

Home Federal Bancorp, Inc.
Form 8-K
April 18, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: April 18, 2008

Home Federal Bancorp, Inc.
(Exact name of registrant as specified in its charter)

| | | |
|---|--|---|
| Maryland (State or other jurisdiction of incorporation) | 000-52995 (Commission File Number) | 26-0886727 (I.R.S. Employer Identification No.) |
|---|--|---|

500 12th Avenue South
Nampa, Idaho 83651
(Address of principal executive offices and zip code)

(208) 466-4634
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On April 18, 2008, Home Federal Bancorp, Inc. issued its earnings release for the second quarter of our fiscal year ending September 30, 2008. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press release of Home Federal Bancorp, Inc. dated April 18, 2008

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, hereunto duly authorized.

HOME FEDERAL BANCORP, INC.

Date: April 18, 2008

By: /s/ Robert A. Schoelkoph
Robert A. Schoelkoph
Senior Vice President and
Chief Financial Officer

Exhibit 99.1

Contact:

Home Federal Bancorp, Inc.

Len E. Williams, President & CEO

Robert A. Schoelkoph, SVP, Treasurer & CFO

208-466-4634

www.myhomefed.com

500 12th Ave. South * Nampa, ID 83651

PRESS RELEASE — For Immediate Release

HOME FEDERAL BANCORP, INC. ANNOUNCES SECOND QUARTER EARNINGS

Nampa, ID (April 18, 2008) – Home Federal Bancorp, Inc. (the “Company”) (Nasdaq GSM: HOME), the parent company of Home Federal Bank (the “Bank”), today announced second quarter earnings for the fiscal year ending September 30, 2008. For the quarter ended March 31, 2008, the Company reported net income of \$945,000, or \$0.06 per diluted share compared to \$1.2 million, or \$0.07 per diluted share, for the same period a year ago. Net income for the six months ended March 31, 2008 was \$1.9 million, or \$0.12 per diluted share, compared to \$2.5 million, or \$0.15 per diluted share, for the same six-month period a year ago. Earnings per share for the prior periods have been adjusted to reflect the impact of the second-step conversion and reorganization of the Company, which was completed on December 19, 2007.

“We continue to operate according to our growth plan which includes driving net interest margin by focusing on gathering low cost deposits, generating higher yielding commercial loans and maintaining our fee generation discipline. Our priority remains on quality organic growth.” stated Home Federal Bancorp, Inc. President and CEO, Len E. Williams. “Our new Karcher branch was successfully opened in early March and we have completed the build of a highly talented credit support team and system. In addition, we are pleased with the improvement in our asset and liability mix along with our net interest margin progress.” Williams continued.

Operating Results

Revenues for the quarter ended March 31, 2008, which consisted of net interest income before the provision for loan losses plus noninterest income, increased 2% to \$8.3 million, compared to \$8.1 million for the quarter ended March 31, 2007. Net interest income before the provision for loan losses increased 8% to \$5.8 million for the quarter ended March 31, 2008 compared to \$5.4 million for the same quarter of the prior year. The increase in net interest income is primarily attributable to a decrease in interest expense on Federal Home Loan Bank of Seattle (“FHLB”) borrowings as maturing advances have been funded with excess liquidity.

Revenues for the six months ended March 31, 2008 decreased 4% to \$15.9 million, compared to \$16.5 million for the same period of last year. Net interest income before the provision for loan losses for the six months ending March 31, 2008 decreased less than one percent to \$10.8 million compared to \$10.9 million for the same period of the prior year.

A provision for loan losses of \$378,000 was established by management in connection with its analysis of the loan portfolio for the quarter ended March 31, 2008, compared to no provision for loan losses for the same quarter of the prior year. The provision for loan losses was \$665,000 for the six months ended March 31, 2008, compared to \$71,000 for the six months ended March 31, 2007. The increase in the provision reflects a shift in the asset mix toward commercial loans, and an increase in total classified assets. The Company remains committed to increasing reserves as commercial assets are added or as conditions warrant.

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The Company's net interest margin increased 15 basis points to 3.15% for the quarter ended March 31, 2008, from 3.00% for the same quarter last year. The net interest margin for the six months ended March 31, 2008 increased five basis points to 3.07% from 3.02% for the same period a year earlier. The improvement in the net interest margin is primarily attributable to the increase in interest income that resulted from the investment of the proceeds from the second step mutual to stock conversion and stock offering completed on December 19, 2007. In addition, decreases in interest expense during the quarter just ended also contributed to the increase in the net interest margin.

Noninterest income decreased \$283,000, or 10%, to \$2.5 million for the quarter ended March 31, 2008, compared to \$2.8 million for the same quarter a year ago. The decrease was primarily attributable to a \$217,000 decrease in gain on sale of one-to-four family residential loans in the secondary market, reflecting a slowdown in the local real estate market. For the six months ended March 31, 2008, noninterest income decreased 10% to \$5.1 million, compared to \$5.6 million for the same period of the prior year. The decrease was primarily attributable to gain on sale of loans, service charges and fees which were \$330,000 and \$327,000 lower than prior year respectively.

Noninterest expense for the quarter ended March 31, 2008 increased \$325,000, or 5%, to \$6.4 million, from \$6.1 million for the comparable period a year earlier. Compensation and benefit expenses increased \$202,000, or 5%, to \$4.1 million for the quarter ended March 31, 2008 as compared to \$3.9 million for the same quarter a year ago. The majority of the increase is attributable to increased headcount in individuals supporting the Bank's ongoing emphasis on commercial banking. The Company's efficiency ratio was 77.8% for the quarter ended March 31, 2008 compared to 75.0% for the same quarter a year ago. The efficiency ratio indicates how much is spent on non-interest expenses as a percentage of total revenue.

Noninterest expense for both the six months ended March 31, 2008 and March 31, 2007 was \$12.3 million. The efficiency ratio was 77.2% for the six months ended March 31, 2008 compared to 74.8% for the same period of the prior year. The increase in the efficiency ratio was primarily the result of a decrease in revenue during the six months ended March 31, 2008.

Balance Sheet Growth

Total assets increased 3% to \$768.1 million at March 31, 2008, compared to \$745.9 million a year earlier. The increase in total assets was primarily attributable to \$88.4 million in net proceeds raised from the Company's second-step conversion and stock offering completed on December 19, 2007. Net loans (excluding loans held for sale) at March 31, 2008 decreased 5% to \$477.1 million, compared to \$503.7 million at March 31, 2007. One- to four-family residential loans represented 48% of the Bank's loan portfolio at March 31, 2008, compared to 56% at March 31, 2007. Commercial loans, including commercial real estate loans, accounted for 42% of the Bank's loan portfolio at March 31, 2008, compared to 37% at March 31, 2007. In the future, subject to market conditions, the Bank plans to continue its increased emphasis on commercial and small business banking products. Mortgage-backed securities increased \$24.6 million to \$209.2 million at March 31, 2008, compared to \$184.7 million at March 31, 2007. The increase is attributable to purchases made with proceeds from the second step conversion. All purchases were agency backed, Fannie Mae and Freddie Mac mortgage-backed securities.

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Non-performing assets were \$2.3 million or 0.30% of total assets at March 31, 2008 compared to \$273,000 or 0.04% at March 31, 2007. The increase in non-performing assets is consistent with national trends in residential real estate. While our credit quality remains solid, Management continues to keep a watchful eye on the local market closely monitoring and managing credit quality, specifically acquisition and development and real estate construction loans. The Bank has recognized and identified the risk of acquisition and development lending and has limited its exposure in this area. The allowance for loan losses was \$3.3 million, or 0.69% of gross loans, at March 31, 2008 compared to \$2.8 million, or 0.56% of gross loans, at March 31, 2007.

Deposits decreased 6% to \$396.1 million at March 31, 2008 compared to \$422.2 million at March 31, 2007. Demand deposits and savings accounts increased \$9.3 million, or 5% to \$204.7 million at March 31, 2008. The increase was a result of growth in money market and non-interest bearing commercial demand deposit accounts. Certificates of deposit decreased \$35.4 million, or 16%, to \$191.4 million at March 31, 2008, compared to \$226.9 million at March 31, 2007. The decrease in certificates of deposit was primarily the result of the Bank choosing not to match rates offered by local competitors that in some instances exceeded the Bank's cost of alternative funding sources. Advances from the FHLB decreased 22% to \$155.5 million at March 31, 2008 compared to \$199.5 million at March 31, 2007. The decrease resulted from maturing advances being funded from excess liquidity.

Stockholders' equity increased \$94.3 million, or 85%, to \$205.4 million at March 31, 2008, compared to \$111.0 million at March 31, 2007. The increase was primarily a result of the \$88.4 million in net proceeds received from the second-step reorganization and conversion stock offering. The Company sold approximately 9.4 million shares of stock in its subscription, community and syndicated community offerings and issued approximately 7.1 million shares of its stock in exchange for the previously outstanding shares of the Bank's former mid-tier holding company, Home Federal Bancorp, Inc. A portion of the offering proceeds were used to make a loan to our employee stock ownership plan ("ESOP"), which purchased approximately 816,000 shares of the Company's common stock for an aggregate of \$8.2 million.

Other significant activity among equity accounts over the past twelve months included \$4.7 million in net income, the allocation of earned employee stock ownership plan shares, equity compensation and the exercise of stock options totaling \$2.5 million, and a \$624,000 increase in unrealized gains on securities available for sale, offset by \$1.9 million in cash dividends paid to stockholders. The Company's book value per share as of March 31, 2008 was \$11.84 per share based upon 17,343,229 outstanding shares of common stock.

About the Company

Home Federal Bancorp, Inc. is a Maryland corporation headquartered in Nampa, Idaho, and is the savings and loan holding company of Home Federal Bank, a federal savings bank that was originally organized as a building and loan association in 1920. The Company serves the Treasure Valley region of southwestern Idaho that includes Ada, Canyon, Elmore and Gem Counties, through 16 full-service banking offices and one loan center. The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "HOME." The Company's stock is also included in the America's Community Bankers NASDAQ Index. For more information, visit the Company's web site at www.myhomefed.com.

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Forward-Looking Statements:

Statements in this news release regarding future events, performance or results are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (“PSLRA”) and are made pursuant to the safe harbors of the PSLRA. Actual results could be materially different from those expressed or implied by the forward-looking statements. Factors that could cause results to differ include but are not limited to: general economic and banking business conditions, competitive conditions between banks and non-bank financial service providers, interest rate fluctuations, regulatory and accounting changes, the value of mortgage servicing rights, risks related to construction and development lending, commercial and small business banking and other risks. Additional factors that could cause actual results to differ materially are disclosed in Home Federal Bancorp, Inc.'s recent filings with the Securities and Exchange Commission, including but not limited to its Annual Report on Form 10-K for the year ended September 30, 2007, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Forward-looking statements are accurate only as of the date released, and we do not undertake any responsibility to update or revise any forward-looking statements to reflect subsequent events or circumstances.

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HOME FEDERAL BANCORP, INC. AND SUBSIDIARY
 CONSOLIDATED BALANCE SHEETS
 (In thousands, except share data) (Unaudited)

| | March 31, 2008 | September 30, 2007 | March 31, 2007 |
|--|-------------------|--------------------------|-------------------|
| ASSETS | | | |
| Cash and amounts due from depository institutions | \$ 36,353 | \$ 20,588 | \$ 12,558 |
| Mortgage-backed securities available for sale, at fair value | 209,239 | 162,258 | 13,001 |
| Mortgage-backed securities held to maturity, at cost | - | - | 171,668 |
| FHLB stock, at cost | 9,591 | 9,591 | 9,591 |
| Loan receivable, net of allowance for loan losses of \$3,307, \$2,988 and \$2,849 | 477,155 | 480,118 | 503,688 |
| Loans held for sale | 2,751 | 4,904 | 4,489 |
| Accrued interest receivable | 2,941 | 2,804 | 2,941 |
| Property and equipment, net | 13,613 | 12,364 | 12,630 |
| Mortgage servicing rights, net | 1,903 | 2,047 | 2,317 |
| Bank owned life insurance | 11,377 | 11,168 | 10,963 |
| Real estate and other property owned | 452 | 549 | - |
| Deferred income tax asset | - | 1,245 | - |
| Other assets | 2,736 | 2,318 | 2,108 |
| TOTAL ASSETS | \$ 768,111 | \$ 709,954 | \$ 745,954 |

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

| | | | |
|---|-----------|-----------|-----------|
| Deposit accounts: | | | |
| Noninterest-bearing demand deposits | \$ 37,323 | \$ 38,643 | \$ 36,006 |
| Interest-bearing demand deposits | 142,820 | 127,659 | 135,835 |
| Savings deposits | 24,524 | 23,116 | 23,486 |
| Certificates of deposit | 191,439 | 215,191 | 226,891 |
| Total deposit accounts | 396,106 | 404,609 | 422,218 |
| Advances by borrowers for taxes and insurance | 1,429 | 1,605 | 1,772 |
| Interest payable | 619 | 731 | 855 |
| Deferred compensation | 4,889 | 4,515 | 4,242 |
| FHLB advances | 155,553 | 180,730 | 199,495 |
| Deferred income tax liability | 377 | - | 604 |
| Other liabilities | 3,768 | 5,127 | 5,745 |
| Total liabilities | 562,741 | 597,317 | 634,931 |

STOCKHOLDERS' EQUITY

| | | | |
|---|---|---|---|
| Serial preferred stock, \$.01 par value; 10,000,000 authorized, issued and outstanding, none | - | - | - |
|---|---|---|---|

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Common stock, \$.01 par value; 90,000,000 authorized,
issued and outstanding:

| | | | |
|--|------------|------------|------------|
| Mar. 31, 2008 - 17,386,517 issued, 17,343,229 outstanding | 173 | 152 | 152 |
| Sept. 30, 2007 - 15,278,803 issued, 15,232,243 outstanding | | | |
| Mar. 31, 2007 - 15,208,750 issued, 15,189,019 outstanding | | | |
| Additional paid-in capital | 156,805 | 59,613 | 58,186 |
| Retained earnings | 59,475 | 58,795 | 56,677 |
| Unearned shares issued to ESOP | (11,634) | (3,698) | (3,918) |
| Accumulated other comprehensive loss | 551 | (2,225) | (74) |
| Total stockholders' equity | 205,370 | 112,637 | 111,023 |
| | | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 768,111 | \$ 709,954 | \$ 745,954 |

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HOME FEDERAL BANCORP, INC. AND
 SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
 (In thousands, except share data) (Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------|------------------|-----------|
| | March 31, | | March 31, | |
| | 2008 | 2007 | 2008 | 2007 |
| Interest and dividend income: | | | | |
| Loan interest | \$ 7,770 | \$ 8,470 | \$ 15,846 | \$ 16,997 |
| Investment interest | 510 | 15 | 774 | 44 |
| Mortgage-backed security interest | 2,148 | 2,244 | 4,091 | 4,550 |
| FHLB dividends | 31 | 9 | 50 | 19 |
| Total interest and dividend income | 10,459 | 10,738 | 20,761 | 21,610 |
| Interest expense: | | | | |
| Deposits | 2,872 | 3,005 | 6,086 | 6,015 |
| FHLB advances | 1,810 | 2,372 | 3,842 | 4,735 |
| Total interest expense | 4,682 | 5,377 | 9,928 | 10,750 |
| Net interest income | 5,777 | 5,361 | 10,833 | 10,860 |
| Provision for loan losses | 378 | - | 665 | 71 |
| Net interest income after provision for loan losses | 5,399 | 5,361 | 10,168 | 10,789 |
| Noninterest income: | | | | |
| Service charges and fees | 2,098 | 2,222 | 4,309 | 4,636 |
| Gain on sale of loans | 162 | 379 | 347 | 677 |
| Increase in cash surrender value of bank owned life insurance | 104 | 99 | 208 | 199 |
| Loan servicing fees | 126 | 142 | 253 | 286 |
| Mortgage servicing rights, net | (75) | (92) | (143) | (175) |
| Other | 63 | 11 | 108 | 21 |
| Total noninterest income | 2,478 | 2,761 | 5,082 | 5,644 |
| Noninterest expense: | | | | |
| Compensation and benefits | 4,053 | 3,851 | 7,752 | 7,865 |
| Occupancy and equipment | 760 | 727 | 1,471 | 1,429 |
| Data processing | 531 | 493 | 1,053 | 1,001 |
| Advertising | 271 | 300 | 571 | 596 |
| Postage and supplies | 171 | 174 | 321 | 320 |
| Professional services | 191 | 215 | 403 | 411 |
| Insurance and taxes | 140 | 106 | 225 | 209 |
| Other | 302 | 228 | 485 | 509 |
| Total noninterest expense | 6,419 | 6,094 | 12,281 | 12,340 |
| Income before income taxes | 1,458 | 2,028 | 2,969 | 4,093 |
| Income tax expense | 513 | 787 | 1,077 | 1,583 |
| NET INCOME | \$ 945 | \$ 1,241 | \$ 1,892 | \$ 2,510 |

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Earnings per common share:

| | | | | |
|--|------------|---------------|---------------|---------------|
| Basic | \$0.06 | \$0.08(1) | \$0.12(1) | \$0.15(1) |
| Diluted | 0.06 | 0.07(1) | 0.12(1) | 0.15(1) |
| Weighted average number of shares outstanding: | | | | |
| Basic | 15,962,325 | 16,576,439(1) | 16,352,427(1) | 16,562,244(1) |
| Diluted | 15,978,217 | 16,690,594(1) | 16,374,451(1) | 16,682,322(1) |
| Dividends declared per share: | \$0.055 | \$0.048(1) | \$0.103(1) | \$0.096(1) |

(1) Earnings per share, dividends per share and average common shares outstanding have been adjusted to reflect the impact of the second-step conversion and reorganization of the Company, which occurred on December 19, 2007.

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| HOME FEDERAL BANCORP, INC. AND SUBSIDIARY ADDITIONAL FINANCIAL INFORMATION (Dollars in thousands, except share data) (Unaudited) | At Or For The Six Months Ended March 31, 2008 | At Or For The Year Ended Sept. 30, 2007 |
|--|--|---|
| FINANCIAL CONDITION DATA | | |
| Average interest-earning assets | \$ 706,169 | \$ 703,675 |
| Average interest-bearing liabilities | 530,726 | 582,936 |
| Net average earning assets | 175,443 | 120,739 |
| Average interest-earning assets to average interest-bearing liabilities | 133.06% | 120.71% |
| Stockholders' equity to assets | 26.74 | 15.87 |
| ASSET QUALITY | | |
| Allowance for loan losses | \$ 3,307 | \$ 2,988 |
| Non-performing loans | 1,852 | 1,531 |
| Non-performing assets | 2,304 | 2,080 |
| Allowance for loan losses to non-performing loans | 178.56% | 195.17% |
| Allowance for loan losses to gross loans | 0.69 | 0.62 |
| Non-performing loans to gross loans | 0.39 | 0.32 |
| Non-performing assets to total assets | 0.30 | 0.30 |

| | At Or For The Three Months Ended Mar. 31, | | At Or For The Six Months Ended Mar. 31, | |
|---------------------------------------|--|---------------|--|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| SELECTED PERFORMANCE RATIOS | | | | |
| Return on average assets (1) | 0.49% | 0.66% | 0.51% | 0.66% |
| Return on average equity (1) | 1.83 | 4.47 | 2.28 | 4.55 |
| Net interest margin (1) | 3.15 | 3.00 | 3.07 | 3.02 |
| Efficiency ratio (2) | 77.76 | 75.03 | 77.17 | 74.77 |
| PER SHARE DATA | | | | |
| Basic earnings per share | \$ 0.06 | \$ 0.08(4) | \$ 0.12(4) | \$ 0.15(4) |
| Diluted earnings per share | 0.06 | 0.07(4) | 0.12(4) | 0.15(4) |
| Book value per share | 11.84 | 6.43(4) | 11.84 | 6.43(4) |
| Cash dividends declared per share | 0.055 | 0.048(4) | 0.103(4) | 0.096(4) |
| Average number of shares outstanding: | | | | |
| Basic (3) | 15,962,325 | 16,576,439(4) | 16,352,427(4) | 16,562,244(4) |
| Diluted (3) | 15,978,217 | 16,690,594(4) | 16,374,451(4) | 16,682,322(4) |

(1) Amounts are annualized.

(2) Noninterest expense divided by net interest income plus noninterest income.

(3) Amounts calculated exclude ESOP shares not committed to be released and unvested restricted shares granted under the 2005 Recognition and Retention Plan.

- (4) Earnings per share, book value per share, dividends per share and average common shares outstanding have been adjusted to reflect the impact of the second-step conversion and reorganization of the Company, which occurred on December 19, 2007.
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