

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2024

or

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

For the transition period from _____ to _____

Commission file number: 001-35019

HOME FEDERAL BANCORP, INC. OF LOUISIANA

(Exact name of registrant as specified in its charter)

Louisiana

(State or other jurisdiction of incorporation or organization)

02-0815311

(IRS Employer Identification No.)

624 Market Street, Shreveport, Louisiana

(Address of principal executive offices)

71101

(Zip Code)

(318) 222-1145

(Registrant's telephone number, including area code)

N/A

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (par value \$0.01 per share)	HFBL	Nasdaq Stock Market, LLC

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, a 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

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.

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

Shares of common stock, par value \$0.01 per share, outstanding as of May 9, 2024: The registrant had 3,138,588 shares of common stock outstanding.

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HOME FEDERAL BANCORP, INC. OF LOUISIANA
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands except share and per share data)

	<u>March 31, 2024</u>	<u>June 30, 2023</u>
	(Unaudited)	
ASSETS		
Cash and Cash Equivalents (Includes Interest-Bearing Deposits with Other Banks of \$ 2,681 and \$22,215 at March 31, 2024 and June 30, 2023, respectively)	\$ 8,019	\$ 24,765
Securities Available-for-Sale, at fair value (amortized cost March 31, 2024: \$33,089; June 30, 2023: \$42,910, respectively)	29,829	39,551
Securities Held-to-Maturity, at amortized cost (fair value March 31, 2024: \$ 55,660; June 30, 2023: \$59,678, respectively)	68,706	72,879
Other Securities	1,596	1,544
Loans Held-for-Sale	1,904	4
Loans Receivable, Net of Allowance for Credit Losses (March 31, 2024: \$ 4,887; June 30, 2023: \$5,173, respectively)	499,267	489,493
Accrued Interest Receivable	1,932	1,790
Premises and Equipment, Net	18,161	16,561
Bank Owned Life Insurance	6,782	6,700
Goodwill	2,990	2,990
Core Deposit Intangible	1,275	1,533
Deferred Tax Asset	1,273	1,313
Real Estate Owned	-	368
Other Assets	1,292	1,424
Total Assets	\$ 643,026	\$ 660,915
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	\$ 132,577	\$ 145,553
Interest-bearing	446,304	451,808
Total Deposits	578,881	597,361
Advances from Borrowers for Taxes and Insurance	416	554
Other Borrowings	8,500	8,550
Other Accrued Expenses and Liabilities	2,679	3,908
Total Liabilities	590,476	610,373
STOCKHOLDERS' EQUITY		
Preferred Stock - \$0.01 Par Value; 10,000,000 Shares Authorized; None Issued and Outstanding	-	-
Common Stock - \$0.01 Par Value; 40,000,000 Shares Authorized; 3,145,236 and 3,133,351 Shares Issued and Outstanding at March 31, 2024 and June 30, 2023, respectively	32	31
Additional Paid-in Capital	41,321	40,981
Unearned ESOP Stock	(437)	(523)
Retained Earnings	14,257	12,707
Accumulated Other Comprehensive Loss	(2,623)	(2,654)
Total Stockholders' Equity	52,550	50,542
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 643,026	\$ 660,915

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited) (In thousands except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
INTEREST INCOME				
Loans, including fees	\$ 7,281	\$ 6,151	\$ 21,952	\$ 16,585
Investment securities	124	100	573	105
Mortgage-backed securities	451	492	1,384	1,472
Other interest-earning assets	34	270	135	720
Total interest income	7,890	7,013	24,044	18,882
INTEREST EXPENSE				
Deposits	3,194	1,342	8,688	2,387
Federal Home Loan Bank borrowings	87	52	180	72
Other bank borrowings	205	146	586	321
Total interest expense	3,486	1,540	9,454	2,780
Net interest income	4,404	5,473	14,590	16,102
PROVISION FOR (RECOVERY OF) CREDIT LOSSES				
	11	150	(5)	718
Net interest income after provision for credit losses	4,393	5,323	14,595	15,384
NON-INTEREST INCOME				
Gain on sale of loans	69	87	184	404
Gain (loss) on sale of real estate and fixed assets	-	4	(415)	4
Gain on sale of securities	26	-	26	-
Income on bank owned life insurance	28	25	82	77
Service charges on deposit accounts	363	380	1,151	1,074
Other income	20	12	50	35
Total non-interest income	506	508	1,078	1,594
NON-INTEREST EXPENSE				
Compensation and benefits	2,453	2,319	7,137	6,694
Occupancy and equipment	533	541	1,625	1,540
Data processing	139	163	513	564
Audit and examination fees	83	82	456	243
Franchise and bank shares tax	168	145	488	386
Advertising	77	97	302	238
Professional fees	96	885	443	1,085
Loan and collection	31	34	123	148
Amortization core deposit intangible	79	71	258	71
Deposit insurance premium	90	49	289	150
Other expenses	242	112	794	690
Total non-interest expense	3,991	4,498	12,428	11,809
Income before income taxes	908	1,333	3,245	5,169
PROVISION FOR INCOME TAX EXPENSE	176	271	290	723
NET INCOME	\$ 732	\$ 1,062	\$ 2,955	\$ 4,446
EARNINGS PER SHARE				
Basic	\$ 0.24	\$ 0.35	\$ 0.97	\$ 1.48
Diluted	\$ 0.24	\$ 0.34	\$ 0.95	\$ 1.41

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited) (In thousands)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2024	2023	2024	2023
Net Income	\$ 732	\$ 1,062	\$ 2,955	\$ 4,446
Other Comprehensive Income (Loss), Net of Tax				
Unrealized gains (losses) on securities available for sale:				
Unrealized holding gains (losses) arising during the period	(608)	763	65	(348)
Less: reclassification adjustments for securities gains (losses) realized in net income	26	-	26	-
Income tax effect	133	(160)	(8)	73
Total Other Comprehensive Income (Loss), Net of Tax	<u>(501)</u>	<u>603</u>	<u>31</u>	<u>(275)</u>
Total Comprehensive Income	<u>\$ 231</u>	<u>\$ 1,665</u>	<u>\$ 2,986</u>	<u>\$ 4,171</u>

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2024 and 2023
(Unaudited) (In thousands)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE – December 31, 2022	\$ 31	\$ 40,669	\$ (581)	\$ 11,147	\$ (2,577)	\$ 48,689
Net Income	-	-	-	1,062	-	1,062
Changes in Unrealized Loss on Securities Available-for-Sale, Net of Tax Effects	-	-	-	-	603	603
Share Awards Earned	-	10	-	-	-	10
Stock Options Vested	-	26	-	-	-	26
Common Stock Issuance for Stock Option Exercises	-	19	-	-	-	19
ESOP Compensation Earned	-	70	29	-	-	99
Company Stock Purchased	-	-	-	(1)	-	(1)
Dividends Declared	-	-	-	(384)	-	(384)
BALANCE – March 31, 2023	<u>\$ 31</u>	<u>\$ 40,794</u>	<u>\$ (552)</u>	<u>\$ 11,824</u>	<u>\$ (1,974)</u>	<u>\$ 50,123</u>
BALANCE – December 31, 2023	\$ 31	\$ 41,224	\$ (466)	\$ 13,927	\$ (2,122)	\$ 52,594
Net Income	-	-	-	732	-	732
Changes in Unrealized Gain on Securities Available-for-Sale, Net of Tax Effects	-	-	-	-	(501)	(501)
Share Awards Earned	-	5	-	-	-	5
Stock Options Vested	-	23	-	-	-	23
Common Stock Issuance for Stock Option Exercises	1	19	-	-	-	20
ESOP Compensation Earned	-	50	29	-	-	79
Company Stock Purchased	-	-	-	(9)	-	(9)
Dividends Declared	-	-	-	(393)	-	(393)
BALANCE – March 31, 2024	<u>\$ 32</u>	<u>\$ 41,321</u>	<u>\$ (437)</u>	<u>\$ 14,257</u>	<u>\$ (2,623)</u>	<u>\$ 52,550</u>

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
NINE MONTHS ENDED MARCH 31, 2024 and 2023
(Unaudited) (In thousands)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE – June 30, 2022	\$ 34	\$ 40,145	\$ (639)	\$ 14,506	\$ (1,699)	\$ 52,347
Net Income	-	-	-	4,446	-	4,446
Changes in Unrealized Loss on Securities Available-for-Sale, Net of Tax Effects	-	-	-	-	(275)	(275)
Share Awards Earned	-	123	-	-	-	123
Stock Options Vested	-	80	-	-	-	80
Common Stock Issuance for Stock Option Exercises	(3)	220	-	-	-	217
ESOP Compensation Earned	-	226	87	-	-	313
Company Stock Purchased	-	-	-	(5,963)	-	(5,963)
Dividends Declared	-	-	-	(1,165)	-	(1,165)
BALANCE – March 31, 2023	<u>\$ 31</u>	<u>\$ 40,794</u>	<u>\$ (552)</u>	<u>\$ 11,824</u>	<u>\$ (1,974)</u>	<u>\$ 50,123</u>
BALANCE – June 30, 2023	\$ 31	\$ 40,981	\$ (523)	\$ 12,707	\$ (2,654)	\$ 50,542
Cumulative Effect of Change in Accounting Principle – ASU 2016-13	-	-	-	(189)	-	(189)
Net Income	-	-	-	2,955	-	2,955
Changes in Unrealized Gain on Securities Available-for-Sale, Net of Tax Effects	-	-	-	-	31	31
Share Awards Earned	-	118	-	-	-	118
Stock Options Vested	-	46	-	-	-	46
Common Stock Issuance for Stock Option Exercises	1	19	-	-	-	20
ESOP Compensation Earned	-	157	86	-	-	243
Company Stock Purchased	-	-	-	(39)	-	(39)
Dividends Declared	-	-	-	(1,177)	-	(1,177)
BALANCE – March 31, 2024	<u>\$ 32</u>	<u>\$ 41,321</u>	<u>\$ (437)</u>	<u>\$ 14,257</u>	<u>\$ (2,623)</u>	<u>\$ 52,550</u>

See accompanying notes to unaudited consolidated financial statements.

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

	Nine Months Ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 2,955	\$ 4,446
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Gain on Sale of Loans	(184)	(404)
Gain on Sale of Investments	(26)	-
Net Amortization and (Accretion) on Securities	(246)	21
Amortization of Deferred Loan Fees	(95)	(270)
Amortization of Purchased Loans	(666)	-
Provision for (Recovery of) Credit Losses	(5)	718
Depreciation of Premises and Equipment	712	648
Loss on Sale of Real Estate	415	-
Gain on Sale of Fixed Assets	-	(4)
ESOP Compensation Expense	243	313
Stock Option Expense	46	80
Deferred Income Tax (Benefit) Expense	(28)	47
Share Awards Expense	118	92
Increase in Cash Surrender Value on Bank Owned Life Insurance	(82)	(77)
Amortization of Core Deposit Intangible	258	71
Loans Held-for-Sale – Originations and Purchases	(10,640)	(22,065)
Loans Held-for-Sale – Sale and Principal Repayments	8,924	25,287
Changes in Assets and Liabilities:		
Accrued Interest Receivable	(142)	(496)
Other Operating Assets	132	(52)
Other Operating Liabilities	(1,229)	479
Net Cash Provided by Operating Activities	460	8,834
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Originations and Purchases, Net of Principal Collections	(9,710)	(93,678)
Deferred Loan Fees Collected	48	135
Acquisition of Premises and Equipment	(2,312)	(997)
Net Cash Paid in Acquisition	-	(10,244)
Changes in Federal Home Loan Bank Stock	(52)	(983)
Activity in Available-for-Sale Securities:		
Principal Payments on Securities	9,388	3,764
Purchase of Securities	(2,667)	(20,826)
Proceeds from Sales of Municipals	3,388	-
Activity in Held-to-Maturity Securities:		
Principal Payments on Mortgage-Backed Securities	4,157	5,121
Proceeds from Sale of Other Real Estate Owned	456	-
Improvements to Other Real Estate Owned Prior to Disposition	(38)	-
Net Cash Provided by (Used in) Investing Activities	2,658	(117,708)

See accompanying notes to unaudited consolidated financial statements.

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

	Nine Months Ended March 31,	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Decrease)/ Increase in Deposits	\$ (18,480)	\$ 82,383
Proceeds from Advances from Federal Home Loan Bank	792,700	163,001
Repayments of Advances from Federal Home Loan Bank	(792,700)	(153,833)
Dividends Paid	(1,177)	(1,165)
Company Stock Purchased	(39)	(5,963)
Net Decrease in Advances from Borrowers for Taxes and Insurance	(138)	(176)
Proceeds from Other Bank Borrowings	2,700	5,900
Repayments of Other Bank Borrowings	(2,750)	-
Proceeds from Stock Options Exercised	20	217
Net Cash Provided by Financing Activities	(19,864)	90,364
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,746)	(18,510)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	24,765	64,078
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 8,019	\$ 45,568
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid on Deposits and Borrowed Funds	\$ 9,379	\$ 2,598
Income Taxes Paid	680	750
Market Value Adjustment for Gain (Loss) on Securities Available-for-Sale	65	(348)
Transfer from Loans to Other Real Estate Owned	465	-
Acquisitions:		
Fair Value of Tangible Assets Acquired	-	82,889
Other Intangible Assets Acquired	-	1,510
Liabilities Assumed	-	77,145
Net Identifiable Assets Acquired Over Liabilities Assumed	\$ -	\$ 7,254

See accompanying notes to unaudited consolidated financial statements.

HOME FEDERAL BANCORP, INC. OF LOUISIANA**NOTES TO UNAUDITED 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 and nine month periods ended March 31, 2024 are not necessarily indicative of the results which may be expected for the fiscal year ending June 30, 2024.

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 statement of financial condition date for potential recognition in the consolidated financial statements. The effect of all subsequent events that provide additional evidence of conditions that existed at the statement of financial condition date are recognized in the consolidated financial statements as of March 31, 2024. In preparing these consolidated financial statements, the Company evaluated the events and transactions that occurred through the date these consolidated financial statements were issued.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Statements of Financial Condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the allowance for credit 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 ten full-service banking offices and home office, located in Caddo, Bossier and Webster Parishes, Louisiana. The area served by the Bank is primarily the Shreveport-Bossier City-Minden combined statistical area; however, loan and deposit customers are found dispersed in a wider geographical area covering much of northwest Louisiana. As of March 31, 2024, 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies (continued)**Securities**

The discussion that follows describes the methodology for determining the allowance for credit loss ("ACL") for investments under the ASU 2016-13 model that was adopted effective July 1, 2023. The allowance methodology for prior periods is disclosed in the Company's 2023 Annual Report on Form 10-K.

Securities are being accounted for in accordance with FASB ASC 320's, *Investments*, which requires the classification of securities into one of three categories: Trading, Available-for-Sale, or Held-to-Maturity. Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates this classification periodically.

Investments in 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 cost, adjusted for amortization of the related premiums and accretion of discounts, using the interest method. 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 debt securities are excluded from earnings and reported in other comprehensive income.

The Company held no trading securities as of March 31, 2024 and June 30, 2023.

Purchase premiums and discounts are recognized in interest income using the interest method over the term of the securities. Securities are periodically reviewed for impairment. For debt securities in an unrealized loss position, the Company evaluates the securities to determine whether the decline in the fair value below amortized cost basis (impairment) is due to credit or non-credit related factors. Any impairment of available for sale investments that is not credit related is recognized in other comprehensive income, net of applicable taxes. For available for sale investments, credit related impairment is recognized as an ACL on the balance sheet, limited to the amount by which the amortized cost basis exceeds to the fair value, with a corresponding adjustment to earnings. For held to maturity investments, credit related impairment is recognized as an ACL on the balance sheet, for the entire amount of credit loss, with a corresponding adjustment to earnings. Both the ACL and the adjustment to net income may be reversed if conditions change. However, if the Company intends to sell an impaired available for sale security, or more likely than not will be required to sell such security before recovering the amortized cost basis, the entire impairment amount must be recognized in earnings with a corresponding adjustment to the security's amortized cost basis. Because the security's amortized cost basis is adjusted to fair value, there is no ACL in such situation. Accrued interest receivable is excluded from the estimate of credit losses.

In evaluating securities in unrealized loss positions for impairment, and the criteria regarding intent or requirement to sell such securities, the Company considers the extent to which fair value is less than amortized cost, whether the securities are issued by federal governments or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial conditions, among other factors.

The Bank has invested in Federal Home Loan Bank ("FHLB") stock, and other similar correspondent banks, which are reflected as other securities at cost in these consolidated financial statements. As a member of the FHLB System, the Bank is required to purchase and maintain stock in an amount determined by the FHLB. The FHLB stock is redeemable at par value at the discretion of the FHLB. These securities are periodically evaluated for impairment based on the ultimate recoverability of par value.

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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies (continued)**Loans**

Loans receivable are stated as unpaid principal balances less allowance for credit losses ("ACL") 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 Credit Losses

The discussion that follows describes the methodology for determining the ACL under the new current expected credit loss ("CECL") model that was implemented effective July 1, 2023 in accordance with ASU No. 2016-13 and subsequent ASUs issued to amend ASC Topic 326. The allowance methodology for prior periods is disclosed in the Company's 2023 Annual Report on Form 10-K.

The Company has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

The ACL for loans is an estimate of the expected losses to be realized over the life of the loans in the portfolio. The ACL is determined for two distinct categories of loans: 1) loans evaluated collectively for expected credit losses and 2) loans evaluated individually for expected credit losses. The ACL also includes certain qualitative adjustments to the ASU 2016-13 model.

Loans Evaluated Collectively. Homogeneous loans are evaluated collectively for expected credit losses. The loan pools/segments with similar risk characteristics were determined by Call Report codes.

Loans Evaluated Individually. Loans evaluated individually for expected credit losses include loans on non-accrual status.

Management estimates the allowance balance using relevant available information from internal and external sources relating to past events, current conditions and reasonable and supportable forecasts. Adjustments to historical loss information are made to incorporate our reasonable and supportable forecast of future losses at the portfolio segment level, as well as any necessary qualitative adjustments, including, but not limited to, changes in current and expected future economic conditions, changes in industry experience and industry loan concentrations, changes in the volume and severity of nonperforming assets, changes in lending policies and personnel and changes in the competitive and regulatory environment of the banking industry. Loans that do not share similar risk characteristics are individually evaluated and are excluded from the pooled loan analysis.

Loans evaluated individually may have specific allocations assigned if the measured value of the loan using one of the noted techniques is less than its current carrying value. For loans measured using the fair value of collateral, if the analysis determines that sufficient collateral value would be available for repayment of the debt, then no allocations would be assigned to those loans. Collateral could be in the form of real estate or business assets, such as accounts receivable or inventory, in the case of commercial and industrial loans. Commercial and industrial loans may also be secured by real estate.

Management regularly reviews loans in the portfolio to assess credit quality indicators and to determine appropriate loan classification. For all loans, an internal risk rating process is used. The Company believes that internal risk ratings are the most relevant credit quality indicator for these types of loans. Assigning risk ratings involves judgment. Risk ratings may be changed based on ongoing monitoring procedures, or if specific loan review assessments identify a deterioration or an improvement in the loan.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies (continued)**Allowance for Credit Losses (continued)**

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 costs 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 and are still considered a pass.
- 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 Bank'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 Bank will sustain some loss if the deficiencies are not corrected.
- Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
- Loss - This classification includes those loans which are considered uncollectible and of such little value that their continuance as loans is not warranted. Even though partial recovery may be possible in the future, it is not practical or desirable to defer writing off these basically worthless loans. Accordingly, these loans are charged-off before period end.

The allocation of the ACL is reviewed to evaluate its appropriateness in relation to the overall risk profile of the loan portfolio. The Company considers risk factors such as: local and national economic conditions; trends in delinquencies and non-accrual loans; the diversity of borrower industry types; and the composition of the portfolio by loan type.

Qualitative and Other Adjustments to Allowance for Credit Losses: In addition to the quantitative credit loss estimates for loans evaluated collectively, qualitative factors that may not be fully captured in the quantitative results are also evaluated. These include changes in lending policy, the nature and volume of the portfolio, overall business conditions in the economy, credit concentrations, competition, model imprecision, and legal and regulatory requirements. Qualitative adjustments are judgmental and are based on Management's knowledge of the portfolio and the markets in which the Company operates. Qualitative adjustments are evaluated and approved on a quarterly basis. Additionally, the ACL includes other allowance categories that are not directly incorporated in the quantitative results. These include but are not limited to loans-in-process, trade acceptances and overdrafts.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies (continued)**Allowance for Credit Losses (continued)**

Off Balance Sheet Credit Exposures. The ACL for off balance sheet credit exposures is recorded in other liabilities on the Consolidated Balance Sheet. This ACL represents management's estimate of expected losses in its unfunded loan commitments and other off balance sheet credit exposures, such as letters of credit and credit recourse on sold residential mortgage loans. The allowance for credit losses specific to unfunded commitments is determined by estimating future draws and applying the expected loss rates on those draws. Future draws are based on historical averages of utilization rates (i.e., the likelihood of draws taken). The ACL for off balance sheet credit exposures is increased or decreased by charges or reductions to expense, through the provision for credit losses. In addition to the ACL on loans held for investment, CECL requires a balance sheet liability for unfunded commitments, which is recognized if both of the following conditions are met: (1) the Company has a present contractual obligation to extend credit; and (2) the obligation is not unconditionally cancellable by the Company. Based on the language within the standard loan documents prepared for each HFB commitment, all unfunded commitments are considered unconditionally cancellable and thus no CECL ACL is allocated for the quarter.

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 costs to sell as of the date of foreclosure. 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 Bank 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.

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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies (continued)**Income Taxes (continued)**

The Company follows the provisions of the *Income Taxes* Topic of the FASB 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 Company 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. The Company's basic and diluted earnings per share were \$0.97 and \$0.95, respectively, for the nine months ended March 31, 2024 compared to basic and diluted earnings per share of \$1.48 and \$1.41, respectively, for the nine months ended March 31, 2023. The Company's basic and diluted earnings per share were \$0.24 and \$0.24, respectively, for the three months ended March 31, 2024, compared to basic and diluted earnings per share of \$ 0.35 and \$0.34, respectively, for the three months ended March 31, 2023.

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 consolidated statements of income 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.

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 debt securities, are reported as a separate component of the equity section of the consolidated statements of financial conditions along with net income, they are components of comprehensive income.

Critical Accounting Policies

During the nine months ended March 31, 2024, the Company implemented CECL accounting policies, procedures, and controls as part of its adoption of ASU No. 2016-13 and subsequent ASUs issued to amend ASC Topic 326. There were no other changes made to the Company's internal control over financial reporting that occurred during the nine months ended March 31, 2024 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies (continued)
Recent Accounting Pronouncements

ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." In June 2016, the FASB issued ASU 2016-13 which requires earlier measurement of credit losses and enhances disclosures. The main objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The Company formed a cross-functional working group, who have worked through an implementation plan which includes assessment, review and documentation of various aspects of the implementation plan. After significant evaluation of approved methodologies, the Company determined to utilize a third-party vendor model, in which a weighted average remaining maturity methodology was appropriate for the size and complexity of the Company. ASU 2016-13 is effective for the Company for annual and interim periods beginning on July 1, 2023. The Company adopted ASU 2016-13 in the first quarter of fiscal 2024. The adoption of the ASU 2016-13 resulted in an increase in the allowance for loan losses as a result of changing from an incurred loss model, which encompasses allowances for current known and inherent losses within the portfolio, to an expected loss model, which encompasses allowances for losses expected to be incurred over the life of the portfolio. The amount determined from adoption was immaterial and recognized as a cumulative effect adjustment to the July 1, 2023 retained earnings.

Accounting Standards Update 2022-02 ("ASU 2022-02"), "Financial Instruments – Credit Losses (Topic 326) : Troubled Debt Restructurings and Vintage Disclosures." In March 2022, the FASB issued ASU 2022-02 which eliminates the TDR recognition and measurement guidance and instead requires that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. ASU 2022-02 also enhances existing disclosure requirements and introduces new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. For public business entities, these amendments require that an entity disclose current period gross write-offs by year of origination for financing receivables and net investment in leases within the scope of Subtopic 326-20. Gross write-off information must be included in the vintage disclosures required for public business entities in accordance with paragraph 326-20-50-6, which requires that an entity disclose the amortized cost basis of financing receivables by credit quality indicator and class of financing receivable by year of origination. ASU 2022-02 is effective for the Company for annual and interim periods beginning on July 1, 2023. The adoption of ASU 2022-02 did not have a significant impact on the Company's consolidated financial statements other than the required disclosures.

The Company adopted ASU 2016-13 using the weighted average maturity method (WARM) for all financial assets measured at amortized cost, net of investments in leases and off balance sheet credit exposures. Results for reporting periods beginning after July 1, 2023 are presented under ASU 2016-13, while prior period results are reported in accordance with the previously applicable incurred loss methodology.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. Securities (continued)

The amortized cost and fair value of securities by contractual maturity at March 31, 2024 follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(In Thousands)</i>				
Debt Securities				
Within One Year or Less	\$ -	\$ -	\$ -	\$ -
One through Five Years	1	1	-	-
After Five through Ten Years	2,630	2,512	543	514
Over Ten Years	26,594	23,383	66,871	53,912
	<u>29,225</u>	<u>25,896</u>	<u>67,414</u>	<u>54,426</u>
US Treasury Securities				
Within One Year or Less	\$ 3,000	\$ 3,063	\$ -	\$ -
One through Five Years	499	503	-	-
After Five through Ten Years	-	-	-	-
Over Ten Years	-	-	-	-
	<u>3,499</u>	<u>3,566</u>	<u>-</u>	<u>-</u>
Municipals				
Within One Year or Less	\$ -	\$ -	\$ -	\$ -
One through Five Years	365	367	215	207
After Five through Ten Years	-	-	-	-
Over Ten Years	-	-	1,077	1,027
	<u>365</u>	<u>367</u>	<u>1,292</u>	<u>1,234</u>
Total	<u>\$ 33,089</u>	<u>\$ 29,829</u>	<u>\$ 68,706</u>	<u>\$ 55,660</u>

Securities available-for-sale totaling \$2.7 million were purchased during the nine months ended March 31, 2024. Securities available-for-sale totaling \$ 3.4 million were sold during the nine months ended March 31, 2024.

The following tables show information pertaining to gross unrealized losses on securities available-for-sale and held-to-maturity at March 31, 2024 and June 30, 2023 aggregated by investment category and length of time that individual securities have been in a continuous loss position.

	March 31, 2024			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
<i>(In Thousands)</i>				
Securities Available-for-Sale				
Mortgage-Backed Securities	\$ -	\$ 4	\$ 3,333	\$ 25,352
Total Securities Available-for-Sale	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 3,333</u>	<u>\$ 25,352</u>
Securities Held-to-Maturity				
Mortgage-Backed Securities	\$ -	\$ -	\$ 12,988	\$ 54,426
Municipals	-	-	58	1,234
Total Securities Held-to-Maturity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,046</u>	<u>\$ 55,660</u>

The number of debt securities in an unrealized loss position was 54 at March 31, 2024

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. Securities (continued)

	June 30, 2023			
	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	\$ 618	\$ 9,109	\$ 2,811	\$ 18,892
Municipals	3	561	-	-
US Treasury Securities	8	2,186	-	-
Total Securities Available-for-Sale	\$ 629	\$ 11,856	\$ 2,811	\$ 18,892
Securities Held-to-Maturity				
Mortgage-Backed Securities	\$ 215	\$ 1,859	\$ 12,906	\$ 56,587
Municipals	-	-	80	\$ 1,231
Total Securities Held-to-Maturity	\$ 215	\$ 1,859	\$ 12,986	\$ 57,818

Management evaluates securities for impairment from credit losses at least quarterly, and more frequently when economic and market conditions warrant such evaluations. Consideration is given to numerous factors including, but not limited to, the extent to which the fair value is less than the amortized cost basis; adverse conditions causing changes in the financial condition of the issuer of the security or underlying loan guarantors; changes to the rating of the security by a rating agency; and the Company's intent to sell a security or whether it is more likely than not the Company will be required to sell the security before the recovery of its amortized cost, which may extend to maturity. If this evaluation indicates the existence of credit losses, the Company compares the present value of cash flows expected to be collected from the security with the amortized cost basis. If the present value of expected cash flows is less than the amortized cost basis, an allowance for credit losses is recorded, limited by the amount that the fair value of the security is less than its amortized cost.

The unrealized losses on the Company's investment in mortgage-backed securities at March 31, 2024 and June 30, 2023 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 have an allowance for credit losses for these investments at March 31, 2024.

At March 31, 2024, securities with a carrying value of \$2.6 million were pledged to secure public deposits and securities and mortgage loans with a carrying value of \$188.9 million were pledged to secure FHLB advances.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable

Loans receivable are summarized as follows:

	<u>March 31, 2024</u>	<u>June 30, 2023</u>
	<i>(In Thousands)</i>	
Loans Secured by Mortgages on Real Estate		
One-to-Four Family Residential	\$ 186,023	\$ 179,579
Commercial	150,130	148,441
Multi-Family Residential	40,603	28,849
Land	31,442	26,841
Construction	16,026	28,035
Equity and Second Mortgage	2,750	2,450
Equity Lines of Credit	<u>18,919</u>	<u>23,817</u>
Total Mortgage Loans	<u>445,893</u>	<u>438,012</u>
Commercial Loans	<u>56,959</u>	<u>55,364</u>
Consumer Loans		
Loans on Savings Accounts	489	372
Other Consumer Loans	<u>929</u>	<u>1,082</u>
Total Consumer Other Loans	<u>1,418</u>	<u>1,454</u>
Total Loans	<u>504,270</u>	<u>494,830</u>
Less: Allowance for Credit Losses	(4,887)	(5,173)
Unamortized Loan Fees	<u>(116)</u>	<u>(164)</u>
	<u>(5,003)</u>	<u>(5,337)</u>
Net Loans Receivable	<u>\$ 499,267</u>	<u>\$ 489,493</u>

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. Once a loan has been classified as substandard or identified as special mention, management will conduct a quarterly review to evaluate the level of deterioration, improvement, and impairment, if any, as well as assign the appropriate risk category. The delinquent loan report is monitored monthly to determine if any loan needs to be evaluated for classification or impairment.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable (continued)

Credit Quality Indicators (continued)

Loans excluded from the scope of the quarterly review process above are generally identified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification and the need to allocate reserves or charge-off. All loans greater than 90 days past due are generally placed on nonaccrual status. 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 costs 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 and are still considered a pass.

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 Bank'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 Bank will sustain some loss if the deficiencies are not corrected.

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

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

The following table summarizes designated internal risk categories by portfolio segment and loan class, by origination year, as of March 31, 2024:

As of March 31, 2024	Term Loans Amortized Cost by Origination Year						Revolving Lines	Total
	2024	2023	2022	2021	2020	Prior		
	<i>(In Thousands)</i>							
One-to-four family residential								
Risk rating								
Pass	\$ 4,021	\$ 52,429	\$ 46,859	\$ 37,755	\$ 23,169	\$ 18,421	\$ -	\$ 182,654
Special mention	-	1,316	-	363	-	463	-	2,142
Substandard	-	292	127	-	677	131	-	1,227
Doubtful	-	-	-	-	-	-	-	\$ -
Total one-to-four family residential	\$ 4,021	\$ 54,037	\$ 46,986	\$ 38,118	\$ 23,846	\$ 19,015	\$ -	\$ 186,023
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 136	\$ 484	\$ -	\$ 620
Commercial								
Risk rating								
Pass	\$ 4,442	\$ 32,698	\$ 44,147	\$ 44,285	\$ 20,826	\$ 2,195	\$ -	\$ 148,593
Special mention	-	1,366	111	60	-	-	-	1,537
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total commercial	\$ 4,442	\$ 34,064	\$ 44,258	\$ 44,345	\$ 20,826	\$ 2,195	\$ -	\$ 150,130
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Total	<u>\$ 22,679</u>	<u>\$ 146,332</u>	<u>\$ 124,778</u>	<u>\$ 97,683</u>	<u>\$ 58,941</u>	<u>\$ 34,938</u>	<u>\$ 18,919</u>	<u>\$ 504,270</u>
Current period gross charge-offs	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 15</u>	<u>\$ 3</u>	<u>\$ 136</u>	<u>\$ 489</u>	<u>\$ -</u>	<u>\$ 650</u>

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable (continued)

Credit Quality Indicators (continued)

The information presented in the table above is not required for periods prior to the adoption of ASU 2016-13. The following table presents the most comparable required information for the prior period, internal credit risk ratings for the indicated loan class segments as of June 30, 2023:

June 30, 2023	<u>Pass and Pass Watch</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
	<i>(In Thousands)</i>				
Real Estate Loans:					
One-to-Four Family Residential	\$ 176,536	\$ 810	\$ 2,233	\$ -	\$ 179,579
Commercial	146,787	-	1,654	-	148,441
Multi-Family Residential	28,849	-	-	-	28,849
Land	26,841	-	-	-	26,841
Construction	28,035	-	-	-	28,035
Equity and Second Mortgage	2,381	-	69	-	2,450
Equity Lines of Credit	23,817	-	-	-	23,817
Commercial Loans	53,025	2,339	-	-	55,364
Consumer Loans	1,432	1	21	-	1,454
Total	<u>\$ 487,703</u>	<u>\$ 3,150</u>	<u>\$ 3,977</u>	<u>\$ -</u>	<u>\$ 494,830</u>

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 March 31, 2024 and June 30, 2023:

March 31, 2024	30-59 Days Past Due	60-89 Days Past Due	90 Days or More	Total Past Due <i>(In Thousands)</i>	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Real Estate Loans:							
One-to-Four Family Residential	\$ 2,130	\$ 212	\$ 1,749	\$ 4,091	\$ 181,932	\$ 186,023	\$ 930
Commercial	-	-	-	-	150,130	150,130	-
Multi-Family Residential	-	-	-	-	40,603	40,603	-
Land	-	-	308	308	31,134	31,442	-
Construction	-	-	-	-	16,026	16,026	-
Equity and Second Mortgage	-	10	16	26	2,724	2,750	-
Equity Lines of Credit	238	-	-	238	18,681	18,919	-
Commercial Loans	748	-	261	1,009	55,950	56,959	-
Consumer Loans	42	-	-	42	1,376	1,418	-
Total	\$ 3,158	\$ 222	\$ 2,334	\$ 5,714	\$ 498,556	\$ 504,270	\$ 930

June 30, 2023	30-59 Days Past Due	60-89 Days Past Due	90 Days or More	Total Past Due <i>(In Thousands)</i>	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Real Estate Loans:							
One-to-Four Family Residential	\$ 177	\$ 750	\$ 1,174	\$ 2,101	\$ 177,478	\$ 179,579	\$ -
Commercial	-	-	-	-	148,441	148,441	-
Multi-Family Residential	-	-	-	-	28,849	28,849	-
Land	36	-	-	36	26,805	26,841	-
Construction	-	-	-	-	28,035	28,035	-
Equity and Second Mortgage	54	-	-	54	2,396	2,450	-
Equity Lines of Credit	-	-	-	-	23,817	23,817	-
Commercial Loans	63	-	-	63	55,301	55,364	-
Consumer Loans	-	-	-	-	1,454	1,454	-
Total	\$ 330	\$ 750	\$ 1,174	\$ 2,254	\$ 492,576	\$ 494,830	\$ -

There was no interest income recognized on non-accrual loans during the nine months ended March 31, 2024 or the year ended June 30, 2023. If the non-accrual loans had been accruing interest at their original contracted rates, gross interest income that would have been recorded for the nine months ended March 31, 2024 and the year ended June 30, 2023 was approximately \$79,000 and \$182,000, respectively.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable (continued)

Credit Quality Indicators (continued)

The change in the allowance for credit losses by loan portfolio class and recorded investment in loans for the nine months ended March 31, 2024 and year ended June 30, 2023 was as follows:

March 31, 2024	Real Estate Loans						Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi-Family	Land	Construction	Home Equity Loans and Lines of Credit			
	(In Thousands)								
Allowance for credit losses:									
Beginning Balances	\$ 1,900	\$ 1,673	\$ 228	\$ 274	\$ 254	\$ 251	\$ 588	\$ 5	\$ 5,173
Impact of ASU 2016-13	688	(119)	(139)	(85)	(44)	30	24	4	359
Charge-Offs	(620)	-	-	(7)	-	-	(6)	(17)	(650)
Recoveries	3	-	-	1	-	6	-	-	10
Current Provision (Recovery)⁽¹⁾	381	(413)	53	68	(105)	(60)	42	29	(5)
Ending Balances	\$ 2,352	\$ 1,141	\$ 142	\$ 251	\$ 105	\$ 227	\$ 648	\$ 21	\$ 4,887

(1) Current provision included in the table only includes the portion related to loans receivable.

June 30, 2023	Real Estate Loans						Commercial Loans	Consumer Loans	Total
	1-4 Family Residential	Commercial	Multi-Family	Land	Construction	Home Equity Loans and Lines of Credit			
	(In Thousands)								
Allowance for credit losses:									
Beginning Balances	\$ 1,367	\$ 1,295	\$ 357	\$ 305	\$ 282	\$ 197	\$ 646	\$ 2	\$ 4,451
Charge-Offs	(41)	-	-	-	-	(26)	(170)	-	(237)
Recoveries	4	-	-	-	-	5	82	-	91
Current Provision (Recovery)	570	378	(129)	(31)	(28)	75	30	3	868
Ending Balances	\$ 1,900	\$ 1,673	\$ 228	\$ 274	\$ 254	\$ 251	\$ 588	\$ 5	\$ 5,173
Evaluated for Impairment:									
Individually	495	100	-	-	-	4	29	-	628
Collectively	1,405	1,573	228	274	254	247	559	5	4,545
Loans Receivable:									
Ending Balances – Total	\$ 179,579	\$ 148,441	\$ 28,849	\$ 26,841	\$ 28,035	\$ 26,267	\$ 55,364	\$ 1,454	\$ 494,830
Ending Balances:									
Evaluated for Impairment:									
Individually	3,043	1,654	-	-	-	69	2,339	22	7,127
Collectively	\$ 176,536	\$ 146,787	\$ 28,849	\$ 26,841	\$ 28,035	\$ 26,198	\$ 53,025	\$ 1,432	\$ 487,703

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable (continued)

Credit Quality Indicators (continued)

The Company held loans that were individually evaluated for credit losses at December 31, 2023 and March 31, 2024 for which the repayment, on the basis of our assessment at the reporting date, is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. The ACL for these collateral-dependent loans is primarily based on the fair value of the underlying collateral at the reporting date. The following describes the types of collateral that secure collateral dependent loans:

- One-to four-family first mortgages are primarily secured by first liens on residential real estate.
- Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, retail shopping facilities and various special purpose properties, including self-storage facilities, hotels and restaurants.
- Multi-family loans are primarily secured by residential property that include five or more housing units.
- Construction and land loans are primarily secured by residential and commercial properties, which are under construction and/or redevelopment, and by raw land.
- Home equity loans and lines are primarily secured by first and junior liens on residential real estate.
- Commercial and industrial loans considered collateral dependent are primarily secured by accounts receivable, inventory and equipment.
- Consumer loans considered collateral dependent are primarily secured by titled vehicles.

The following tables present loans individually evaluated for impairment, segregated by class of loans, as of March 31, 2024 and impaired loans at June 30, 2023:

March 31, 2024	<u>Loan Balance</u>	<u>Specific Allocations</u>
	<i>(In Thousands)</i>	
Real Estate Loans:		
One-to-Four Family Residential	\$ 2,704	\$ 116
Commercial	128	5
Land	389	2
Home Equity Loans and Lines of Credit	153	3
Commercial Loans	155	77
Consumer Loans	78	4
Total	<u>\$ 3,607</u>	<u>\$ 207</u>

June 30, 2023	<u>Unpaid Principal Balance</u>	<u>Recorded Investment With No Allowance</u>	<u>Recorded Investment With Allowance</u>	<u>Total Recorded Investment</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>
	<i>(In Thousands)</i>					
Real Estate Loans:						
One-to-Four Family Residential	\$ 2,559	\$ 156	\$ 2,403	\$ 2,559	\$ 495	\$ 3,644
Commercial	1,617	-	1,617	1,617	100	1,675
Equity and Second Mortgage	-	-	-	-	-	63
Commercial Loans	2,197	37	2,160	2,197	29	2,659
Consumer Loans	-	-	-	-	-	23
Purchased Credit Impaired	754	685	69	754	4	754
Total	<u>\$ 7,127</u>	<u>\$ 878</u>	<u>\$ 6,249</u>	<u>\$ 7,127</u>	<u>\$ 628</u>	<u>\$ 8,818</u>

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. Loans Receivable (continued)

Credit Quality Indicators (continued)

The Bank has no commitments to loan additional funds to borrowers whose loans were previously in non-accrual status. As of March 31, 2024, there were no residential loans in the process of foreclosure.

Prior to the adoption of ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, the Company had granted a variety of concessions to borrowers in the form of loan modifications that were considered TDRs. At June 30, 2023, the Company had one loan totaling \$10,000 that was identified as a troubled debt restructuring. This loan was performing in accordance with its modified terms as of June 30, 2023.

As of March 31, 2024, there were no loans whose terms were modified for borrowers who may be experiencing financial difficulties .

At March 31, 2024 and June 30, 2023, accrued interest receivable on loans was \$1.7 million and included within accrued interest receivable on the consolidated balance sheets.

4. Deposits

Deposits at March 31, 2024 and June 30, 2023 consist of the following classifications:

	March 31, 2024	June 30, 2023
	(In Thousands)	
Non-Interest Bearing	\$ 132,577	\$ 145,553
NOW Accounts	65,372	65,335
Money Markets	80,338	114,195
Passbook Savings	71,792	81,895
	<u>350,079</u>	<u>406,978</u>
Certificates of Deposit	<u>228,802</u>	<u>190,383</u>
Total Deposits	<u>\$ 578,881</u>	<u>\$ 597,361</u>

5. Earnings Per Share

Basic earnings per common share is computed based on the weighted average number of shares outstanding. Diluted earnings per share is computed based on the weighted average number of shares outstanding and common share equivalents that would arise from the exercise of dilutive securities. Earnings per share for the three and nine months ended March 31, 2024 and 2023 were calculated as follows:

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
	(In Thousands, Except Per Share Data)			
Net income	\$ 732	\$ 1,062	\$ 2,955	\$ 4,446
Weighted average shares outstanding – basic	3,047	3,006	3,040	3,022
Effect of dilutive common stock equivalents	44	126	56	142
Adjusted weighted average shares outstanding – diluted	<u>3,091</u>	<u>3,132</u>	<u>3,096</u>	<u>3,164</u>
Basic earnings per share	\$ 0.24	\$ 0.35	\$ 0.97	\$ 1.48
Diluted earnings per share	\$ 0.24	\$ 0.34	\$ 0.95	\$ 1.41

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

5. Earnings Per Share (Continued)

For the three months ended March 31, 2024 and 2023, there were outstanding options to purchase 364,037 and 384,789 shares, respectively, at a weighted average exercise price of \$11.66 and \$11.81 per share, respectively, and for the nine months ended March 31, 2024 and 2023, there were outstanding options to purchase 364,625 and 387,701 shares, respectively, at a weighted average exercise price of \$11.66 and \$11.81 per share, respectively. For the quarter ended March 31, 2024 and 2023, 43,676 options and 126,427 options, respectively, were included in the computation of diluted earnings per share. For the nine month period ended March 31, 2024 and 2023, 55,910 options and 142,259 options, respectively, 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 March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
	<i>(In Thousands)</i>			
Average common shares issued	6,124	6,124	6,124	6,124
Average unearned ESOP shares	(94)	(113)	(96)	(119)
Average Company stock purchased	(2,983)	(3,005)	(2,988)	(2,983)
Weighted average shares outstanding	3,047	3,006	3,040	3,022

6. Stock-Based Compensation

Stock Option Plans

On August 10, 2005, the stockholders 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 317,736 (as adjusted). 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, the 4,266 outstanding options as of March 31, 2024 remain in effect for the remainder of their original ten year terms and expire July 31, 2024.

On December 23, 2011, the stockholders 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 389,044 (as adjusted). The 2011 Option Plan terminated on December 23, 2021; however, the 35,350 outstanding options as of March 31, 2024 remain in effect for the remainder of their original ten year term and expire July 31, 2024.

Incentive stock options and non-qualified stock options granted under the Option Plans become vested and exercisable at a rate of 20% per year over five years, commencing one year from the date of the grant, with an additional 20% vesting on each successive anniversary of the date the option was granted. No vesting shall occur after an employee's employment or service as a director is terminated. In the event of 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Stock-Based Compensation (Continued)**Stock Incentive Plans**

On November 12, 2014, the stockholders of the Company approved the adoption of the Company's 2014 Stock Incentive Plan (the "2014 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 2014 Stock Incentive Plan covers a total of 300,000 shares (as adjusted), of which no more than 74,000 shares (as adjusted), or 25% of the plan, may be share awards. The balance of the plan is reserved for stock option awards which would total 225,000 stock options (as adjusted), assuming all the share awards are issued. All incentive stock options granted under the 2014 Stock Incentive Plan are intended to comply with the requirements of Section 422 of the Internal Revenue Code. The 2014 Stock Incentive Plan will terminate on August 13, 2024.

On November 13, 2019, the stockholders of the Company approved the adoption of the Company's 2019 Stock Incentive Plan (the "2019 Stock Incentive Plan," together with the 2014 Stock Incentive Plan, the "Stock Incentive Plans") which provides for a total of 250,000 shares (as adjusted) reserved for future issuance as stock awards or stock options. No more than 62,500 shares (as adjusted), or 25%, may be granted as stock awards. The balance of the plan is reserved for stock option awards. On November 11, 2020, the Company granted a total of 62,500 plan share awards and 187,500 stock options to directors, officers and other key employees vesting ratably over five years. The Stock Incentive Plans costs are recognized over the five year vesting period. As of March 31, 2024, there are 1,600 plan share awards and 24,600 stock options available for future grants under the Stock Incentive Plans.

For the three months ended March 31, 2024 and 2023, compensation expense charged to operations under the Stock Incentive Plans was \$5,000 and \$81,000, respectively. Compensation expense pertaining to the Stock Incentive Plans was \$ 118,000 and \$173,000, respectively, for the nine months ended March 31, 2024 and 2023.

7. Related Party Transactions

Certain directors and executive officers were indebted to the Bank in the approximate aggregate amounts of \$ 4.3 million and \$4.4 million at March 31, 2024 and June 30, 2023, respectively.

8. Fair Value Disclosures

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

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Fair Value Disclosures (continued)

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

Cash and Cash Equivalents

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

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 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Fair Value Disclosures (continued)

At March 31, 2024 and June 30, 2023, the carrying amount and estimated fair values of the Company's financial instruments were as follows:

	March 31, 2024		June 30, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<i>(In Thousands)</i>				
Financial Assets				
Cash and Cash Equivalents	\$ 8,019	\$ 8,019	\$ 24,765	\$ 24,765
Securities Available-for-Sale	29,829	29,829	39,551	39,551
Securities to be Held-to-Maturity	70,302	57,256	74,423	61,222
Loans Held-for-Sale	1,904	1,904	4	4
Loans Receivable	499,267	461,572	489,493	444,117
Financial Liabilities				
Deposits	\$ 578,881	\$ 576,895	\$ 597,361	\$ 481,055
Other Borrowings	8,500	8,500	8,550	8,550
Off-Balance Sheet Items				
Mortgage Loan Commitments	\$ 14,555	\$ 14,555	\$ 13,277	\$ 13,277

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

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability, in either case, through an orderly transaction between market participants at a measurement date and establishes a framework for measuring fair value;
- Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;
- Nullifies the guidance in EITF 02-3, which required the deferral of profit at inception of a transaction involving a derivative financial instrument in the absence of observable data supporting the valuation technique;
- Eliminates large position discounts for financial instruments quoted in active markets and requires consideration of the company's creditworthiness when valuing liabilities; and
- Expands disclosures about instruments that are measured at fair value.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Fair Value Disclosures (continued)

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

- Level 1 – Fair value is based upon quoted prices unadjusted for identical assets or liabilities in active markets in which the Company can participate.
- Level 2 – Fair value is based upon (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Fair value is based upon inputs that are unobservable for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs are adjusted if information indicates that market participants would use different assumptions.

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

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used during the nine months ended March 31, 2024.

Fair values of assets and liabilities measured on a recurring basis at March 31, 2024 and June 30, 2023 are as follows:

March 31, 2024	Fair Value Measurements			Total
	(Level 1)	(Level 2)	(Level 3)	
	<i>(In Thousands)</i>			
Available-for-Sale Debt Securities				
FHLMC	\$ -	\$ 6,155	\$ -	\$ 6,155
FNMA	-	16,367	-	16,367
GNMA	-	3,374	-	3,374
US Treasury Notes	-	3,566	-	3,566
Municipal Bonds	-	367	-	367
Total	\$ -	\$ 29,829	\$ -	\$ 29,829

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Fair Value Disclosures (continued)

June 30, 2023	Fair Value Measurements			Total
	(Level 1)	(Level 2)	(Level 3)	
	(In Thousands)			
Available-for-Sale Debt Securities				
FHLMC	\$ -	\$ 11,156	\$ -	\$ 11,156
FNMA	-	13,714	-	13,714
GNMA	-	3,764	-	3,764
US Treasury Notes	-	9,841	-	9,841
Municipal Bonds	-	1,076	-	1,076
Total	\$ -	\$ 39,551	\$ -	\$ 39,551

Fair values of assets and liabilities measured on a non-recurring basis at March 31, 2024 and June 30, 2023 are as follows:

March 31, 2024	Fair Value Measurements			Total
	(Level 1)	(Level 2)	(Level 3)	
	(In Thousands)			
Assets:				
Impaired Loans, Net of Allowance	\$ -	\$ -	\$ 2,747	\$ 2,747
Total	\$ -	\$ -	\$ 2,747	\$ 2,747

June 30, 2023	Fair Value Measurements			Total
	(Level 1)	(Level 2)	(Level 3)	
	(In Thousands)			
Assets:				
Impaired Loans, Net of Allowance	\$ -	\$ -	\$ 701	\$ 701
Other Real Estate Owned, Net of Allowance	\$ -	\$ -	\$ 330	\$ 330
Total	\$ -	\$ -	\$ 1,031	\$ 1,031

HOME FEDERAL BANCORP, INC. OF LOUISIANA

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

9. Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. Substantially all of the leases in which the Company is the lessee are comprised of real estate property for branches with terms extending through 2058. Substantially all of the Company's leases are classified as operating leases, and therefore, were previously not recognized on the Company's consolidated statements of condition. Right-of-use ("ROU") assets and corresponding lease liabilities are recognized on the consolidated statements of condition under other assets and other accrued expenses and liabilities, respectively.

At March 31, 2024 and June 30, 2023, the carrying amounts of the ROU assets and corresponding lease liabilities were as follows:

<i>(In Thousands)</i>		March 31, 2024	June 30, 2023
Lease Right-of-Use Assets	Classification		
Operating lease right-of-use assets	Other Assets	\$ 818	\$ 829
Total Lease Right-of-Use Assets		\$ 818	\$ 829
Lease Liabilities			
Operating lease liabilities	Other Accrued Expenses and Liabilities	\$ 863	\$ 866
Total Lease Liabilities		\$ 863	\$ 866

The calculated amount of the ROU assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term.

	March 31, 2024	June 30, 2023
Weighted-average remaining lease term		
Operating leases	34.7 years	35.4 years
Weighted-average discount rate		
Operating leases	3.00%	3.00%

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 Home Federal Bank (the "Bank"), its wholly owned subsidiary. 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 condition and results of operations.

The Bank operates from its main office in Shreveport, Louisiana and ten full-service branch offices located in Shreveport, Bossier City, Benton and Minden, Louisiana. The Company's primary market area is the Shreveport-Bossier City-Minden combined statistical area.

Critical Accounting Policies

The accounting and financial reporting policies of the Company conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. Accordingly, the consolidated financial statements require certain estimates, judgments, and assumptions, which are believed to be reasonable, based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the periods presented. Critical accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating our reported financial results. These policies require numerous estimates or economic assumptions that may prove inaccurate or may be subject to variations which may significantly affect our reported results and financial condition for the period or in future periods.

During the nine months ended March 31, 2024, the Company implemented new current expected credit loss ("CECL") accounting policies, procedures, and controls as part of its adoption of ASU No. 2016-13 and subsequent ASUs issued to amend ASC Topic 326.

Allowance for Credit Losses. The Company has identified the calculation of the allowance for credit losses as a critical accounting policy, due to the higher degree of judgment and complexity than its other significant accounting policies.

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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA**Discussion of Financial Condition Changes from June 30, 2023 to March 31, 2024**General

Total assets decreased \$17.9 million, or 2.7%, from \$660.9 million at June 30, 2023 to \$643.0 million at March 31, 2024. The decrease in assets was comprised of decreases in cash and cash equivalents of \$16.7 million, or 67.6%, from \$24.8 million at June 30, 2023 to \$8.0 million at March 31, 2024, investment securities of \$13.8 million, or 12.1%, from \$114.0 million at June 30, 2023 to \$100.1 million at March 31, 2024, real estate owned of \$368,000, or 100.0% from \$368,000 at June 30, 2023 to none at March 31, 2024, core deposit intangible of \$258,000, or 16.8%, from \$1.5 million at June 30, 2023 to \$1.3 million at March 31, 2024, other assets of \$132,000, or 9.3%, from \$1.4 million at June 30, 2023 to \$1.3 million at March 31, 2024, deferred tax asset of \$40,000, or 3.0%, from \$1.31 million at June 30, 2023 to \$1.27 million at March 31, 2024, and partially offset by increases in net loans receivable of \$9.8 million, or 2.0%, from \$489.5 million at June 30, 2023 to \$499.3 million at March 31, 2024, loans-held-for-sale of \$1.9 million, from \$4,000 at June 30, 2023 to \$1.9 million at March 31, 2024, premises and equipment of \$1.6 million, or 9.7%, from \$16.6 million at June 30, 2023 to \$18.2 million at March 31, 2024, accrued interest receivable of \$142,000, or 7.9%, from \$1.8 million at June 30, 2023 to \$1.9 million at March 31, 2024, and bank owned life insurance of \$82,000, or 1.2%, from \$6.7 million at June 30, 2023 to \$6.8 million at March 31, 2024. The decrease in cash and cash equivalents was primarily due to a decrease in total deposits and the funding of additional loan growth. The decrease in held to maturity securities was primarily due to \$4.2 million in principal payments.

Cash and Cash Equivalents

Cash and cash equivalents decreased \$16.7 million, or 67.6%, from \$24.8 million at June 30, 2023 to \$8.0 million at March 31, 2024. The decrease in cash and cash equivalents was primarily due to the funding of loan originations along with a reduction in total deposits.

Loans Receivable, Net

Loans receivable, net, increased by \$9.8 million, or 2.0%, from \$489.5 million at June 30, 2023 to \$499.3 million at March 31, 2024. The increase in loans receivable, net was primarily due to increases in multi-family residential loans of \$11.8 million, one-to-four family residential loans of \$6.4 million, land loans of \$4.6 million, commercial real estate loans of \$1.7 million, commercial non-real estate loans of \$1.6 million, equity and second mortgage loans of \$300,000, partially offset by decreases in construction loans of \$12.0 million, equity line-of-credit loans of \$4.9 million, and consumer loans of \$30,000.

Loans Held-for-Sale

Loans held-for-sale increased \$1.9 million, from \$4,000 at June 30, 2023 to \$1.9 million at March 31, 2024. The increase in loans held for sale at March 31, 2024, was due to the timing of loans originated and sold rather than an increase in loan originations during the period.

Investment Securities

Investment securities decreased \$13.8 million, or 12.1%, from \$114.0 million at June 30, 2023 to \$100.1 million at March 31, 2024. The decrease in investment securities was primarily due to \$13.5 million in principal repayments on mortgage backed securities and securities sold of \$3.4 million, partially offset by security purchases of \$2.7 million.

HOME FEDERAL BANCORP, INC. OF LOUISIANA**Discussion of Financial Condition Changes from June 30, 2023 to March 31, 2024 (continued)**Premises and Equipment, Net

Premises and equipment, net increased \$1.6 million, or 9.7%, from \$16.6 million at June 30, 2023 to \$18.2 million at March 31, 2024. The increase in premises and equipment was primarily due to construction costs of a new Minden branch that will replace an existing temporary location and is expected to open in May 2024.

Asset Quality

At March 31, 2024, the Company had \$2.4 million of non-performing assets (defined as non-accruing loans, accruing loans 90 days or more past due, and other real estate owned) compared to \$1.6 million on non-performing assets at June 30, 2023, consisting of six commercial non-real estate loans, six single-family residential loans, three home equity line-of-credit loans, and one land loan at March 31, 2024, compared to seven single-family residential loans, three commercial non-real estate loans, one consumer loan and two single-family residences in other real estate owned at June 30, 2023. At March 31, 2024 the Company had seven commercial non-real-estate loans, seven single family residential loans, four home-equity line-of-credit loans, one land loan, and one auto loan classified as substandard, compared to ten single family residential loans, three commercial non-real-estate loans, two commercial real estate loans, and three home equity line-of-credit loans classified as substandard at June 30, 2023. There were no loans classified as doubtful at March 31, 2024 or June 30, 2023.

Total Liabilities

Total liabilities decreased \$19.9 million, or 3.3%, from \$610.4 million at June 30, 2023 to \$590.5 million at March 31, 2024. The decrease in liabilities was comprised of decreases in total deposits of \$18.5 million, or 3.1%, from \$597.4 million at June 30, 2023 to \$578.9 million at March 31, 2024, other accrued expenses and liabilities of \$1.2 million, or 31.4%, from \$3.9 million at June 30, 2023 to \$2.7 million at March 31, 2024, advances from borrowers for taxes and insurance of \$138,000, or 24.9 %, from \$554,000 at June 30, 2023 to \$416,000 at March 31, 2024, and other borrowings of \$50,000, or 0.6%, from \$8.6 million at June 30, 2023 to \$8.5 million at March 31, 2024. The decrease in deposits resulted from decreases in money market deposits of \$33.9 million, or 29.6%, from \$114.2 million at June 30, 2023 to \$80.3 million at March 31, 2024, non-interest deposits of \$13.0 million, or 8.9%, from \$145.6 million at June 30, 2023 to \$132.6 million at March 31, 2024, and savings deposits of \$10.1 million, or 12.3%, from \$81.9 million at June 30, 2023 to \$71.8 million at March 31, 2024, partially offset by increases in certificates of deposit of \$38.4 million, or 20.2%, from \$190.4 million at June 30, 2023 to \$228.8 million at March 31, 2024, and NOW accounts of \$37,000, or 0.1%, from \$65.3 million at June 30, 2023 to \$65.4 million at March 31, 2024. The Company had no balances in brokered deposits at March 31, 2024 compared to \$3.0 million at June 30, 2023. There was a shift of balances between deposit categories due to customers moving funds from lower yielding categories to higher yielding categories. The \$18.5 million decrease in deposits from June 30, 2023 to March 31, 2024 was primarily due to an estate settlement totaling \$24.8 million. \$15.4 million of the settlement has been paid out to date, with the remaining \$9.4 million expected to be paid out in the future.

Stockholders' Equity

Stockholders' equity increased \$2.0 million, or 4.0%, from \$50.5 million at June 30, 2023 to \$52.6 million at March 31, 2024. The increase in stockholders' equity was comprised of current year net income of \$3.0 million, a decrease in the Company's accumulated other comprehensive loss of \$31,000, the vesting of restricted stock awards, stock options, and the release of employee stock ownership plan shares totaling \$407,000, and proceeds from the issuance of common stock from the exercise of stock options of \$19,000, partially offset by dividends paid totaling \$1.2 million, CECL implementation totaling \$189,000, and stock repurchases of \$39,000.

HOME FEDERAL BANCORP, INC. OF LOUISIANA**Discussion of Financial Condition Changes from June 30, 2023 to March 31, 2024 (continued)**Regulatory Capital

The Bank is required to meet minimum capital standards promulgated by the Office of the Comptroller of the Currency (“OCC”). At March 31, 2024, Home Federal Bank’s regulatory capital was well in excess of the minimum capital requirements. At March 31, 2024, Home Federal Bank exceeded each of its regulatory capital requirements with tangible equity, common equity Tier 1, core, and total risk-based capital ratios of 9.05%, 12.97%, 9.05%, and 14.05%, respectively.

Comparison of Operating Results for the Three and Nine Months Ended March 31, 2024 and 2023General

The decrease in net income for the three months ended March 31, 2024, compared to the same period in 2023, resulted from a decrease in net interest income of \$1.1 million, or 19.5%, and a decrease in non-interest income of \$2,000, or 0.4%, partially offset by a decrease in non-interest expense of \$507,000, or 11.3%, a decrease in the provision of credit losses of \$139,000, or 92.7%, and a decrease in provision for income taxes of \$95,000, or 35.1%. The decrease in net interest income for the three months ended March 31, 2024, compared to the same period in 2023, resulted from an increase in total interest expense of \$1.9 million, or 126.4%, partially offset by an increase in total interest income of \$877,000, or 12.5%. The Company’s average interest rate spread was 2.16% for the three months ended March 31, 2024, compared to 3.15% for the three months ended March 31, 2023. The Company’s net interest margin was 2.89% for the three months ended March 31, 2024, compared to 3.56% for the three months ended March 31, 2023.

The decrease in net income for the nine months ended March 31, 2024, compared to the same period in 2023, resulted from a decrease in net interest income of \$1.5 million, or 9.4%, an increase in non-interest expense of \$619,000, or 5.2%, and a decrease in non-interest income of \$516,000, or 32.4%, partially offset by a decrease in the provision of credit losses of \$723,000, or 100.7%, and a decrease in provision for income taxes of \$433,000, or 59.9%. The decrease in net interest income for the nine months ended March 31, 2024, compared to the same period in 2023, resulted from an increase in total interest expense of \$6.7 million, or 240.1%, partially offset by an increase in total interest income of \$5.2 million, or 27.3%. The Company’s average interest rate spread was 2.46% for the nine months ended March 31, 2024 compared to 3.55% for the nine months ended March 31, 2023. The Company’s net interest margin was 3.14% for the nine months ended March 31, 2024 compared to 3.84% for the nine months ended March 31, 2023.

Provision for Credit Losses

On July 1, 2023, the Company adopted the new current expected credit loss (“CECL”) methodology for estimating credit losses. This resulted in a \$189,000 increase to the allowance for credit losses (the “ACL”) and a one-time cumulative adjustment resulted in a \$189,000 decrease to stockholders’ equity. For purchased credit deteriorated loans, the Company applied the guidance under CECL using the prospective transition approach. As a result, the Company adjusted the amortized cost basis of the purchased credit deteriorated loans by \$170,000 to reclassify the purchase discount to the allowance for credit losses on July 1, 2023. The ACL account increased \$359,000 from these two transactions. No provision expense was recorded in the first quarter of fiscal 2024, a recovery of credit losses of \$16,000 was recorded in the second quarter of fiscal 2024 and a provision of \$11,000 was recorded in the third quarter of fiscal 2024. As of March 31, 2024, the ACL was \$4.9 million, and the ratio of ACL to gross loans was 0.97%. As of June 30, 2023, the ACL was \$5.2 million, and the ratio of ACL to gross loans was 1.05%. No ACL was recorded for unfunded commitments due to all unfunded commitments being unconditionally cancellable.

HOME FEDERAL BANCORP, INC. OF LOUISIANA**Comparison of Operating Results for the Three and Nine Months Ended March 31, 2024 and 2023 (continued)**Non-interest Income

The \$2,000 decrease in non-interest income for the three months ended March 31, 2024, compared to the same period in 2023, resulted from a decrease in gain on sale of loans of \$18,000, a decrease in service charges on deposit accounts of \$17,000, and a decrease in gain on sale of fixed assets of \$4,000, partially offset by an increase in gain on sale of securities of \$26,000, an increase in other non-interest income of \$8,000, and an increase in income on bank owned life insurance of \$3,000. The \$516,000 decrease in non-interest income for the nine months ended March 31, 2024, compared to the same period in 2023, resulted from an increase in loss on sale of real estate of \$415,000, a decrease in gain on sale of loans of \$220,000, and a decrease in gain on sale of fixed assets of \$4,000, partially offset by an increase in service charges on deposit accounts of \$77,000, an increase in gain on sale of securities of \$26,000, an increase in other non-interest income of \$15,000, and an increase in income from bank owned life insurance of \$5,000. The decreases in gain on sale of loans for both the quarter and nine months ended March 31, 2024, were primarily due to a decrease in mortgage loan originations caused by the higher interest rate environment. The loss on sale of real estate for the nine months ended March 31, 2024, was primarily due to the bulk sale of twenty-one distressed rental properties.

Non-interest Expense

The \$507,000 decrease in non-interest expense for the three months ended March 31, 2024, compared to the same period in 2023, resulted from decreases in professional fees of \$789,000, data processing expense of \$24,000, advertising expense of \$20,000, occupancy and equipment expense of \$8,000, and loan and collection expense of \$3,000, partially offset by increases in compensation and benefits expense of \$134,000, other non-interest expense of \$130,000, deposit insurance premium expense of \$41,000, franchise and bank shares tax expense of \$23,000, amortization of core deposit intangible expense of \$8,000, and audit and examination fees of \$1,000. The \$619,000 increase in non-interest expense for the nine months ended March 31, 2024, compared to the same period in 2023, resulted from increases in compensation and benefits expense of \$443,000, audit and examination fees of \$213,000, amortization of core deposit intangible expense of \$187,000, deposit insurance premium expense of \$139,000, other non-interest expense of \$104,000, franchise and bank shares tax expense of \$102,000, occupancy and equipment expense of \$85,000, and advertising expense of \$64,000, partially offset by decreases in professional fees of \$642,000, data processing expense of \$51,000, and loan and collection expense of \$25,000. The decrease in professional fees for both periods was due to the acquisition of First National Bank of Benton, which increased professional fees for the March 31, 2023 quarter. The increases in compensation and benefits expense were primarily due to additional branch and back office staff.

Income Taxes

There was an income tax expense of \$176,000 and \$290,000 for the three and nine months ended March 31, 2024, respectively, resulting in an effective tax rate of 19.4% and 8.9%. Income taxes amounted to \$271,000 and \$723,000 for the three and nine months ended March 31, 2023, respectively.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Months Ended March 31, 2024 and 2023 (continued)

Average Balances, Net Interest Income, Yields Earned, and Rates Paid. The following tables show 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 March 31,					
	2024			2023		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
	(Dollars in Thousands)					
Interest-earning assets:						
Loans receivable	\$ 504,918	\$ 7,281	5.80%	\$ 476,721	\$ 6,151	5.23%
Investment securities	104,646	575	2.21	120,852	592	1.99
Interest-earning deposits	3,607	34	3.79	25,867	270	4.22
Total interest-earning assets	613,171	7,890	5.18%	623,440	7,013	4.56%
Non-interest-earning assets	40,349			43,545		
Total assets	\$ 653,520			\$ 666,985		
Interest-bearing liabilities:						
Savings accounts	\$ 69,178	107	0.62%	\$ 99,252	75	0.31%
NOW accounts	68,170	98	0.58	70,064	44	0.26
Money market accounts	89,313	578	2.60	121,256	380	1.27
Certificate accounts	222,534	2,411	4.36	141,358	843	2.42
Total interest-bearing deposits	449,195	3,194	2.86	431,930	1,342	1.26
Other Borrowings	9,448	205	8.73	7,513	146	7.88
FHLB advances	5,956	87	5.87	4,313	52	4.89
Total interest-bearing liabilities	\$ 464,599	3,486	3.02%	\$ 443,756	1,540	1.41%
Non-interest-bearing liabilities:						
Non-interest-bearing demand accounts	132,649			167,516		
Other liabilities	3,911			3,031		
Total liabilities	601,159			614,303		
Total Stockholders' Equity(1)	52,361			52,682		
Total liabilities and stockholders' equity	\$ 653,520			\$ 666,985		
Net interest-earning assets	\$ 148,572			\$ 179,684		
Net interest income; average interest rate spread(2)		\$ 4,404	2.16%		\$ 5,473	3.15%
Net interest margin(3)			2.89%			3.56%
Average interest-earning assets to average interest-bearing liabilities			131.98%			140.49%

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

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

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Comparison of Operating Results for the Three and Nine Months Ended March 31, 2024 and 2023 (continued)

	Nine Months Ended March 31,					
	2024			2023		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
	(Dollars in Thousands)					
Interest-earning assets:						
Loans receivable	\$ 503,664	\$ 21,952	5.80%	\$ 423,451	\$ 16,586	5.22%
Investment securities	109,255	1,957	2.38	111,448	1,577	1.88
Interest-earning deposits	5,060	135	3.55	23,950	719	4.00
Total interest-earning assets	617,979	24,044	5.18%	\$ 558,849	18,882	4.50%
Non-interest-earning assets						
Total assets	\$ 658,767			\$ 599,801		
Interest-bearing liabilities:						
Savings accounts	\$ 73,676	257	0.46%	\$ 111,948	239	0.28%
NOW accounts	67,145	235	0.47	61,509	103	0.22
Money market accounts	98,021	1,800	2.44	100,919	509	0.67
Certificate accounts	209,985	6,396	4.05	108,211	1,536	1.89
Total interest-bearing deposits	448,827	8,688	2.58	382,587	2,387	0.83
Other bank borrowings	9,100	586	8.57	6,274	321	6.82
FHLB advances	4,151	180	5.77	1,969	72	4.87
Total interest-bearing liabilities	\$ 462,078	9,454	2.72%	\$ 390,830	2,780	0.95%
Non-interest-bearing liabilities:						
Non-interest bearing demand accounts	140,869			157,356		
Other liabilities	4,335			3,245		
Total liabilities	607,282			551,431		
Total Stockholders' Equity(1)	51,485			48,370		
Total liabilities and equity	\$ 658,767			\$ 599,801		
Net interest-earning assets	\$ 155,901			\$ 168,019		
Net interest income; average interest rate spread(2)		\$ 14,590	2.46%		\$ 16,102	3.55%
Net interest margin(3)			3.14%			3.84%
Average interest-earning assets to average interest-bearing liabilities			133.74%			142.99%

(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**Liquidity and Capital Resources**

The 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. The Bank also adjusts liquidity as appropriate to meet asset and liability management objectives.

The 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, the Bank invests excess funds in short-term interest-earning accounts and other assets which provide liquidity to meet lending requirements. The Bank's deposit accounts with the Federal Home Loan Bank of Dallas amounted to \$23,000 at March 31, 2024.

A significant portion of the Bank's liquidity consists of securities classified as available-for-sale and cash and cash equivalents. The Bank's primary sources of cash are net income, principal repayments on loans and mortgage-backed securities, and increases in deposit accounts. If the 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 March 31, 2024, The Bank had no advances from the Federal Home Loan Bank of Dallas and had \$188.9 million in additional borrowing capacity. Additionally, at March 31, 2024, the 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 \$20.4 million. There were no amounts purchased under this agreement as of March 31, 2024. In addition, the Company had available an \$11.0 million line of credit agreement at March 31, 2024 with First National Bankers Bank. At March 31, 2024, there was an \$8.5 million balance in the credit line.

At March 31, 2024, the Bank had outstanding loan commitments of \$41.0 million to originate loans and commitments under unused lines of credit of \$14.6 million. At March 31, 2024, certificates of deposit scheduled to mature in less than one year totaled \$185.1 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. The 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 can utilize available borrowing capacity, if necessary.

At March 31, 2024, the Bank exceeded each of its regulatory capital requirements with tangible equity, common equity Tier 1, core, and total risk-based capital ratios of 9.05 %, 12.97%, 9.05%, and 14.05%, respectively.

Off-Balance Sheet Arrangements

At March 31, 2024, 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.

In addition to factors previously disclosed in the reports filed by the Company with the Securities and Exchange Commission and those identified elsewhere in this Form 10-Q, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: the strength of the United States economy in general and the strength of the local economies in which the Company conducts its operations; general economic conditions; legislative and regulatory changes; monetary and fiscal policies of the federal government; changes in tax policies, rates and regulations of federal, state and local tax authorities including the effects of the Tax Reform Act; changes in interest rates, deposit flows, the cost of funds, demand for loan products and the demand for financial services, competition, changes in the quality or composition of the Company’s loans, investment and mortgage-backed securities portfolios; geographic concentration of the Company’s business; fluctuations in real estate values; the adequacy of loan loss reserves; the risk that goodwill and intangibles recorded in the Company’s financial statements will become impaired; changes in accounting principles, policies or guidelines and other economic, competitive, governmental and technological factors affecting the Company’s operations, markets, products, services and fees.

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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

PART II

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Not applicable.

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

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

The Company's repurchases of its common stock made during the quarter ended March 31, 2024 are set forth in the table below, including stock-for-stock option exercises.

Period	Total Number of Shares Purchased (a)	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 (b)
January 1, 2024 – January 31, 2024	-	\$ -	-	-
February 1, 2024 – February 29, 2024	415	13.30	-	-
March 1, 2024 – March 31, 2024	281	12.00	281	59,719
Total	553	\$ 12.78	281	59,719

Notes to this table:

- (a) Includes 143 shares withheld on February 5, 2024, upon the vesting of share awards to cover payment of employee withholding tax. This withholding took place outside of a publicly announced repurchase plan.
- (b) On March 7, 2024, the Company announced that its Board of Directors approved the twelfth stock repurchase program for the repurchase of up to 60,000 shares. The twelfth stock 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.

HOME FEDERAL BANCORP, INC. OF LOUISIANA

ITEM 6. EXHIBITS

No.	Description
10.1	Transition Agreement between Home Federal Bancorp, Inc. of Louisiana, Home Federal Bank and Glen W. Brown dated February 14, 2024(1)
10.2	Transition Agreement between Home Federal Bank and Adalberto Cantu, Jr. dated February 14, 2024(1)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.0	Certification Pursuant to 18 U.S.C Section 1350
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

(1) Incorporated by reference from the Company's Current Report on Form 8-K filed with the SEC on February 16, 2024 (File No. 001-35019).

SIGNATURES

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

HOME FEDERAL BANCORP, INC. OF LOUISIANA

Date: May 14, 2024

By: /s/ Glen W. Brown

Glen W. Brown

Senior Vice President and Chief Financial Officer

(Duly authorized officer and principal financial and accounting officer)

CERTIFICATIONS

I, James R. Barlow, Chairman of the Board, President and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Home Federal Bancorp, Inc. of Louisiana;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2024

/s/ James R. Barlow
James R. Barlow
Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Glen W. Brown, Senior Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Home Federal Bancorp, Inc. of Louisiana;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2024

/s/ Glen W. Brown
Glen W. Brown
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

SECTION 1350 CERTIFICATIONS

The undersigned executive officers of Home Federal Bancorp, Inc. of Louisiana (the "Registrant") hereby certify that the Registrant's Form 10-Q for the quarter ended March 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained therein fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 14, 2024

/s/ James R. Barlow

Name: James R. Barlow
Title: Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)

Date: May 14, 2024

/s/ Glen W. Brown

Name: Glen W. Brown
Title: Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act has been provided to Home Federal Bancorp, Inc. of Louisiana and will be retained by Home Federal Bancorp, Inc. of Louisiana and furnished to the Securities and Exchange Commission or its staff upon request.
