--	--	--	1	--	--	1
Current Provision	64	86	(6 )	48	55	(142 )	145	--	250
Ending Balances	\$ 1,071	\$ 522	\$ 250	\$ 209	\$ 218	\$ 150	\$ 1,074	\$ 3	\$ 3,497
Evaluated for Impairment:									
Individually	--	--	--	--	--	--	--	--	--
Collectively	1,071	522	250	209	218	150	1,074	3	3,497
Loans Receivable:									
Ending Balances –									
Total	\$ 121,280	\$ 80,413	\$ 46,230	\$ 19,875	\$ 9,266	\$ 18,052	\$ 34,553	\$ 674	\$ 330,343
Ending Balances:									
Evaluated for Impairment:									
Individually	799	4,060	--	3,216	--	68	579	--	8,722
Collectively	\$ 120,481	\$ 76,353	\$ 46,230	\$ 16,659	\$ 9,266	\$ 17,984	\$ 33,974	\$ 674	\$ 321,621

The change in the allowance for loan losses by loan portfolio class and recorded investment in loans for the year ended June 30, 2018 was as follows:

June 30, 2018	Real Estate Loans				Construction	Home Equity Loans and Lines of Credit	Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi-Family	Land					
(In Thousands)									

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Allowance for loan losses:

Beginning

Balances	\$1,822	\$ 353	\$ 73	\$203	\$ 147	\$142	\$ 979	\$ 10	\$3,729
Charge-Offs	(797 )	--	--	(109 )	--	(217 )	(250 )	(7 )	(1,380 )
Recoveries	5	--	--	20	--	1	--	--	26
Current									
Provision	136	83	183	47	16	385	200	--	1,050
Ending Balances	\$1,166	\$ 436	\$ 256	\$161	\$ 163	\$311	\$ 929	\$ 3	\$3,425

Evaluated for Impairment:

Individually	--	--	--	--	--	--	--	--	--
Collectively	1,166	436	256	161	163	311	929	3	3,425

Loans

Receivable:

Ending Balances

- Total	\$121,257	\$ 74,416	\$ 38,079	\$20,474	\$ 11,921	\$18,928	\$ 35,458	\$ 647	\$321,180
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Ending Balances:

Evaluated for Impairment:

Individually	1,648	4,060	--	--	--	87	873	--	6,668
Collectively	\$119,609	\$ 70,356	\$ 38,079	\$20,474	\$ 11,921	\$18,841	\$ 34,585	\$ 647	\$314,512

## 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, 2018 and June 30, 2018:

September 30, 2018	Recorded Investment		Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	Unpaid Principal Balance (In Thousands)	With Allowance				
Real Estate Loans:						
One-to-Four Family Residential	\$ 799	\$ 799	\$ --	\$ 799	\$ --	\$ 819
Commercial	4,060	4,060	--	4,060	--	4,060
Multi-Family Residential	--	--	--	--	--	--
Land	3,216	3,216	--	3,216	--	3,186
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	68	68	--	68	--	68
Commercial Loans	579	579	--	579	--	765
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$ 8,722</b>	<b>\$ 8,722</b>	<b>\$ --</b>	<b>\$ 8,722</b>	<b>\$ --</b>	<b>\$ 8,898</b>

June 30, 2018	Recorded Investment		Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	Unpaid Principal Balance (In Thousands)	With Allowance				
Real Estate Loans:						
One-to-Four Family Residential	\$ 1,648	\$ 1,648	\$ --	\$ 1,648	\$ --	\$ 1,687
Commercial	4,060	4,060	--	4,060	--	4,186
Multi-Family Residential	--	--	--	--	--	--
Land	--	--	--	--	--	--
Construction	--	--	--	--	--	--
Equity and Second Mortgage	--	--	--	--	--	--
Equity Lines of Credit	87	87	--	87	--	87
Commercial Loans	873	873	--	873	--	877
Consumer Loans	--	--	--	--	--	--
<b>Total</b>	<b>\$ 6,668</b>	<b>\$ 6,668</b>	<b>\$ --</b>	<b>\$ 6,668</b>	<b>\$ --</b>	<b>\$ 6,837</b>

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

A troubled debt restructuring ("TDR") is a restructuring of a debt made by the Company to a debtor for economic or legal reasons related to the debtor's financial difficulties that it would not otherwise consider. The Company grants the concession in an attempt to protect as much of its investment as possible.

Information about the Company's TDRs is as follows (in thousands):

	September 30, 2018			
	Past Due Greater Than Current	30 Days TDRs	Nonaccrual TDRs	Total TDRs
Commercial business	\$457	\$ 122	\$ 122	\$579
1-4 Family Residential	500	--	--	500
Commercial real estate	4,060	--	--	4,060

	June 30, 2018			
	Past Due Greater Than Current	30 Days TDRs	Nonaccrual TDRs	Total TDRs
Commercial business	\$4,943	\$ 416	\$ 416	\$5,359
1-4 Family Residential	1,943	--	--	1,943

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Loans Receivable (continued)

## Credit Quality Indicators (continued)

For purposes of the determination of an allowance for loan losses on these TDRs, as an identified TDR, the Company considers a loss probable on the loan and, as a result, the loan is reviewed for specific impairment in accordance with the Company's allowance for loan loss methodology. If it is determined losses are probable on such TDRs, either because of delinquency or other credit quality indicator, the Company establishes specific reserves for these loans. As of September 30, 2018, there were no commitments to lend additional funds to debtors owing sums to the Company whose terms have been modified in TDRs.

## 4. Deposits

Deposits at September 30, 2018 and June 30, 2018 consist of the following classifications:

	September 30, 2018	June 30, 2018
	(In Thousands)	
Non-Interest Bearing	\$60,552	\$58,001
NOW Accounts	31,419	34,576
Money Markets	69,229	70,175
Passbook Savings	36,485	36,241
	197,685	198,993
Certificates of Deposit	173,060	161,267
Total Deposits	\$370,745	\$360,260

## 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, 2018 and 2017 were calculated as follows:

	Three Months Ended September 30, 2018 2017 (In Thousands, Except Per Share Data)	
Net income	\$1,218	\$1,008
Weighted average shares outstanding - basic	1,796	1,816
Effect of dilutive common stock equivalents	136	99
Adjusted weighted average shares outstanding – diluted	1,932	1,915

Basic earnings per share	\$0.68	\$0.55
Diluted earnings per share	\$0.63	\$0.53

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 5. Earnings Per Share (continued)

For the three months ended September 30, 2018 and 2017, there were outstanding options to purchase 290,715 and 300,092 shares, respectively, at a weighted average exercise price of \$17.94 and \$17.84 per share, respectively. For the quarter ended September 30, 2018, 136,595 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, 2018 2017 (In Thousands)	
Average common shares issued	1,907	1,940
Average unearned ESOP shares	(109 )	(120 )
Average unearned RRP shares	(2 )	(4 )
Weighted average shares outstanding	1,796	1,816

## 6. Stock-Based Compensation

## Recognition and Retention Plan

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 "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 Recognition Plan totaled 77,808 shares, all of which were awarded as of September 30, 2018.

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 will forfeit the right to any shares subject to the award that have not been earned. In the case of death or disability of the recipient or a change in control of the Company, the Recognition Plan awards will be vested and shall be distributed as soon as practicable thereafter.

The cost associated with the Recognition Plan is based on share prices of \$14.70 and \$18.92 on January 31, 2012 and July 31, 2014, respectively, which represents the fair market price of the Company's stock on the dates on which the Recognition Plan shares were granted. The cost of the Recognition Plan is being recognized over the five year vesting period. Compensation expense pertaining to the Recognition Plan was \$7,000 for the three months ended September 30, 2018 and 2017.

## 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-Based Compensation (continued)

Stock Option Plan (continued)

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

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, 2018, there were 389 stock options available for future grant under the 2011 Option Plan.

Incentive stock options and non-qualified stock options granted under the Option Plan become vested and exercisable at a rate of 20% per year over five years, commencing one year from the date of the grant, with an additional 20% vesting on each successive anniversary of the date the option was granted. No vesting shall occur after an employee's employment or service as a director is terminated. In the event of death or disability of an employee or director or change in control of the Company, the unvested options shall become vested and exercisable. The Company recognizes compensation expense during the vesting period based on the fair value of the option on the date of the grant. For the three months ended September 30, 2018 and 2017, compensation expense charged to operations was \$34,000.

Stock Incentive Plan

On November 12, 2014, the shareholders of the Company approved the adoption of the Company's 2014 Stock Incentive Plan (the "Stock Incentive Plan") for the benefit of employees and non-employee directors as an incentive to contribute to the success of the Company and reward employees for outstanding performance and the attainment of targeted goals. The Stock Incentive Plan covers a total of 150,000 shares, of which no more than 37,500 shares, or 25% of the plan, may be share rewards. The balance of the plan is reserved for stock option awards which would total 112,500 stock options, assuming all the share awards are issued. All incentive stock options granted under the Stock Incentive Plan are intended to comply with the requirements of Section 422 of the Internal Revenue Code. On October 26, 2015, the Company granted a total of 34,500 plan share awards and 103,500 stock options to directors, officers, and other key employees vesting ratably over five years. The Stock Incentive Plan cost is recognized over the five year vesting period. For both the three months ended September 30, 2018 and September 30, 2017 the Company recognized \$66,000 in expenses related to the Stock Incentive Plan.

7. Related Party Transactions

Certain directors and executive officers were indebted to the Bank in the approximate aggregate amounts of \$2.4 million and \$2.6 million at September 30, 2018 and June 30, 2018, respectively.



HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

Investment Securities

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

Mortgage Loans Held-for-Sale

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

Loans Receivable

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

Deposit Liabilities

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

Advances from Federal Home Loan Bank

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

Off-Balance Sheet Credit-Related Instruments

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

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

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 8. Fair Value Disclosures (continued)

At September 30, 2018 and June 30, 2018, the carrying amount and estimated fair values of the Company's financial instruments were as follows:

	September 30, 2018		June 30, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(In Thousands)				
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$ 13,340	\$ 13,340	\$ 15,867	\$ 15,867
Securities Available-for-Sale	31,329	31,329	29,324	29,324
Securities to be Held-to-Maturity	27,692	26,409	28,888	27,818
Loans Held-for-Sale	4,899	4,899	6,762	6,762
Loans Receivable	326,621	317,345	317,493	314,724
<b>Financial Liabilities</b>				
Deposits	\$ 370,745	\$ 349,443	\$ 360,260	\$ 345,347
Advances from FHLB	6,568	6,420	11,637	11,517
<b>Off-Balance Sheet Items</b>				
Mortgage Loan Commitments	\$ 6,028	\$ 6,028	\$ 5,827	\$ 5,827

The estimated fair values presented above could be materially different than net realizable value and are only indicative of the individual financial instrument's fair value. Accordingly, these estimates should not be considered an indication of the fair value of the Company taken as a whole.

The Company follows the guidance of FASB ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 affirms a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 was issued to establish a uniform definition of fair value. The definition of fair value is market-based as opposed to company-specific and includes the following:

Defines fair value as the price that would be received to sell an asset or paid to transfer a liability, in either case, through an orderly transaction between market participants at a measurement date and establishes a framework for measuring fair value;

Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;

Nullifies the guidance in EITF 02-3, which required the deferral of profit at inception of a transaction involving a derivative financial instrument in the absence of observable data supporting the valuation technique;

Eliminates large position discounts for financial instruments quoted in active markets and requires consideration of the company's creditworthiness when valuing liabilities; and

Expands disclosures about instruments that are measured at fair value.

The standard establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy favors the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Fair value is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets in which the Company can participate.

Level 2 – Fair value is based upon (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 8. Fair Value Disclosures (continued)

price quotations vary substantially either over time or among market makers, or in which little information is released publicly; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Fair value is based upon inputs that are unobservable for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs are adjusted if information indicates that market participants would use different assumptions.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used during the year ended September 30, 2018.

Fair values of assets and liabilities measured on a recurring basis at September 30, 2018 and June 30, 2018 are as follows:

	Fair Value Measurements Using:			Total
	Quoted Prices in Significant Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
September 30, 2018				
Available-for-Sale Debt Securities				
FHLMC	\$--	\$ 8,493	\$ --	\$8,493
FNMA	--	13,064	--	13,064
GNMA	--	9,772	--	9,772
Total	\$--	\$ 31,329	\$ --	\$31,329

June 30, 2018 Fair Value Measurements Using:  
Significant



	Quoted Price in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
(In Thousands)				
Available-for-Sale Debt Securities				
FHLMC	\$--	\$ 7,085	\$ --	\$7,085
FNMA	--	11,912	--	11,912
GNMA	--	10,327	--	10,327
Total	\$--	\$ 29,324	\$ --	\$29,324

9. Subsequent Events

In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated subsequent events through the date that the financial statements were available to be issued.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Company's results of operations are primarily dependent on the results of the Bank, which became a wholly owned subsidiary upon completion of the second-step conversion and reorganization of the Bank on December 22, 2010. The Bank's results of operations depend, to a large extent, on net interest income, which is the difference between the income earned on its loan and investment portfolios and the cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by provisions for loan losses and loan sale activities. Non-interest expense principally consists of compensation and employee benefits, office occupancy and equipment expense, data processing, and other expenses. Our results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, government policies, and actions of regulatory authorities. Future changes in applicable law, regulations, or government policies may materially impact our financial conditions and results of operations.

Home Federal Bank operates from its main office and an administrative office in Shreveport, Louisiana and five full service branch offices located in Shreveport and Bossier City, Louisiana. The Company's primary market area is the Shreveport-Bossier City metropolitan area. The Company offers security brokerage and advisory services through a third party provider at its agency office, which also serves as the office for the commercial lending division and as a loan production office.

Critical Accounting Policies

**Allowance for Loan Losses.** The Company has identified the calculation of the allowance for loan losses as a critical accounting policy, due to the higher degree of judgment and complexity than its other significant accounting policies. Provisions for loan losses are based upon management's periodic valuation and assessment of the overall loan portfolio and the underlying collateral, trends in non-performing loans, current economic conditions, and other relevant factors in order to maintain the allowance for loan losses at a level believed by management to represent all known and inherent losses in the portfolio that are both probable and reasonably estimable. Although management uses the best information available, the level of the allowance for loan losses remains an estimate which is subject to significant judgment and short-term change.

**Income Taxes.** Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax basis 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, 2018 to September 30, 2018

General

At September 30, 2018, the Company reported total assets of \$428.3 million, an increase of \$6.7 million, or 1.6%, compared to total assets of \$421.6 million at June 30, 2018. The increase in assets was comprised primarily of increases in loans receivable of \$9.1 million, or 2.9%, from \$317.5 million at June 30, 2018 to \$326.6 million at September 30, 2018, investment securities of \$809,000, or 1.4%, from \$58.2 million at June 30, 2018 to \$59.0 million at September 30, 2018, foreclosed assets of \$649,000, or 55.1%, from \$1.2 million at June 30, 2018 to \$1.8 million at

September 30, 2018, premises and equipment of \$509,000, or 4.2%, from \$12.2 million at June 30, 2018 to \$12.7 million at September 30, 2018, and accrued interest receivable of \$47,000, or 4.1%, from \$1.1 million at June 30, 2018 to \$1.2 million at September 30, 2018. These increases were partially offset by decreases in cash and cash equivalents of \$2.5 million, or 15.9%, from \$15.9 million at June 30, 2018 to \$13.3 million at September 30, 2018, loans held-for-sale of \$1.9 million, or 27.6%, from \$6.8 million at June 30, 2018 to \$4.9 million at September 30, 2018, and other assets of \$151,000, or 18.0%, from \$840,000 at June 30, 2018 to \$689,000 at September 30, 2018. The increase in investment securities was primarily due to the purchase \$3.7 million of mortgage-backed securities offset by \$2.8 million of principal repayments on mortgage-backed securities. The decrease in loans held-for-sale resulted primarily from a decrease in loans originated for sale during the three months ended September 30, 2018. The increase in real estate owned was primarily due to the acquisition of ten one-to-four family residences during the quarter ended September 30, 2018.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2018 to September 30, 2018 (continued)

Cash and Cash Equivalents

Cash and cash equivalents decreased \$2.5 million, or 15.9%, from \$15.9 million at June 30, 2018 to \$13.3 million at September 30, 2018. The \$2.5 million decrease in cash and cash equivalents was used to help fund loan growth.

Loans Receivable, Net

Loans receivable, net, increased by \$9.1 million, or 2.9%, to \$326.6 million at September 30, 2018 compared to \$317.5 million at June 30, 2018. The increase in loans receivable, net was primarily due to increases in multi-family residential loans of \$8.1 million, commercial real estate loans of \$6.0 million, consumer loans of \$27,000, and one-to-four-family residential loans of \$23,000, partially offset by decreases in construction loans of \$2.7 million, commercial non-real estate loans of \$905,000, equity line-of-credit loans of \$842,000, land loans of \$599,000, and equity and second mortgage loans of \$34,000.

Loans Held-for-Sale

Loans held-for-sale decreased \$1.9 million, or 27.6%, from \$6.8 million at June 30, 2018 to \$4.9 million at September 30, 2018. The decrease in loans held-for-sale results primarily from a decrease in the origination volume during the first quarter of fiscal 2019 which reflects a reduced emphasis on the Company's mortgage banking operations in recent periods.

Investment Securities

Investment securities amounted to \$59.0 million at September 30, 2018 compared to \$58.2 million at June 30, 2018, an increase of \$809,000, or 1.4%. The increase in investment securities was primarily due to the purchase of mortgage-backed securities of \$3.7 million, offset by \$2.8 million of principal repayments on mortgage-backed securities.

Premises and Equipment, Net

Premises and equipment, net increased \$509,000, or 4.2%, to \$12.7 million at September 30, 2018 compared to \$12.2 million at June 30, 2018.

Asset Quality

At September 30, 2018, the Company had \$2.7 million of non-performing assets (defined as non-accruing loans, accruing loans 90 days or more past due, and foreclosed assets) compared to \$3.0 million of non-performing assets at June 30, 2018, consisting of one commercial business loan, five single-family residential loans, three line of credit loans, one residential lot in foreclosed assets and twelve single family residential loans in foreclosed assets at September 30, 2018, compared to nine single-family residential loans, three line of credit loans, one commercial business loan, and one residential lot in foreclosed assets at June 30, 2018. At September 30, 2018, the Company had five single-family residential loans, one line of credit loan, one commercial business loan, and five loans to one borrower, consisting of two commercial real estate loans, two non-real estate loans, and one single-family residential loan classified as substandard compared to eight single-family residential loans, two line of credit loans, one commercial business loan, and five loans to one borrower, consisting of two commercial real estate loans, two non-real estate loans, and one single-family residential loan classified as substandard at June 30, 2018. There were no loans classified as doubtful at September 30, 2018 or June 30, 2018.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

Discussion of Financial Condition Changes from June 30, 2018 to September 30, 2018 (continued)

Total Liabilities

Total liabilities increased \$5.8 million, or 1.5%, from \$374.6 million at June 30, 2018 to \$380.4 million at September 30, 2018 primarily due to an increase in total deposits of \$10.5 million, or 2.9%, to \$370.7 million at September 30, 2018 compared to \$360.3 million at June 30, 2018, and an increase in other accrued expenses and liabilities of \$506,000, or 29.9%, from \$1.7 million at June 30, 2018 to \$2.2 million at September 30, 2018, partially offset by a decrease of \$5.1 million, or 43.6%, in advances from the Federal Home Loan Bank to \$6.6 million at September 30, 2018 compared to \$11.6 million at June 30, 2018. The increase in deposits was primarily due to an \$11.8 million, or 7.3%, increase in certificates of deposits from \$161.3 million at June 30, 2018 to \$173.1 million at September 30, 2018, a \$2.6 million, or 4.4%, increase in non-interest bearing deposits from \$58.0 million at June 30, 2018 to \$60.6 million at September 30, 2018, and a \$244,000, or 0.7%, increase in savings deposits from \$36.2 million at June 30, 2018 to \$36.5 million at September 30, 2018, partially offset by a decrease of \$3.2 million, or 9.1%, in NOW accounts from \$34.6 million at June 30, 2018 to \$31.4 million at September 30, 2018, and a decrease in money market deposits of \$946,000, or 1.3%, from \$70.2 million at June 30, 2018 to \$69.2 million at September 30, 2018. The Company had \$8.7 million in brokered deposits at June 30, 2018 and September 30, 2018. The brokered certificates of deposit which have maturity dates greater than twelve months are callable by Home Federal Bank after twelve months pursuant to early redemption provisions. The decrease in advances from the Federal Home Loan Bank was primarily due to growth in total deposits which replaced advances as a source of funds.

Shareholders' Equity

Shareholders' equity increased \$922,000, or 2.0%, to \$48.0 million at September 30, 2018 from \$47.0 million at June 30, 2018. The primary reasons for the changes in shareholders' equity from June 30, 2018 were net income of \$1.2 million, the vesting of restricted stock awards, stock options, and the release of employee stock ownership plan shares totaling \$152,000, and proceeds from the issuance of common stock from the exercise of stock options of \$90,000. These increases in shareholders' equity were partially offset by the acquisition of Company stock of \$198,000, dividends paid totaling \$265,000, and a decrease in the Company's accumulated other comprehensive income of \$75,000.

The Bank is required to meet minimum capital standards promulgated by the Office of the Comptroller of the Currency ("OCC"). At September 30, 2018, Home Federal Bank's regulatory capital was well in excess of the minimum capital requirements.

Comparison of Operating Results for the Three Month Periods Ended September 30, 2018 and 2017

General

Net income amounted to \$1.2 million for the three months ended September 30, 2018 compared to \$1.0 million for the same period in 2017, an increase of \$210,000, or 20.8%. The increase was primarily due to a decrease of \$257,000, or 45.0%, in provision for income taxes, a \$146,000, or 3.9%, increase in net interest income, a decrease of \$55,000, or 1.9%, in non-interest expense, along with a decrease of \$50,000, or 16.7%, in provision for loan losses, partially offset by a decrease of \$298,000, or 30.8%, in non-interest income.

Net Interest Income

The increase in net interest income for the three months ended September 30, 2018 was primarily due to a \$293,000, or 6.4%, increase in total interest income, primarily due to an increase in the average rate of loans receivable, partially offset by an increase of \$147,000, or 17.3%, in interest expense. The cost of funds from Federal Home Loan Bank borrowings decreased \$76,000, or 52.7%, compared to the prior year three month period and interest paid on deposits increased \$222,000, or 31.4%, compared to the prior year three month period. Interest paid on other borrowings increased \$1,000 compared to the prior year three month period.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## Comparison of Operating Results for the Three Month Periods Ended September 30, 2018 and 2017 (continued)

The Company's average interest rate spread was 3.60% for the three months ended September 30, 2018 compared to 3.48% for the three months ended September 30, 2017. The Company's net interest margin was 3.86% for the three months ended September 30, 2018 compared to 3.69% for the three months ended September 30, 2017. The increase in net interest margin on a comparative quarterly basis was primarily the result of an increase of 33 basis points in average yield on average balances of loans receivable for the three months ended September 30, 2018 compared to the prior quarterly period.

Provision for Losses on Loans

Based on an analysis of historical experience, the volume and type of lending conducted by Home Federal Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to our market area, and other factors related to the collectability of Home Federal Bank's loan portfolio, a provision for loan losses of \$250,000 was made during the three months ended September 30, 2018 compared to a \$300,000 provision made during the three months ended September 30, 2017. The allowance for loan losses was \$3.5 million, or 1.06% of total loans receivable, at September 30, 2018 compared to \$3.2 million, or 1.00% of total loans receivable, at September 30, 2017. At September 30, 2018, Home Federal Bank had \$922,000 in non-performing loans and \$1.8 million in foreclosed assets which totaled \$2.7 million in non-performing assets. At September 30, 2017, Home Federal Bank had \$2.6 million in non-performing loans and \$683,000 in foreclosed assets which totaled \$3.3 million in non-performing assets. At September 30, 2018, the Bank had troubled debt restructurings involving one commercial loan with a balance of \$122,000, one single family residential loan totaling \$423,000, and five loans to one borrower consisting of two commercial real estate loans, two non-real estate loans, and two commercial business loans totaling \$4.6 million that are current on all interest payments due with no expected losses at this time. At September 30, 2017, the Bank had troubled debt restructurings involving nine commercial loan contracts to one borrower with a recorded investment of approximately \$1.7 million, along with another troubled debt restructuring at September 30, 2017 involving five commercial loans totaling \$4.7 million. 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

The \$298,000 decrease in non-interest income for the three months ended September 30, 2018, compared to the prior year quarterly period, was primarily due to a decrease of \$213,000 in gain on sale of loans, \$94,000 in gain on sale of securities, and \$4,000 in other income, partially offset by an increase of \$11,000 in service charges on deposit accounts and \$3,000 in gain on sale of fixed assets. The decrease in gain on sale of loans reflects a reduced emphasis on the Company's mortgage banking operations in recent periods and fewer loans originated for sale.

Non-interest Expense

The \$55,000 decrease in non-interest expense for the three months ended September 30, 2018, compared to the same period in 2017, is primarily attributable to decreases of \$98,000 in compensation and benefits expense, \$26,000 in other expenses, \$18,000 in loan and collection expense, \$17,000 in data processing expense, and \$7,000 in legal fees. The decreases were partially offset by increases of \$75,000 related to a write-down on a parcel of real estate owned that was purchased for a future branch site, \$18,000 in advertising expense, \$10,000 in occupancy and equipment expense, \$4,000 in audit and examination fees, \$2,000 in franchise and bank shares tax expense, and \$2,000 in deposit insurance premiums.



The aggregate compensation expense recognized by the Company for its Stock Option, Share Award, ESOP, and Recognition and Retention Plans amounted to \$152,000 and \$135,000 for the three months ended September 30, 2018 and September 30, 2017, respectively.

## HOME FEDERAL BANCORP, INC. OF LOUISIANA

## Comparison of Operating Results for the Three Month Periods Ended September 30, 2018 and 2017 (continued)

The Louisiana bank shares tax is assessed on the Bank's equity and earnings. For the three months ended September 30, 2018, the Company recognized franchise and bank shares tax expense of \$100,000 compared to \$98,000 for the same period in 2017.

Income Taxes

Income taxes amounted to \$314,000 for the three months ended September 30, 2018 resulting in an effective tax rate of 20.5%. Income taxes amounted to \$571,000 for the three months ended September 30, 2017 resulting in an effective tax rate of 36.2%. The decrease in the provision for income taxes was primarily due to the Tax Cuts and Jobs Act (the "Tax Act") signed into law on December 22, 2017, which reduced the Company's effective tax rate for the three months ended September 30, 2018 over the prior year quarterly period.

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

	Three Months Ended September 30,						
	2018			2017			
	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate	
	(Dollars In Thousands)						
Interest-earning assets:							
Investment securities	\$57,652	\$312	2.15	% \$60,539	\$271	1.78	%
Loans receivable	325,720	4,494	5.47	330,376	4,284	5.14	
Interest-earning deposits	16,221	80	1.96	11,637	38	1.30	
Total interest-earning assets	\$399,593	4,886	4.85	% \$402,552	4,593	4.53	%
Non-interest-earning assets	28,634			37,198			
Total assets	\$428,227			\$425,357			
Interest-bearing liabilities:							
Savings accounts	\$36,099	49	0.54	% \$35,758	47	0.52	%
NOW accounts	33,079	42	0.50	36,277	44	0.48	
Money market accounts	70,296	151	0.85	41,466	37	0.35	
Certificate accounts	166,889	687	1.63	164,502	579	1.40	
Total deposits	306,363	929	1.20	278,003	707	1.01	
Other Borrowings	98	1	4.05	--	--	--	
FHLB advances	10,614	68	2.54	42,890	144	1.33	
Total interest-bearing liabilities	\$317,075	998	1.25	% \$320,893	851	1.05	%
Non-interest-bearing liabilities:							
Non-interest bearing demand accounts	61,195			56,577			
Other liabilities	2,808			1,226			
Total liabilities	381,078			378,696			
Total Stockholders' Equity(1)	47,149			46,661			

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Total liabilities and equity	\$428,227			\$425,357		
Net interest-earning assets	\$82,518			\$67,266		
Net interest income; average interest rate spread(2)	\$3,888	3.60	%	\$3,742	3.48	%
Net interest margin(3)		3.86	%		3.69	%
Average interest-earning assets to average interest-bearing liabilities						
		126.02	%		125.45	%

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

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

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three Month Periods Ended September 30, 2018 and 2017 (continued)

Liquidity and Capital Resources

Home Federal Bank maintains levels of liquid assets deemed adequate by management. The Bank adjusts its liquidity levels to fund deposit outflows, repay its borrowings, and to fund loan commitments. Home Federal Bank also adjusts liquidity as appropriate to meet asset and liability management objectives.

Home Federal Bank's primary sources of funds are deposits, amortization and prepayment of loans and mortgage-backed securities, maturities of investment securities and other short-term investments, loan sales, and earnings and funds provided from operations. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. The Bank sets the interest rates on its deposits to maintain a desired level of total deposits. In addition, Home Federal Bank invests excess funds in short-term interest-earning accounts and other assets which provide liquidity to meet lending requirements. Home Federal Bank's deposit accounts with the Federal Home Loan Bank of Dallas amounted to \$4.1 million at September 30, 2018.

A significant portion of Home Federal Bank's liquidity consists of securities classified as available-for-sale and cash and cash equivalents. Home Federal Bank's primary sources of cash are net income, principal repayments on loans and mortgage-backed securities, and increases in deposit accounts. If Home Federal Bank requires funds beyond its ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of Dallas which provides an additional source of funds. At September 30, 2018, Home Federal Bank had \$6.6 million in advances from the Federal Home Loan Bank of Dallas and had \$147.8 million in additional borrowing capacity. Additionally, at September 30, 2018, Home Federal Bank was a party to a Master Purchase Agreement with First National Bankers Bank whereby Home Federal Bank may purchase Federal Funds from First National Bankers Bank in an amount not to exceed \$15.5 million. There were no amounts purchased under this agreement as of September 30, 2018.

At September 30, 2018, Home Federal Bank had outstanding loan commitments of \$36.2 million to originate loans and commitments under unused lines of credit of \$10.7 million. At September 30, 2018, certificates of deposit scheduled to mature in less than one year totaled \$86.2 million. Based on prior experience, management believes that a significant portion of such deposits will remain with us, although there can be no assurance that this will be the case. In addition, the cost of such deposits could be significantly higher upon renewal in a rising interest rate environment. Home Federal Bank intends to utilize its high levels of liquidity to fund its lending activities. If additional funds are required to fund lending activities, Home Federal Bank intends to sell its securities classified as available-for-sale, as needed.

At September 30, 2018, Home Federal Bank exceeded each of its regulatory capital requirements with tangible, common equity Tier 1, core, and risk-based capital ratios of 11.26%, 16.19%, 11.26%, and 17.36%, respectively.

Off-Balance Sheet Arrangements

At September 30, 2018, the Company did not have any off-balance sheet arrangements as defined by Securities and Exchange Commission rules.

Impact of Inflation and Changing Prices

The financial statements and related financial data presented herein have been prepared in accordance with instructions to Form 10-Q which require the measurement of financial position and operating results in terms of historical dollars without considering changes in relative purchasing power over time due to inflation.

Unlike most industrial companies, virtually all of the Company's assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does the effect of inflation.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management, as well as assumptions made by and information currently available to management. In addition, in those and other portions of this document the words "anticipate", "believe", "estimate", "except", "intend", "should", and similar expressions, or the negative thereof, as they relate to the Company or the Company's management are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future looking events and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary from those described herein as anticipated, believed, estimated, expected, or intended. The Company does not intend to update these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

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

Changes in Internal Control over Financial Reporting. There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business which involve amounts in the aggregate believed by management to be immaterial to the financial condition of the Company.

ITEM 1A. RISK FACTORS

Not applicable.



## HOME FEDERAL BANCORP, INC. OF LOUISIANA

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

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

The Company's repurchases of its common stock made during the quarter ended September 30, 2018 are set forth in the table below, including stock-for-stock option exercises:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (a)
July 1, 2018 – July 31, 2018	306	\$ 32.50	306	34,883
August 1, 2018 – August 31, 2018	1,687	33.80	1,687	33,196
September 1, 2018 – September 30, 2018	3,819	34.43	3,819	29,377
Total	5,812	\$ 34.15	5,812	

Notes to this table:

On October 12, 2016, the Company announced that its Board of Directors approved a seventh stock repurchase (a) program for the repurchase of up to 97,000 shares to commence after the completion of the sixth stock repurchase program. The repurchase program does not have an expiration date.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.

## ITEM 6. EXHIBITS

No.	Description
<u>31.1</u>	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer</u>



31.2      Rule 13a-14(a)/15d-14(a) Certification of Chief  
Financial Officer

32.0      Certification Pursuant to 18 U.S.C Section 1350

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definitions Linkbase Document

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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: November 14, 2018 By: /s/ Glen W. Brown  
Glen W. Brown  
Senior Vice President and Chief Financial Officer  
(Duly authorized officer and principal financial and accounting officer)