

HOME FEDERAL BANCORP INC
Form 8-K
January 18, 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: **January 18, 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))

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Item 2.02 Results of Operations and Financial Condition

On January 18, 2007, Home Federal Bancorp, Inc. issued its earnings release for the first quarter of its fiscal year ending 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

(c) Exhibits

99.1 Press release of Home Federal Bancorp, Inc. dated January 18, 2007

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SIGNATURES

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

HOME FEDERAL BANCORP, INC.

Date: January 18, 2007

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

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Exhibit 99.1

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CEO

CFO

Contact:

Home Federal Bancorp, Inc.
Daniel L. Stevens, Chairman, President &

Robert A. Schoelkoph, SVP, Treasurer &

208-466-4634

www.myhomefed.com

PRESS RELEASE - For Immediate Release

HOME FEDERAL BANCORP, INC. ANNOUNCES FIRST QUARTER EARNINGS

Nampa, ID (January 18, 2007)

- Home Federal Bancorp, Inc. (the "Company") (Nasdaq GSM: HOME), the parent company of Home Federal Bank (the "Bank"), today announced net income for the first quarter of its fiscal year ending September 30, 2007. For the quarter ended December 31, 2006, the Company reported net income of \$1.3 million, or \$0.09 per diluted share compared to \$1.8 million, or \$0.12 per diluted share, for the same period a year ago.

"During the past year, we have maintained solid loan growth and outstanding asset quality despite the challenges of the current interest rate environment," said Daniel L. Stevens, the Company's Chairman and CEO. As a result of a comprehensive and continuing review of the Company's strategic business plan, the Company has recognized an

opportunity to increase its new commercial and small business banking programs. In support of those initiatives, the Bank announced in December 2006 the hiring of Steven D. Emerson as Senior Vice President and Chief Lending Officer of the Bank. "As Chief Lending Officer, Steve will be responsible for expanding the commercial and small business banking programs," said Len Williams, President of Home Federal Bank. "He is well established in the Treasure Valley marketplace and brings tremendous business banking and leadership skills to our management team."

First Quarter Highlights (at or for the periods ended December 31, 2006 compared to December 31, 2005):

- Interest and dividend income increased 17% to \$10.9 million
- Total assets increased 10% to \$767.6 million
- Net loans increased 16% to \$511.6 million
- Non-performing assets decreased from \$180,000 to zero

Operating Results

Revenues for the quarter ended December 31, 2006, which consisted of net interest income before the provision for loan losses plus noninterest income, decreased 5% to \$8.4 million for the quarter, compared to \$8.8 million for the quarter ended December 31, 2005. Net interest income before the provision for loan losses decreased 8% to \$5.5 million for the quarter ended December 31, 2006 compared to \$6.0 million for the same quarter of the prior year as the cost of deposits increased more rapidly than the yield on loans and investments.

A provision for loan losses of \$71,000 was established by management in connection with its analysis of the loan portfolio for the current quarter, compared to a provision for loan losses of \$55,000 established for the same quarter of the prior year. The \$16,000 increase in the provision reflects the increase in loans receivable, partially offset by a reduction of classified assets, nonperforming loans and net charge-offs.

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The Company's net interest margin decreased 61 basis points to 3.05% for the quarter ended December 31, 2006, from 3.66% for the same quarter last year. The decline in the net interest margin reflects competitive pricing pressures and the relatively flat yield curve that existed during the quarter, as the cost of shorter-term deposits and borrowed funds 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 loans and deposit products, will help counter the trend in net interest margin, however, pressure will likely continue in the near term as a result of competitive pricing pressures and the flat yield curve environment.

Noninterest income increased 3% to \$2.9 million for the quarter ended December 31, 2006, compared to \$2.8 million for the same quarter a year ago. The increase was primarily attributable to a \$28,000 increase in service charges and fees and a \$52,000 increase in other noninterest income. As a result of the Company's conversion of its core processing system during the quarter ended December 31, 2005, the Company retired fixed assets and software related to the prior system, resulting in an \$86,000 charge to other noninterest income.

Noninterest expense for the quarter ended December 31, 2006 increased \$366,000, or 6%, to \$6.2 million, from \$5.9 million for the comparable period a year earlier. Compensation and benefit expenses increased \$208,000, or 5%, to \$4.0 million for the quarter ended December 31, 2006 as compared to \$3.8 million for the same quarter a year ago. The majority of the increase is attributable to an increase in the number of full-time equivalent employees and annual merit increases. As of December 31, 2006, the Company employed 247 full-time equivalent employees, compared to 231 at December 31, 2005. In October 2006, the Company opened its fifth branch in Canyon County that added 7 full-time equivalent employees. Data processing expenses increased \$167,000, or 49%, as a result of the outsourcing of the Company's check processing function during the conversion of its core processing system in November 2005. The outsourcing costs were offset by a corresponding reduction in compensation, equipment expense and other costs. The Company's efficiency ratio was 74.5% for the quarter ended December 31, 2006 compared to 66.9% 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.

Balance Sheet Growth

Total assets increased 10% to \$767.6 million at December 31, 2006, compared to \$695.7 million a year earlier. Net loans (excluding loans held for sale) at December 31, 2006 increased 16% to \$511.6 million, compared to \$439.2 million at December 31, 2005. One- to four-family residential loans represented 60% of the Bank's loan portfolio at December 31, 2006, compared to 62% at December 31, 2005. Commercial real estate loans accounted for 30% of the Bank's loan portfolio at December 31, 2006, compared to 28% at December 31, 2005. In the future, the Bank plans to increase its emphasis on commercial and small business banking products.

The Company's credit quality remains exceptional, as there were no non-performing assets at December 31, 2006, compared to \$180,000, or 0.03% of total assets, at December 31, 2005. The allowance for loan losses was \$3.0 million, or 0.59% of gross loans, at December 31, 2006 compared to \$2.9 million, or 0.66% of gross loans, at December 31, 2005.

Deposits increased 4% to \$425.1 million at December 31, 2006 compared to \$410.2 million at December 31, 2005. Demand deposits and savings accounts decreased \$10.9 million, or 5%, as

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customers migrated towards higher rate deposit products the past year. Noninterest-bearing demand deposits decreased \$9.5 million, or 20%, to \$37.9 million at December 31, 2006, compared to \$47.4 million at December 31, 2005. The majority of the decrease in noninterest-bearing demand deposits was the result of a single commercial relationship that reduced their outstanding balances by approximately \$8.1 million. Interest-bearing demand deposits increased \$692,000, or less than 1%, to \$130.3 million at December 31, 2006, compared to \$129.6 million at December 31, 2005. Certificates of deposit increased \$25.8 million, or 12%, to \$233.9 million at December 31, 2006, compared to \$208.1 million at December 31, 2005. The majority of the increase in certificates of deposits was in shorter-term deposits of six to 23-month terms. Advances from the Federal Home Loan Bank ("FHLB") increased 29% to \$221.2 million at December 31, 2006 compared to \$171.8 million at December 31, 2005. The Company utilizes advances from the FHLB as an alternative funding source to retail deposits in order to manage funding costs, reduce interest rate risk and to leverage the Balance Sheet.

Stockholders' equity increased \$6.3 million, or 6%, to \$109.5 million at December 31, 2006, compared to \$103.2 million at December 31, 2005. The increase was primarily the result of \$5.7 million in net income for the period, \$738,000 in earned employee stock ownership plan ("ESOP") shares and \$903,000 in equity compensation, offset by

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\$1.3 million of cash dividends paid to stockholders. The Company's book value per share as of December 31, 2006 was \$7.21 per share based upon 15,189,019 outstanding shares of common stock.

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 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 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, 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, 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) | December 31, 2006 | September 30, 2006 | December 31, 2005 |
|---|----------------------|-----------------------|----------------------|
| ASSETS | | | |
| Cash and amounts due from depository institutions | \$ 20,723 | \$ 18,385 | \$ 11,051 |
| Mortgage-backed securities available for sale, at fair value | 13,733 | 12,182 | 13,957 |
| Mortgage-backed securities held to maturity, at cost | 177,340 | 183,279 | 187,498 |
| FHLB stock, at cost | 9,591 | 9,591 | 9,591 |
| Loan receivable, net of allowance for loan losses of \$3,045, \$2,974 and \$2,924 | 511,561 | 503,065 | 439,241 |
| Loans held for sale | 3,667 | 4,119 | 3,567 |

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| | | | |
|--|-----------|-----------|-----------|
| Accrued interest receivable | 3,127 | 3,025 | 2,683 |
| Property and equipment, net | 12,721 | 12,849 | 13,375 |
| Mortgage servicing rights, net | 2,409 | 2,492 | 2,576 |
| Bank owned life insurance | 10,863 | 10,763 | 10,181 |
| Real estate and other property owned | - | - | 175 |
| Other assets | 1,849 | 1,542 | 1,823 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | \$767,584 | \$761,292 | \$695,718 |
| | <hr/> | <hr/> | <hr/> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| LIABILITIES | | | |
| Deposit accounts: | | | |
| Noninterest-bearing demand deposits | \$ 37,939 | \$ 44,626 | \$ 47,437 |
| Interest-bearing demand deposits | 130,273 | 128,276 | 129,581 |
| Savings deposits | 23,023 | 23,655 | 25,128 |
| Certificates of deposit | 233,888 | 233,724 | 208,078 |
| | <hr/> | <hr/> | <hr/> |
| Total deposit accounts | 425,123 | 430,281 | 410,224 |
| Advances by borrowers for taxes and insurance | 950 | 2,133 | 926 |
| Interest payable | 950 | 971 | 1,275 |
| Deferred compensation | 4,037 | 3,875 | 3,234 |
| FHLB advances | 221,156 | 210,759 | 171,788 |
| Deferred income tax liability | 842 | 800 | 1,175 |
| Other liabilities | 4,984 | 4,604 | 3,939 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | 658,042 | 653,423 | 592,561 |
| 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: | | | |
| Dec. 31, 2006 - 15,208,750 issued, 15,189,019 outstanding | 152 | 152 | 152 |
| Sept. 30, 2006 - 15,208,750 issued, 15,169,114 outstanding | | | |
| Dec. 31, 2005 - 15,208,750 issued, 15,152,114 outstanding | | | |
| Additional paid-in capital | 57,774 | 57,222 | 56,373 |
| Retained earnings | 55,756 | 54,805 | 51,291 |
| Unearned shares issued to ESOP | (4,027) | (4,134) | (4,449) |
| Accumulated other comprehensive loss | (113) | (176) | (210) |
| | <hr/> | <hr/> | <hr/> |
| Total stockholders' equity | 109,542 | 107,869 | 103,157 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$767,584 | \$761,292 | \$695,718 |
| | <hr/> | <hr/> | <hr/> |

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

Three Months Ended
 December 31,

| | 2006 | 2005 |
|---|---------|---------|
| Interest and dividend income: | | |
| Loan interest | \$8,527 | \$6,934 |
| Investment interest | 29 | 11 |
| Mortgage-backed security interest | 2,306 | 2,386 |
| FHLB dividends | 10 | - |
| Total interest and dividend income | 10,872 | 9,331 |
| Interest expense: | | |
| Deposits | 3,010 | 1,597 |
| FHLB advances | 2,363 | 1,752 |
| Total interest expense | 5,373 | 3,349 |
| Net interest income | 5,499 | 5,982 |
| Provision for loan losses | 71 | 55 |
| Net interest income after provision for loan losses | 5,428 | 5,927 |
| Noninterest income: | | |
| Service charges and fees | 2,414 | 2,386 |
| Gain on sale of loans | 298 | 311 |
| Increase in cash surrender value of bank owned life insurance | 100 | 82 |
| Loan servicing fees | 144 | 160 |
| Mortgage servicing rights, net | (83) | (96) |
| Other | 10 | (42) |
| Total noninterest income | 2,883 | 2,801 |
| Noninterest expense: | | |
| Compensation and benefits | 4,014 | 3,806 |
| Occupancy and equipment | 702 | 728 |
| Data processing | 508 | 341 |
| Advertising | 296 | 214 |

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| | | |
|--|------------|------------|
| Postage and supplies | 146 | 231 |
| Professional services | 196 | 187 |
| Insurance and taxes | 103 | 103 |
| Other | 281 | 270 |
| | <hr/> | <hr/> |
| Total noninterest expense | 6,246 | 5,880 |
| | <hr/> | <hr/> |
| Income before income taxes | 2,065 | 2,848 |
| Income tax expense | 796 | 1,088 |
| | <hr/> | <hr/> |
| NET INCOME | \$1,269 | \$1,760 |
| | <hr/> | <hr/> |
| Earnings per common share: | | |
| Basic | \$0.09 | \$0.12 |
| Diluted | \$0.09 | \$0.12 |
| Weighted average number of shares outstanding: | | |
| Basic | 14,567,261 | 14,466,288 |
| Diluted | 14,723,947 | 14,469,663 |
| Dividends declared per share: | \$0.055 | \$0.050 |

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| HOME FEDERAL BANCORP, INC. AND SUBSIDIARY ADDITIONAL FINANCIAL INFORMATION (Dollars in thousands, except share data) (Unaudited) | At Or For The Three Months Ended Dec. 31, 2006 | At Or For The Year Ended Sept. 30, 2006 |
|--|---|---|
| | <hr/> | <hr/> |
| FINANCIAL CONDITION DATA | | |
| Average interest-earning assets | \$722,025 | \$689,688 |
| Average interest-bearing liabilities | 600,663 | 563,834 |
| Net average earning assets | 121,362 | 125,854 |
| Average interest-earning assets to average interest-bearing liabilities | 120.20% | 122.32% |
| Stockholders' equity to assets | 14.27 | 14.17 |
| ASSET QUALITY | | |
| Allowance for loan losses | \$3,045 | \$2,974 |
| Non-performing loans | - | 388 |
| Non-performing assets | - | 388 |
| Allowance for loan losses to non-performing loans | n/a | 766.49% |
| Allowance for loan losses to gross loans | 0.59% | 0.59 |
| Non-performing loans to gross loans | n/a | 0.08 |
| Non-performing assets to total assets | n/a | 0.05 |

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At Or For The Three Months
Ended Dec. 31,

| | 2006 | 2005 |
|--|------|------|
|--|------|------|

SELECTED PERFORMANCE RATIOS

| | | |
|---|-------|-------|
| Return on average assets ⁽¹⁾ | 0.66% | 1.02% |
| Return on average equity ⁽¹⁾ | 4.63 | 6.82 |
| Net interest margin ⁽¹⁾ | 3.05 | 3.66 |
| Efficiency ratio ⁽²⁾ | 74.52 | 66.95 |

PER SHARE DATA

| | | |
|---------------------------------------|------------|------------|
| Basic earnings per share | \$ 0.09 | \$ 0.12 |
| Diluted earnings per share | 0.09 | 0.12 |
| Book value per share | 7.21 | 6.81 |
| Cash dividends declared per share | 0.055 | 0.050 |
| Average number of shares outstanding: | | |
| Basic ⁽³⁾ | 14,567,261 | 14,466,288 |
| Diluted ⁽³⁾ | 14,723,947 | 14,469,663 |

(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.

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