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HOME FEDERAL BANCORP INC
Form 8-K
November 02, 2007

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: November 2, 2007

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

| | | |
|--------------------------------------------------------------|------------------------------------------|-------------------------------------------------------|
| Federal (State or other jurisdiction of incorporation) | 000-50901 (Commission File Number) | 20-0945587 (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 November 2, 2007, Home Federal Bancorp, Inc. issued its earnings release for the fourth quarter and fiscal year ended September 30, 2007. 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

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(c) Exhibits

99.1 Press release of Home Federal Bancorp, Inc. dated November 2, 2007

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: November 2, 2007

By: /s/ Robert A. Schoelkoph

Robert A. Schoelkoph
Senior Vice President and
Chief Financial Officer

Exhibit 99.1

Contact:
Home Federal Bancorp, Inc.
Daniel L. Stevens, Chairman,
President & CEO
Robert A. Schoelkoph, SVP,
Treasurer & CFO
208-466-4634
www.myhomefed.com

PRESS RELEASE - For Immediate Release

HOME FEDERAL BANCORP, INC.
ANNOUNCES FOURTH QUARTER AND ANNUAL EARNINGS

Nampa, ID (November 2, 2007) - Home Federal Bancorp, Inc. (the "Company") (Nasdaq GSM: HOME), the parent company of Home Federal Bank (the "Bank"), today reported net income of \$1.2 million, or \$0.08 per diluted share, for the quarter ended September 30, 2007, compared to \$1.7 million, or \$0.11 per diluted share, for the same period a year ago. Net income for the fiscal year ended September 30, 2007 was \$5.3 million, or \$0.36 per diluted share, compared to \$6.2 million, or \$0.43 per diluted share, for the fiscal year ended September 30, 2006.

"We continue to experience increasing positive results from the implementation of our Bank's new commercial banking division and we are pleased with our

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employee's ability to leverage our market reputation for excellent service through our new commercial banking initiative," said Daniel L. Stevens, the Company's Chairman, President and CEO. "The Bank's management team has developed, and is successfully implementing, effective strategic and tactical plan elements which currently benefit our customers and shareholders and which will become the foundation for the future of the Company. One of the current business strategies is to redeploy the proceeds from amortization and payoffs in the residential mortgage and mortgage-backed securities portfolios to assets acquired through the commercial banking initiative."

Operating Results

Revenues for the quarter ended September 30, 2007, which consisted of net interest income before the provision for loan losses plus noninterest income, decreased 7.9% to \$7.7 million for the quarter, compared to \$8.4 million for the quarter ended September 30, 2006. Net interest income before the provision for loan losses decreased 8.2% to \$5.1 million for the quarter ended September 30, 2007 compared to \$5.6 million for the same quarter of the prior year as the cost of deposits increased more rapidly than the yield on loans and investments.

Revenues for the fiscal year ended September 30, 2007 decreased 4.7% to \$32.5 million, compared to \$34.1 million for the same period of last year. Net interest income before the provision for loan losses decreased 7.4% to \$21.3 million, compared to \$23.0 million for the same period of last year.

A provision of \$338,000 was taken for the quarter ended September 30, 2007 compared to a recapture of provision of \$182,000 for the same quarter of the prior year. The provision for loan losses was \$409,000 for the fiscal year ended September 30, 2007, compared to \$138,000 for the fiscal year ended September 30, 2006. The increases in the provision for both time periods reflect an increase in activity within non-performing assets.

The Company's net interest margin decreased eight basis points to 3.04% for the quarter ended September 30, 2007, from 3.12% for the same quarter last year. The net interest margin for the fiscal year ended September 30, 2007 decreased 30 basis points to 3.03% from 3.33% for the prior year. The

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decline in the net interest margin reflects competitive pricing pressures and the relatively flat yield curve that exists, as the cost of shorter-term deposits and borrowed funds have increased more rapidly than the yield on longer-term assets. The Company believes the repricing of existing loans and the emphasis on expanding the commercial and small business banking programs, including both loan and deposit products, will help counter the trend in net interest margin.

Noninterest income decreased 7.3% to \$2.6 million for the quarter ended September 30, 2007, compared to \$2.8 million for the same quarter a year ago. The decrease was primarily attributable to a \$90,000 decrease related to the value of the mortgage servicing rights and a \$102,000 decrease in fees and service charges. For the fiscal year ended September 30, 2007, noninterest income increased .7% to \$11.2 million, compared to \$11.1 million for the same period of the prior year.

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Noninterest expense for the quarter ended September 30, 2007 decreased \$472,000, or 8.0%, to \$5.4 million, from \$5.9 million for the comparable period a year earlier. Compensation and benefit expenses decreased \$767,000, or 21%, to \$2.9 million for the quarter ended September 30, 2007 as compared to \$3.7 million for the same quarter a year ago. This reduction was due to a combination of reduced number of employees and decreased incentive compensation in the fiscal year just ended. Advertising expenses increased \$218,000 or 76.5% to \$503,000 for the quarter ended September 30, 2007 as compared to \$285,000 for the same quarter a year ago. The increase is primarily attributable to a debit card rewards program and a business banking campaign that were recently initiated. The debit card rewards program is designed to reward customers for their debit card usage which results in additional interchange income to the Company. The Company's efficiency ratio was 70.3% for the quarter ended September 30, 2007, relatively unchanged from 70.4% 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 the fiscal year ended September 30, 2007 decreased \$400,000, or 1.7% to \$23.5 million, from \$23.9 million for the fiscal year ended September 30, 2006. Compensation and benefits decreased and advertising expenses increased from the prior year, 5.5% or \$832,000 and 43.9% or \$450,000 respectively. The efficiency ratio was 72.5% for the fiscal year ended September 30, 2007 compared to 70.2% for the same period of the prior year. The reduction in the Company's net interest income was the primary factor related to the increase in the efficiency ratio.

Balance Sheet Growth

Total assets decreased \$51.3 million, or 6.7%, to \$710.0 million at September 30, 2007, compared to \$761.3 million a year earlier. Net loans (excluding loans held for sale) at September 30, 2007 decreased 4.6% to \$480.1 million, compared to \$503.1 million at September 30, 2006. One- to four-family residential loans represented 52.0% of the Bank's loan portfolio at September 30, 2007, compared to 59.5% at September 30, 2006 as the Bank continues to sell the majority of the residential mortgage loans that it originates. Commercial loans accounted for 38.8% of the Bank's loan portfolio at September 30, 2007, compared to 33.3% at September 30, 2006. In the future, the Bank plans to increase its emphasis on commercial and small business banking products. Mortgage-backed securities decreased \$33.3 million to \$162.3 million at September 30, 2007, compared to \$195.5 million at September 30, 2006. The decrease is primarily attributable to normal principal repayments during the period. During the quarter ended June 30, 2007, the Company transferred its entire portfolio of held-to-maturity mortgage-backed securities to available for sale to meet the additional liquidity needs associated with increasing commercial banking activities.

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Non-performing assets were \$2.1 million, or 0.30% of total assets, at September 30, 2007, compared to \$388,000, or 0.05% of total assets, at September 30, 2006. The increase in non-performing assets isn't concentrated in once specific area, but rather was experienced throughout all major loan types. Although the Company experienced an increase in non-performing assets, overall credit quality remains excellent. The allowance for loan losses was

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\$3.0 million, or 0.62% of gross loans, at September 30, 2007 compared to \$3.0 million, or 0.59% of gross loans, at September 30, 2006.

Deposits decreased \$25.7 million, or 6.0%, to \$404.6 million at September 30, 2007 compared to \$430.3 million at September 30, 2006. Demand deposits and savings accounts decreased \$7.1 million, or 3.6%, to \$189.4 million, compared to \$196.6 million at September 30, 2006. Certificates of deposit decreased \$18.5 million, or 7.9%, to \$215.2 million at September 30, 2007, compared to \$233.7 million at September 30, 2006. 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 alternative funding sources. Advances from the Federal Home Loan Bank ("FHLB") decreased \$30.0 million, or 14.3%, to \$180.7 million at September 30, 2007 compared to \$210.8 million at September 30, 2006. The Company utilizes advances from the FHLB as an alternative funding source to retail deposits in order to manage funding costs, manage interest rate risk and to leverage the Balance Sheet.

Stockholders' equity increased \$4.8 million, or 4.4%, to \$112.6 million at September 30, 2007, compared to \$107.9 million at September 30, 2006. The increase was primarily the result of \$5.3 million in net income and the allocation of earned employee stock ownership plan shares, equity compensation and the exercise of stock options totaling \$2.2 million, offset by \$1.3 million in cash dividends paid to stockholders and a \$2.0 million increase in unrealized losses on securities available for sale. During the quarter ended June 30, 2007, the Company transferred its entire portfolio of held-to-maturity mortgage-backed securities to available for sale for additional liquidity purposes. As a result, stockholders' equity was decreased by the securities unrealized holding loss of \$1.9 million at the date of transfer.

About the Company

Home Federal Bancorp, Inc. is a federally chartered savings and loan holding company headquartered in Nampa, Idaho. It is the subsidiary of Home Federal MHC, a federally chartered mutual holding company, and the parent company of Home Federal Bank, a federally chartered 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 15 full-service banking offices and two mortgage loan centers. The Company's common stock is traded on the NASDAQ Global 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.

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,

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risks related to construction and development lending, increased emphasis on 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, 2006, 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) | September 30, 2007 | September 30, 2006 |
|-----------------------------------------------------------------------------|-----------------------|-----------------------|
| | ----- | ----- |
| ASSETS | | |
| Cash and amounts due from depository institutions | \$ 20,588 | \$ 18,385 |
| Mortgage-backed securities available for sale, at fair value | 162,258 | 12,182 |
| Mortgage-backed securities held to maturity, at cost | - | 183,279 |
| FHLB stock, at cost | 9,591 | 9,591 |
| Loan receivable, net of allowance for loan losses of \$2,988 and \$2,974 | 480,118 | 503,065 |
| Loans held for sale | 4,904 | 4,119 |
| Accrued interest receivable | 2,804 | 3,025 |
| Property and equipment, net | 12,364 | 12,849 |
| Mortgage servicing rights, net | 2,047 | 2,492 |
| Bank owned life insurance | 11,168 | 10,763 |
| Real estate and other property owned | 549 | - |
| Deferred income tax asset | 1,245 | - |
| Other assets | 2,318 | 1,542 |
| | ----- | ----- |
| TOTAL ASSETS | \$709,954 | \$761,292 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Deposit accounts | | |
| Noninterest-bearing demand deposits | \$ 38,643 | \$ 44,626 |
| Interest-bearing demand deposits | 127,659 | 128,276 |
| Savings deposits | 23,116 | 23,655 |
| Certificates of deposit | 215,191 | 233,724 |
| | ----- | ----- |
| Total deposit accounts | 404,609 | 430,281 |
| Advances by borrowers for taxes and insurance | 1,605 | 2,133 |
| Interest payable | 731 | 971 |

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| | | |
|-------------------------------|---------|---------|
| Deferred compensation | 4,515 | 3,875 |
| FHLB advances | 180,730 | 210,759 |
| Deferred income tax liability | - | 800 |
| Other liabilities | 5,127 | 4,604 |
| | ----- | ----- |
| Total liabilities | 597,317 | 653,423 |

STOCKHOLDERS' EQUITY

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Serial preferred stock, \$.01 par value; 5,000,000 authorized issued and outstanding, none | - | - |
| Common stock, \$.01 par value; 50,000,000 authorized, issued and outstanding: Sept. 30, 2007 - 15,278,803 issued, 15,232,243 outstanding | 152 | 152 |
| Sept. 30, 2006 - 15,208,750 issued, 15,169,114 outstanding | | |
| Additional paid-in capital | 59,613 | 57,222 |
| Retained earnings | 58,795 | 54,805 |
| Unearned shares issued to ESOP | (3,698) | (4,134) |
| Accumulated other comprehensive loss | (2,225) | (176) |
| | ----- | ----- |
| Total stockholders' equity | 112,637 | 107,869 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$709,954 | \$761,292 |
| | ===== | ===== |

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HOME FEDERAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share data)
(Unaudited)

| | Three Months Ended | | Year Ended | |
|---------------------------------------|--------------------|----------|---------------|----------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| | ----- | ----- | ----- | ----- |
| Interest and dividend income: | | | | |
| Loan interest | \$ 8,222 | \$ 8,216 | \$33,553 | \$30,175 |
| Investment interest | 122 | 26 | 345 | 140 |
| Mortgage-backed security interest | 2,019 | 2,378 | 8,692 | 9,598 |
| FHLB dividends | 15 | - | 48 | - |
| | ----- | ----- | ----- | ----- |
| Total interest and dividend income | 10,378 | 10,620 | 42,638 | 39,913 |
| | ----- | ----- | ----- | ----- |
| Interest expense: | | | | |
| Deposits | 3,133 | 2,727 | 12,279 | 8,914 |
| FHLB advances | 2,115 | 2,307 | 9,057 | 8,003 |
| | ----- | ----- | ----- | ----- |
| Total interest expense | 5,248 | 5,034 | 21,336 | 16,917 |
| | ----- | ----- | ----- | ----- |
| Net interest income | 5,130 | 5,586 | 21,302 | 22,996 |

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| | | | | |
|---------------------------------------------------------------|------------|------------|------------|------------|
| Provision for loan losses | 338 | (182) | 409 | 138 |
| | ----- | ----- | ----- | ----- |
| Net interest income after provision for loan losses | 4,792 | 5,768 | 20,893 | 22,858 |
| | ----- | ----- | ----- | ----- |
| Noninterest income: | | | | |
| Service charges and fees | 2,297 | 2,399 | 9,218 | 9,292 |
| Gain on sale of loans | 251 | 262 | 1,419 | 1,056 |
| Increase in cash surrender value of bank owned life insurance | 104 | 98 | 405 | 383 |
| Loan servicing fees | 129 | 150 | 549 | 620 |
| Mortgage servicing rights, net | (222) | (132) | (445) | (179) |
| Other | 5 | (11) | 44 | (63) |
| | ----- | ----- | ----- | ----- |
| Total noninterest income | 2,564 | 2,766 | 11,190 | 11,109 |
| | ----- | ----- | ----- | ----- |
| Noninterest expense: | | | | |
| Compensation and benefits | 2,886 | 3,653 | 14,249 | 15,081 |
| Occupancy and equipment | 726 | 686 | 2,871 | 2,759 |
| Data processing | 548 | 438 | 2,097 | 1,802 |
| Advertising | 503 | 285 | 1,475 | 1,025 |
| Postage and supplies | 163 | 195 | 650 | 811 |
| Professional services | 236 | 276 | 856 | 917 |
| Insurance and taxes | 106 | 111 | 429 | 431 |
| Other | 243 | 239 | 918 | 1,119 |
| | ----- | ----- | ----- | ----- |
| Total noninterest expense | 5,411 | 5,883 | 23,545 | 23,945 |
| | ----- | ----- | ----- | ----- |
| Income before income taxes | 1,945 | 2,651 | 8,538 | 10,022 |
| Income tax expense | 750 | 993 | 3,267 | 3,810 |
| | ----- | ----- | ----- | ----- |
| NET INCOME | \$ 1,195 | \$ 1,658 | \$ 5,271 | \$ 6,212 |
| | ===== | ===== | ===== | ===== |
| Earnings per common share: | | | | |
| Basic | \$ 0.08 | \$ 0.11 | \$ 0.36 | \$ 0.43 |
| Diluted | \$ 0.08 | \$ 0.11 | \$ 0.36 | \$ 0.43 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 14,670,519 | 14,503,619 | 14,614,509 | 14,484,982 |
| Diluted | 14,734,001 | 14,589,904 | 14,759,876 | 14,519,778 |
| Dividends declared per share: | \$0.055 | \$0.055 | \$0.220 | \$0.215 |

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HOME FEDERAL BANCORP, INC. AND SUBSIDIARY
 ADDITIONAL FINANCIAL INFORMATION
 (Dollars in thousands, except share data)
 (Unaudited)

At Or For The
 Year Ended
 Sept. 30, 2007

 At Or For The
 Year Ended
 Sept. 30, 2006

FINANCIAL CONDITION DATA

| | | |
|-------------------------------------------------------------------------|-----------|-----------|
| Average interest-earning assets | \$703,675 | \$689,688 |
| Average interest-bearing liabilities | 582,936 | 563,834 |
| Net average earning assets | 120,739 | 125,854 |
| Average interest-earning assets to average interest-bearing liabilities | 120.71% | 122.32% |
| Stockholders' equity to assets | 15.87 | 14.17 |

ASSET QUALITY

| | | |
|---------------------------------------------------|----------|----------|
| Allowance for loan losses | \$ 2,988 | \$ 2,974 |
| Non-performing loans | 1,531 | 388 |
| Non-performing assets | 2,080 | 388 |
| Allowance for loan losses to non-performing loans | 195.17% | 766.49% |
| Allowance for loan losses to gross loans | 0.62 | 0.59 |
| Non-performing loans to gross loans | 0.32 | 0.08 |
| Non-performing assets to total assets | 0.30 | 0.05 |

| At Or For The Three Months Ended Sept. 30, | | At Or For The Year Ended Sept. 30, | |
|--------------------------------------------------|---------------|------------------------------------------|---------------|
| ----- 2007 | ----- 2006 | ----- 2007 | ----- 2006 |
| ----- | ----- | ----- | ----- |

SELECTED PERFORMANCE RATIOS

| | | | | |
|------------------------------|-------|-------|-------|-------|
| Return on average assets (1) | 0.67% | 0.88% | 0.71% | 0.85% |
| Return on average equity (1) | 4.27 | 6.16 | 4.75 | 5.90 |
| Net interest margin (1) | 3.04 | 3.12 | 3.03 | 3.33 |
| Efficiency ratio (2) | 70.33 | 70.44 | 72.46 | 70.21 |

PER SHARE DATA

| | | | | |
|---------------------------------------|------------|------------|------------|------------|
| Basic earnings per share | \$0.08 | \$0.11 | \$0.36 | \$0.43 |
| Diluted earnings per share | 0.08 | 0.11 | 0.36 | 0.43 |
| Book value per share | 7.39 | 7.11 | 7.39 | 7.11 |
| Cash dividends declared per share | 0.055 | 0.055 | 0.22 | 0.215 |
| Average number of shares outstanding: | | | | |
| Basic (3) | 14,670,519 | 14,503,619 | 14,614,509 | 14,484,982 |
| Diluted (3) | 14,734,001 | 14,589,904 | 14,759,876 | 14,519,778 |

- (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.

