Home Federal Bancorp, Inc.
Form 424B3
November 16, 2007

Filed Pursuant to Rule 424(b)3
File No. 333-146292

PROSPECTUS OF HOME FEDERAL BANCORP, INC. (NEW)
PROXY STATEMENT OF HOME FEDERAL BANCORP, INC.

Home Federal Bancorp, Inc., Home Federal Bank and Home Federal MHC are converting from the mutual holding company structure to a fully public ownership structure. Currently, Home Federal MHC owns 58.9% of the issued and outstanding shares of Home Federal Bancorp s common stock. The remaining 41.1% of Home Federal Bancorp s outstanding shares of common stock is owned by other stockholders, who are referred to as the public stockholders. As a result of the conversion, new Home Federal Bancorp, Inc., a Maryland corporation which was recently formed by Home Federal Bank, will become the parent holding company for Home Federal Bank.

Shares of Home Federal Bancorp s common stock owned by the public will be exchanged for between 7,103,110 and 9,610,090 shares of common stock of new Home Federal Bancorp (subject to increase to 11,051,604 shares as a result of market demand, regulatory considerations or changes in financial markets) so that Home Federal Bancorp s existing public stockholders will own approximately the same percentage of new Home Federal Bancorp common stock as they owned of Home Federal Bancorp s common stock immediately prior to the conversion. The actual number of shares that you will receive will depend on the exchange ratio, which will depend on the percentage of Home Federal Bancorp s common stock held by the public at the completion of the conversion, the final independent appraisal of new Home Federal Bancorp and the number of shares of new Home Federal Bancorp common stock sold in the offering described in the following paragraph. It will not depend on the market price of common stock. See The Conversion and Stock Offering Effect of the Conversion on Current Stockholders Effect on Outstanding Shares of Home Federal Bancorp for a discussion of the exchange ratio. Based on the $13.07 per share closing price of Home Federal Bancorp s common stock as of the date of this proxy statement/prospectus, unless at least 11,735,875 shares of new Home Federal Bancorp are sold in the Offering (slightly below the mid-point of the offering range), the initial aggregate value of the new Home Federal Bancorp common stock you receive in the share exchange would be less than the aggregate market value of the Home Federal Bancorp common stock that you currently own. See Risk Factors Holders of New Home Federal Bancorp common stock may not be able to sell their shares when desired if a liquid trading market does not develop.

Concurrently with the exchange offer, we are offering up to 13,800,000 shares of common stock of new Home Federal Bancorp, representing the 58.9% ownership interest of Home Federal MHC in Home Federal Bancorp, for sale to eligible depositors and the public at a price of $10.00 per share. We may increase the maximum number of shares that we sell in the offering, without notice to persons who have subscribed for shares, by up to 15%, to 15,870,000 shares, as a result of market demand, regulatory considerations or changes in financial markets. The conversion of Home Federal MHC and the offering and exchange of common stock by new Home Federal Bancorp is referred to herein as the conversion and offering. After the conversion and offering are completed, Home Federal Bank will be a wholly-owned subsidiary of new Home Federal Bancorp, and 100% of the common stock of new Home Federal Bancorp will be owned by public stockholders. As a result of the conversion and offering, Home Federal MHC and Home Federal Bancorp will cease to exist.

Home Federal Bancorp s common stock is currently listed on the Nasdaq Global Market under the symbol HOME. We have applied to have the common stock of new Home Federal Bancorp listed for trading on the Nasdaq Global Select Market and we expect that the common stock will trade under the symbol HOMED for a period of 20 trading days after completion of the offering. Thereafter, new Home Federal Bancorp s trading symbol will revert to HOME. We cannot assure you that our common stock will be approved for listing on the Nasdaq Global Select Market. The conversion and offering cannot be completed unless the stockholders of Home Federal Bancorp approve the plan of conversion and reorganization. Home Federal Bancorp is holding a special meeting of stockholders at its main office located at 500 12th Avenue South, Nampa, Idaho, on Monday, December 17, 2007 at 1:00 p.m., Mountain time, to consider and vote upon:

1. The amended plan of conversion and reorganization (the plan of conversion and reorganization) of Home Federal MHC, Home Federal Bank and Home Federal Bancorp;

2. The approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the plan of conversion;

3. Informational proposals with respect to the articles of incorporation and bylaws of new Home Federal Bancorp which were approved as part of the process in which the board of directors of Home Federal Bancorp approved the plan of conversion and reorganization. These proposals are informational in nature only, because the Office of Thrift Supervision regulations governing mutual to stock conversions do not provide for votes on matters other than the plan of conversion and reorganization. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion and reorganization , regardless of whether stockholders vote to approve any or all of the informational proposals; and

4. Such other business that may properly come before the meeting (management is not aware of any such matters).

Home Federal Bancorp s board of directors unanimously recommends that its stockholders vote FOR the plan of conversion and reorganization, FOR the adjournment of the special meeting, and FOR the Informational Proposals.

This document serves as the proxy statement for the special meeting of stockholders of Home Federal Bancorp and the prospectus for the shares of new Home Federal Bancorp s common stock to be issued in exchange for shares of Home Federal Bancorp s common stock. We urge you to read this entire document carefully. You can also obtain information about our companies from documents that we have filed with the Securities and Exchange Commission and the Office of Thrift Supervision. This document does not serve as the prospectus relating to the offering by new Home Federal Bancorp of its shares of common stock in the subscription offering and any community offering or syndicated community offering, each of which will be made pursuant to a separate prospectus.

This investment involves a degree of risk, including the possible loss of principal. Please read Risk Factors beginning on page 6.

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

None of the Securities and Exchange Commission, the Office of Thrift Supervision or any state securities regulator has approved or disapproved of these securities or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

For assistance, please contact the Stock Information Center at (208) 468-5151.

The date of this proxy statement/prospectus is November 9, 2007, and it is first being mailed to stockholders of Home Federal Bancorp, Inc. on or about November 16, 2007.

REFERENCE TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Home Federal Bancorp, new Home Federal Bancorp, Home Federal MHC and Home Federal Bank from other documents that are not included in, or delivered with, this proxy statement/prospectus, including the plan of conversion and reorganization. This information is available to you without charge upon your written or oral request. You can obtain these documents relating to Home Federal Bancorp, new Home Federal Bancorp, Home Federal Bank or Home Federal MHC by requesting them in writing or by telephone from:

Home Federal Bancorp
500 12th Avenue South
Nampa, Idaho 83651
Attention: Investor Relations
(208) 466-4634

If you would like to request documents, you must do so no later than December 17, 2007 in order to receive them before Home Federal Bancorp s special meeting of stockholders. You will not be charged for any of these documents that you request.

For additional information, please see the section entitled Where You Can Find More Information beginning on page 194 of this proxy statement/prospectus. A copy of the plan of conversion and reorganization is also available for inspection at each of Home Federal Bank s branches.

For information on submitting your proxy, please refer to the instructions on the enclosed proxy card.

You should rely only on the information contained in this proxy statement/prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different. This proxy statement/prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any of the securities offered hereby to any person in any jurisdiction in which such offer or solicitation would be unlawful. The affairs of Home Federal Bancorp, Home Federal MHC, new Home Federal Bancorp and Home Federal Bank and their subsidiaries may change after the date of this proxy statement/prospectus. Delivery of this proxy statement/prospectus and the exchange of shares of new Home Federal Bancorp common stock made hereunder does not mean otherwise.

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Home Federal Bancorp, Inc.
500 12th Avenue South
Nampa, Idaho 83651
(208) 466-4634

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held on December 17, 2007

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Home Federal Bancorp, Inc. will be held at its main office located at 500 12th Avenue South, Nampa, Idaho, on Monday, December 17, 2007 at 1:00 p.m., Mountain time, to consider and vote upon:

1. The approval of a plan of conversion and reorganization and the transactions contemplated thereby pursuant to which, among other things, new Home Federal Bancorp, Inc. will offer for sale shares of its common stock and shares of common stock of Home Federal Bancorp currently held by public stockholders will be exchanged for shares of common stock of new Home Federal Bancorp upon the conversion of Home Federal MHC, Home Federal Bank and Home Federal Bancorp from the mutual holding company structure to the stock holding company form;

2. The approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the plan of conversion;

3. The following informational proposals:

   3a Approval of an increase in the authorized shares of capital stock;

   3b Approval of a provision in new Home Federal Bancorp s articles of incorporation requiring a super-majority stockholder vote to approve mergers, consolidations and similar transactions;

   3c Approval of a provision in new Home Federal Bancorp s articles of incorporation limiting the ability of stockholders to remove directors;

   3d Approval of a provision in new Home Federal Bancorp s articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of new Home Federal Bancorp s outstanding voting stock;

   3e Approval of a provision in new Home Federal Bancorp s articles of incorporation requiring a super-majority stockholder vote to amend certain provisions of new Home Federal Bancorp s articles of incorporation; and

   3f Approval of a provision in new Home Federal Bancorp s bylaws requiring a super-majority stockholder vote to amend certain provisions of new Home Federal Bancorp s bylaws.

4. Such other business that may properly come before the meeting.

NOTE: The Board of Directors is not aware of any other business to come before the meeting.

The provisions of new Home Federal Bancorp s articles of incorporation and bylaws which are summarized as informational proposals 3a through 3f were approved as part of the process in which the board of directors of Home Federal Bancorp approved the plan of conversion and reorganization. These proposals are informational in nature only, because the office of Thrift Supervision regulations governing mutual to stock conversions do not provide for votes on matters other than the plan of conversion and reorganization. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion and reorganization, regardless of whether stockholders vote to approve any or all of the informational proposals.

The board of directors has fixed November 9, 2007, as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting and at an adjournment or postponement thereof. Upon written request addressed to the Secretary of Home Federal Bancorp at the address given above, stockholders may obtain an additional copy of this proxy statement/prospectus and/or a copy of the plan of conversion and reorganization. In order to assure timely receipt of the additional copy of the proxy statement/prospectus and/or the plan of conversion and reorganization, the written request should be received by Home Federal Bancorp by December 17, 2007. In addition, all such documents may be obtained by calling our Stock Information Center at (208) 468-5151, Monday through Thursday, between 9:00 a.m. and 5:00 p.m., and on Friday between 9:00 a.m. and 12:00 p.m., Mountain time.

By Order of the Board of Directors,

Daniel L. Stevens
Chairman, President and Chief
Executive Officer

Nampa, Idaho
November 9, 2007

QUESTIONS AND ANSWERS

FOR STOCKHOLDERS OF HOME FEDERAL BANCORP

You should read this document and the plan of conversion and reorganization for more information about the conversion and stock offering. The plan of conversion and reorganization has been conditionally approved by our regulators.

Q. What are stockholders being asked to approve?

A. Home Federal Bancorp stockholders as of November 9, 2007 are being asked to vote on the plan of conversion and reorganization. Under the plan of conversion and reorganization, Home Federal MHC will convert from the mutual holding company form to a stock holding company, and as part of such conversion, a new company, new Home Federal Bancorp will offer for sale, in the form of shares of it common stock, Home Federal MHC s 58.9% ownership interest in Home Federal Bancorp. In addition to the shares of common stock to be issued to those who purchase shares in the stock offering, public stockholders of Home Federal Bancorp as of the completion of the conversion, will receive shares of new Home Federal Bancorp common stock in exchange for their existing shares. Informational proposals relating to new Home Federal Bancorp s articles of incorporation are also described in this proxy statement/prospectus, but, due to Office of Thrift Supervision regulations, are not subject to a vote of the Home Federal Bancorp s stockholders. Home Federal Bancorp s stockholders are not being asked to approve these informational proposals at the special meeting.

In addition, Home Federal Bancorp stockholders are asked to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting approve the plan of conversion and reorganization.

Stockholders also are asked to vote on the following informational proposals with respect to the articles of incorporation and bylaws of new Home Federal Bancorp:

- Approval of an increase in the authorized shares of capital stock;
- Approval of a provision in new Home Federal Bancorp s articles of incorporation requiring a super-majority stockholder vote to approve mergers, consolidations and similar transactions;
- Approval of a provision in new Home Federal Bancorp s articles of incorporation limiting the ability of stockholders to remove directors;
- Approval of a provision in new Home Federal Bancorp s articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of new Home Federal Bancorp s outstanding voting stock;
- Approval of a provision in new Home Federal Bancorp s articles of incorporation requiring a super-majority stockholder vote to amend certain provisions of new Home Federal Bancorp s articles of incorporation; and
- Approval of a provision in new Home Federal Bancorp s bylaws requiring a super-majority stockholder vote to amend certain provisions of new Home Federal Bancorp s bylaws.

The provisions of new Home Federal Bancorp s articles of incorporation and bylaws which are summarized as informational proposals 3a through 3f were approved as part of the process in which the board of directors of Home Federal Bancorp approved the plan of conversion and reorganization. These proposals are informational in nature only, because the Office of Thrift Supervision regulations governing mutual to stock conversions do not provide for votes on matters other than the plan of conversion and reorganization. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion and reorganization, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of new Home Federal Bancorp s articles of incorporation and bylaws which are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of new Home Federal

Bancorp if such attempts are not approved by the Board of Directors, or may make the removal of the board of directors management, or the appointment of new directors, more difficult.

Q. What is the conversion?

A. Home Federal Bank, Home Federal Bancorp and Home Federal MHC are converting from a mutual holding company structure to a fully-public ownership structure. Currently, Home Federal MHC owns 58.9% of Home Federal Bancorp s common stock. The remaining 41.1% of common stock is owned by public stockholders. As a result of the conversion, our newly formed company, called new Home Federal Bancorp, will become the parent of Home Federal Bank.

Shares of common stock of new Home Federal Bancorp, representing the current 58.9% ownership interest of Home Federal MHC in Home Federal Bancorp, are being offered for sale to eligible depositors and to the public. At the completion of the conversion and offering, current public stockholders of Home Federal Bancorp will exchange their shares of Home Federal Bancorp common stock for shares of common stock of new Home Federal Bancorp.

After the conversion and offering are completed, Home Federal Bank will become a wholly-owned subsidiary of new Home Federal Bancorp, and 100% of the common stock of new Home Federal Bancorp will be owned by public stockholders. As a result of the conversion and offering, Home Federal MHC and Home Federal Bancorp will cease to exist.

See The Conversion and Stock Offering beginning on page 159 of this proxy statement/prospectus, for more information about the conversion.

Q. What will stockholders receive for their existing Home Federal Bancorp shares?

A. As more fully described in the section entitled The Conversion and Stock Offering, depending on the number of shares sold in the stock offering, each share of common stock of Home Federal Bancorp that you own immediately prior to the completion of the conversion and stock offering will be exchanged for between 7,103,110 new shares of new Home Federal Bancorp at the minimum and 9,610,090 new shares of new Home Federal Bancorp at the maximum of the offering range (cash will be paid in lieu of fractional shares). For example, if you own 100 shares of Home Federal Bancorp common stock and the exchange ratio is 1.3364, after the conversion you will receive 133 shares of new Home Federal Bancorp common stock and $6.40 in cash, the value of the fractional share, based on the $10.00 per share offering price. Stockholders who hold shares in street-name at a brokerage firm will receive these funds in their brokerage account. Stockholders who have stock certificates will receive checks. The actual number of shares you receive will depend upon the number of shares we sell in our offering, which in turn will depend upon the final appraised value of new Home Federal Bancorp. The exchange ratio will adjust based on the number of shares sold in the offering. It will not depend on the market price of Home Federal Bancorp s common stock.

Q. What are the reasons for the conversion and offering?

A. We believe that this is the right time for Home Federal MHC to convert to the stock form. We are pursuing the conversion for the following general reasons:

- The additional funds resulting from the offering will support continued growth and expansion as well as provide increased lending capability.
- We believe that our current mutual holding company structure has limited our opportunities to acquire other institutions because we cannot now issue stock in an acquisition in an amount that would cause Home Federal MHC to own less than a majority of the outstanding shares of Home Federal Bancorp. We expect that our conversion will facilitate our ability to acquire other

institutions in the future by eliminating this requirement of majority ownership by our mutual holding company. Currently, we have no plans, agreements or understandings regarding any merger or acquisition transactions.

The conversion will increase the number of outstanding shares held by public stockholders and we expect our stock to have greater liquidity.

We believe that the conversion also will help us grow our loan portfolio, particularly in the commercial lending area. The increased capital from the offering proceeds will enable us to make larger loans than we have been able to in the past and make us a more effective competitor in our market areas. In order to capitalize on these opportunities we have hired and plan to hire several additional commercial lending officers who will focus on increasing our commercial loan portfolio. We believe that, as a stock-form institution, we may be in a better position to attract and retain quality loan officers. In addition, we plan to expand our banking franchise by opening additional branch offices. We are planning four to six new branches that we intend to open within the next 24 months. There is currently one new branch under construction in Nampa, Idaho and plans are being finalized for the construction of a new branch office in the Meridian, Idaho market in 2008. We hope to be able to use these new branches to enhance our commercial lending efforts in market areas in which we open new offices. In addition, we believe that there may be opportunities to make acquisitions of other financial institutions in the future, although we do not currently have any plans, agreements or understandings regarding any acquisition transactions. The proceeds from the offering as well as the stock form of ownership will facilitate our ability to consider acquisitions in the future.

Q. Why should I vote?

A. You are not required to vote, but your vote is very important. In order for us to implement the plan of conversion and reorganization, we must receive the affirmative vote of the holders of a majority of the outstanding shares of Home Federal Bancorp common stock, other than shares held by Home Federal MHC. **YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PLAN OF CONVERSION AND REORGANIZATION.**

Q. What happens if I don t vote?

A. Your prompt vote is very important. Not voting will have the same effect as voting Against the plan of conversion and reorganization. Without sufficient favorable votes for the conversion, we will not proceed with the conversion and offering.

Q. How do I vote?

A. You should sign your proxy card and return it in the enclosed proxy reply envelope. **Please vote promptly. Not voting has the same effect as voting Against.**

Q. If my shares are held in street name, will my broker automatically vote on my behalf?

A. No. Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, using the directions that your broker provides to you.

Q. What if I do not give voting instructions to my broker?

A. Your vote is important. If you do not instruct your broker to vote your shares by proxy they will not be voted, and each unvoted share will have the same effect as a vote against the plan of conversion and reorganization.

Q. How will my existing Home Federal Bancorp shares be exchanged?

A. The conversion of your shares of Home Federal Bancorp common stock into the right to receive shares of new Home Federal Bancorp common stock will occur automatically on the effective date of the conversion, although you will need to exchange your stock certificate(s) if you hold shares in certificate form. As soon as practicable after the effective date of the conversion and reorganization, our exchange agent will send a transmittal form to you. The transmittal forms are expected to be mailed promptly after the effective date and will contain instructions on how to submit the stock certificate(s) representing existing shares of Home Federal Bancorp common stock. No fractional shares of new Home Federal Bancorp common stock will be issued to you when the conversion is completed. For each fractional share that would otherwise be issued to a stockholder who holds a certificate, you will be paid by check an amount equal to the product obtained by multiplying the fractional share interest to which you would otherwise be entitled by $10.00. If your shares are held in street name, you will automatically receive cash in lieu of fractional shares.

Q. Should I submit my stock certificates now?

A. No. If you hold your certificate(s), instructions for exchanging the shares will be sent to you after completion of the conversion and stock offering. If your shares are held in street name, rather than in certificate form, the share exchange will occur automatically upon completion of the conversion and stock offering.

Further Questions?

For answers to other questions, please read this proxy statement/prospectus. Questions about the stock offering or voting may be directed to the Stock Information Center by calling (208) 468-5151, Monday through Thursday, between 9:00 a.m. and 5:00 p.m., and on Friday between 9:00 a.m. and 12:00 p.m., Mountain time.

SUMMARY

The following summary highlights the material information from this proxy statement/prospectus and may not contain all the information that is important to you. You should read this entire document carefully, including the sections entitled Risk Factors and The Conversion and Stock Offering and the consolidated financial statements and the notes to the consolidated financial statements.

What This Document Is About

The boards of directors of Home Federal Bancorp, Home Federal MHC, Home Federal Bank and new Home Federal Bancorp have adopted a plan of conversion and reorganization pursuant to which Home Federal Bank will reorganize from a mutual holding company structure to a stock form holding company structure. As part of the conversion, Home Federal Bank formed new Home Federal Bancorp. Public stockholders of Home Federal Bancorp will receive shares in new Home Federal Bancorp in exchange for their shares of Home Federal Bancorp common stock based on an exchange ratio. This conversion to a stock holding company structure also includes the offering by new Home Federal Bancorp of shares of its common stock to eligible depositors and borrowers of Home Federal Bank in a subscription offering and, if necessary, to the public in a community offering and syndicated community offering. Following the conversion and offering, Home Federal MHC and Home Federal Bancorp will no longer exist and new Home Federal Bancorp will be the parent company of Home Federal Bank.

The conversion and offering cannot be completed unless the stockholders of Home Federal Bancorp approve the plan of conversion and reorganization. Home Federal Bancorp s stockholders will vote on the plan of conversion and reorganization at Home Federal Bancorp s special meeting. This document is the proxy statement used by Home Federal Bancorp s board of directors to solicit proxies for the special meeting. It is also the prospectus of new Home Federal Bancorp regarding the shares of new Home Federal Bancorp common stock to be issued to Home Federal Bancorp s stockholders in the share exchange. This document does not serve as the prospectus relating to the offering by new Home Federal Bancorp of its shares of common stock in the subscription offering and any community offering or syndicated community offering, each of which will be made pursuant to a separate prospectus.

In addition, informational proposals relating to new Home Federal Bancorp s articles of incorporation are also described in this proxy statement/prospectus, but, due to Office of Thrift Supervision regulations, are not subject to a vote of Home Federal Bancorp stockholders. Home Federal Bancorp stockholders are not being asked to approve these informational proposals at the special meeting.

The Home Federal Bancorp Special Meeting

Date, Time and Place. Home Federal Bancorp will hold its special meeting of stockholders to consider and vote on the plan of conversion and reorganization at its main office located at 500 12th Avenue South, Nampa, Idaho, on Monday, December 17, 2007 at 1:00 p.m., Mountain time.

Record Date. The record date for stockholders entitled to vote at the special meeting of stockholders is November 9, 2007. As of that date, 15,261,589 shares of Home Federal Bancorp common stock were outstanding and entitled to vote at the special meeting.

The Proposals. Stockholders will be voting on the following proposals at the special meeting:

1. Approval of the plan of conversion and reorganization;
2. Approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the plan of conversion;

3. The approval of the following informational proposals:

   3a Approval of an increase in the authorized shares of capital stock;

   3b Approval of a provision in new Home Federal Bancorp s articles of incorporation requiring a super-majority stockholder vote to approve mergers, consolidations and similar transactions;

   3c Approval of a provision in new Home Federal Bancorp s articles of incorporation limiting the ability of stockholders to remove directors;

   3d Approval of a provision in new Home Federal Bancorp s articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of new Home Federal Bancorp s outstanding voting stock;

   3e Approval of a provision in new Home Federal Bancorp s articles of incorporation requiring a super-majority stockholder vote to amend certain provisions of new Home Federal Bancorp s articles of incorporation; and

   3f Approval of a provision in new Home Federal Bancorp s bylaws requiring a super-majority stockholder vote to amend certain provisions of new Home Federal Bancorp s bylaws.

4. Any other matters that may properly come before the special meeting or any adjournment or postponement thereof (management is not aware of any such matters).

The provisions of new Home Federal Bancorp s articles of incorporation and bylaws which are summarized as informational proposals 3a through 3f were approved as part of the process in which the board of directors of Home Federal Bancorp approved the plan of conversion and reorganization. These proposals are informational in nature only, because the Office of Thrift Supervision s regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion and reorganization. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion and reorganization, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of new Home Federal Bancorp s articles of incorporation and bylaws which are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of new Home Federal Bancorp if such attempts are not approved by the Board of Directors, or may make the removal of the board of directors management, or the appointment of new directors, more difficult.

Vote Required

Proposal 1: Approval of the plan of conversion and reorganization. We must obtain the affirmative vote of (i) the holders of a majority of the outstanding shares of common stock of Home Federal Bancorp, other than Home Federal MHC, and (ii) the holders of two-thirds of the votes eligible to be cast by stockholders of Home Federal Bancorp, including Home Federal MHC.

Proposal 2: Approval of the adjournment of the special meeting. We must obtain the affirmative vote of the majority of the votes cast by holders of outstanding shares of Home Federal Bancorp common stock to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to approve the plan of conversion and reorganization.

Informational Proposals 3a through 3f. The provisions of new Home Federal Bancorp s articles of incorporation and bylaws which are summarized as informational proposals 3a through 3f were approved as part of the process in which the board of directors of Home Federal Bancorp approved the plan of conversion and reorganization. These proposals are informational in nature only, because the Office of Thrift Supervision regulations governing mutual to stock conversions do not provide for votes on matters other than the plan of conversion and reorganization. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion and reorganization, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of new Home Federal Bancorp s articles of incorporation and bylaws which are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of new Home Federal Bancorp if such attempts are not approved by the Board of Directors, or may make the removal of the board of directors management, or the appointment of new directors, more difficult.

Other Matters. We must obtain the affirmative vote of the majority of the votes cast by holders of outstanding shares of common stock of Home Federal Bancorp.

As of the voting record date, the directors and executive officers of Home Federal Bancorp owned 654,712 shares, or approximately 4.3% of the outstanding shares of Home Federal Bancorp common stock eligible to vote at the special meeting and Home Federal MHC owned 8,979,246 shares, or approximately 58.9% of the outstanding shares of Home Federal Bancorp common stock. Home Federal MHC will vote all of its shares FOR the plan of conversion and reorganization, FOR approval of the adjournment of the special meeting, and FOR each of the Informational Proposals 3a through 3f.

Your board of directors unanimously recommends that you vote FOR the plan of conversion and reorganization, FOR the adjournment of the special meeting, and FOR the Informational Proposals 3a through 3f.

The Companies

New Home Federal Bancorp, Inc. New Home Federal Bancorp is a newly formed Maryland corporation. New Home Federal Bancorp is offering for sale to certain depositors and borrowers of Home Federal Bank and others, shares of its common stock representing the 58.9% ownership interest in Home Federal Bancorp, the mid-tier stock holding company, that is currently owned by Home Federal MHC. The remaining 41.1% ownership interest in Home Federal Bancorp is currently owned by other stockholders (who are sometimes referred to as the public stockholders) and will be exchanged for shares of new Home Federal Bancorp s common stock based on an exchange ratio of 1.1360 to 1.5369. The exchange ratio may be increased to as much as 1.7674 in the event the maximum of the offering range is increased by 15%. The actual exchange ratio will be determined at the closing of the offering and will depend on the number of shares of new Home Federal Bancorp s common stock sold in the stock offering. The executive offices of new Home Federal Bancorp are located at 500 12th Avenue South, Nampa, Idaho 83651, and its telephone number is (208) 466-4634.

Home Federal Bank. Home Federal Bank was founded in 1920 as a building and loan association and reorganized as a federal mutual savings and loan association in 1936. We are a community-based financial institution primarily serving the Boise, Idaho and surrounding metropolitan area known as the Treasure Valley region of southwestern Idaho, including Ada, Canyon, Elmore and Gem counties. We conduct our operations through our 15 full-service banking offices, and two loan centers. Included in our 15 full-service banking offices are six Wal-Mart in-store branch locations. We are in the business of attracting deposits from the public and utilizing those deposits, along with other borrowings, to originate loans. We offer a wide range of loan products to meet the demands of our customers. Historically, lending activities have been primarily directed toward the origination of residential and commercial real estate loans. Real estate lending activities have been primarily focused on first mortgages on owner occupied, one- to four-family residential properties. To an increasing extent in recent years, lending activities have also included the origination of residential and commercial construction and land development loans and home equity loans. While continuing our commitment to residential lending, management expects commercial lending, including commercial real estate, builder finance and commercial business lending, to become increasingly important activities for us. Consistent with this strategy, we appointed Mr. Len E. Williams as President of Home Federal Bank in September 2006 and to Home Federal Bancorp s board of directors in April 2007. Mr. Williams has extensive experience in business related lending. Before starting his tenure with us, Mr. Williams served as Senior Vice President and Head of Business Banking of Fifth Third Bank and held several management positions with Key Bank, including President of Business Banking from 2003 to 2005. We expect him to succeed Mr. Daniel L. Stevens, Home Federal Bancorp s Chairman, President and Chief Executive Officer, as President and Chief Executive Officer of new Home Federal Bancorp and Home Federal Bank in October 2008.

At June 30, 2007, we had total assets of $728.3 million, deposit accounts of $418.7 million and equity of $110.0 million. Home Federal Bank maintains a website at www.myhomefed.com. The information on our website is not part of this proxy statement/prospectus.

Home Federal MHC. Home Federal MHC currently is the mutual holding company parent of Home Federal Bancorp. The principal business purpose of Home Federal MHC is owning more than a majority of the outstanding shares of common stock of Home Federal Bancorp. Home Federal MHC currently owns 58.9% of the outstanding shares of Home Federal Bancorp. Home Federal MHC will no longer exist upon completion of the conversion and offering.

Home Federal Bancorp, Inc. Home Federal Bancorp, Inc. is a federal corporation and a mid-tier stock holding company that owns 100% of Home Federal Bank. It was formed in 2004 in connection with the reorganization of Home Federal Bank into the mutual holding company form of organization. Effective with the reorganization, it became a stock holding company and the wholly-owned subsidiary of Home Federal MHC, a federally chartered mutual holding company.

Home Federal Bancorp conducts its business as a savings and loan holding company and has no significant liabilities. Its primary business consists of directing, planning and coordinating the business activities of Home Federal Bank.

Stockholders of Home Federal Bancorp who receive new Home Federal Bancorp common stock in exchange for their stock in the conversion will receive lesser rights as stockholders than they currently have.

As a result of the conversion, existing stockholders of Home Federal Bancorp will become stockholders of new Home Federal Bancorp. The rights of stockholders of new Home Federal Bancorp will be less than the rights Home Federal Bancorp stockholders currently have. The decrease in stockholder rights results from differences between the articles of incorporation and bylaws of new Home Federal Bancorp and the charter and bylaws of Home Federal Bancorp and from distinctions between Maryland and federal law. The differences in stockholder rights under the articles of incorporation and bylaws of new Home Federal Bancorp are not mandated by Maryland law but have been chosen by management as being in the best interests of the corporation and all of its stockholders. However, the provisions in new Home Federal Bancorp s articles of incorporation and bylaws may make it more difficult to pursue a takeover attempt that management opposes. These provisions will also make the removal of the Board of Directors or management, or the appointment of new directors, more difficult. A comparison of the differences in stockholder rights include the following:

	Home Federal Bancorp	New Home Federal Bancorp
Increased vote for removal of directors for cause	Directors may be removed for cause by the affirmative vote of a majority of the outstanding shares.	Directors may be removed for cause by an affirmative vote of 80% or more of the outstanding shares.
Additional lead time for stockholder proposals and director nominations	Any stockholder proposal for an annual meeting must be submitted five days before the meeting for new business and 60 days before the meeting for nominations for directors.	Any stockholder proposal for an annual meeting must be submitted not less than 90 days nor more than 120 days before the anniversary of the preceding year s meeting. Nominations for directors must be submitted not less than 90 days nor more than 120 days before the meeting.
Increased vote to amend articles of incorporation	Need to be approved by board of directors and preliminarily approved by the Office of Thrift Supervision and a majority of the total votes of stockholders eligible to be cast.	Generally may be amended by a majority vote of stockholders except certain provisions require approval by the holders of 80% or more of the outstanding shares.
Increased vote to amend bylaws	Need a majority vote of board of directors or a majority of votes cast by stockholders as well as approval from the Office of Thrift Supervision.	Majority vote of the board of directors or the affirmative vote of 80% or more of the outstanding shares.
Requirement for approval of business combinations with interested stockholders	No requirement.	Certain business combinations involving interested shareholders require the affirmative vote of 80% or more of the outstanding shares.
Greater vote required to call a special meeting of stockholders	May be called by Chairman, President, a majority of the board of directors or holders of not less than 10% of the outstanding shares.	May be called by President, a majority of the board of directors or holders of not less than a majority of the outstanding shares.
Restrictions on payment of greenmail	No requirement.	Prohibits new Home Federal Bancorp from acquiring shares from any owner of 5% or more of the outstanding shares unless certain conditions are satisfied.
Additional limitation on voting shares held in excess of 10% of the outstanding shares after five years from the conversion	No restriction after five years.	May not vote shares held in excess of 10% of the outstanding shares.

See Comparison of Rights of New Home Federal Bancorp and Home Federal Bancorp s Stockholders for a further discussion of these differences.

RISK FACTORS

You should consider these risk factors, in addition to the other information in this prospectus, in deciding how to vote on the conversion and before deciding whether to make an investment in new Home Federal Bancorp s stock.

Risks Related to Our Business

Our increased emphasis on commercial lending may expose us to increased lending risks.

Our business strategy is focused on the expansion of commercial real estate, construction and land development and commercial business lending. These types of lending activities, while potentially more profitable than single-family residential lending, are generally more sensitive to regional and local economic conditions, making loss levels more difficult to predict. Collateral evaluation and financial statement analysis in these types of loans requires a more detailed analysis at the time of loan underwriting and on an ongoing basis. While economic trends in the Treasure Valley Region of Southwest Idaho have been relatively positive, a decline in real estate values, would reduce the value of the real estate collateral securing our loans and increase the risk that we would incur losses if borrowers defaulted on their loans. In addition, these loans generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation of the property and the income stream of the borrowers. Further, such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Also, many of our commercial borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan. Accordingly, when there are defaults and losses on these types of loans, they are often larger on a per loan basis than those for permanent single-family or consumer loans. A secondary market for most types of commercial real estate and construction loans is not readily liquid, so we have less opportunity to mitigate credit risk by selling part or all of our interest in these loans.

Our business strategy includes significant growth plans, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

We intend to continue pursuing a significant growth strategy for our business. Our growth initiatives are based upon recruiting experienced personnel to lead such initiatives, and, accordingly, the failure to identify and retain such personnel would place significant limitations on our ability to execute our growth strategy. In addition, achieving our growth targets requires us to attract customers that currently have banking relationships with other financial institutions in our market, thereby increasing our share of the market. To the extent we expand our lending beyond our current market area, we could incur additional risk related to those new market areas. We cannot assure that we will be able to expand our market presence in our existing markets or successfully enter new markets or that any such expansion will not adversely affect our profitability. If we do not manage our growth effectively, we may not be able to achieve our business plan, and our business, profitability and prospects could be harmed. Also, if our growth occurs more slowly than anticipated or declines, our profitability could be materially adversely affected.

Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced bankers, the continued availability of desirable business opportunities, the competitive responses from other financial institutions in our market area and our ability to manage our growth. While we believe we have the executive management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth.

We are highly dependent on key individuals and a number of the members of the original senior management team that were in place at the time of our mutual holding company reorganization have either left Home Federal Bank or will be retiring in the next year and as a result there will be a new management team leading us going forward.

Consistent with our policy of focusing on select growth initiatives we are highly dependent on the continued services of a limited number of our executive officers and key management personnel. The loss of services of any of these individuals could have a material adverse impact on our operations because other officers may not have the experience and expertise to readily replace these individuals.

The senior management team of Home Federal Bancorp in place at the time of the mutual holding company reorganization had worked together for a number of years and, until recently, virtually all of them had worked for us for five years or more. Daniel L. Stevens who has been our President and Chief Executive Officer since 1995 announced that he will retire on September 30, 2008 and has begun the transition to his retirement, including working with his replacement, Len E. Williams. Roger D. Eisenbarth who was our Senior Vice President and Chief Lending Officer since 1993 retired on October 15, 2007. Karen Wardwell who was a Senior Vice President in Operations and Technology left in June 2007 and T. Blake Burgess our Corporate Secretary and Director of Accounting left in August 2007. In addition, we are currently interviewing potential candidates for the Chief Financial Officer position. Once this individual is hired, Robert A. Schoelkoph, our current Chief Financial Officer, will continue to serve as Treasurer and Secretary of Home Federal Bancorp and Home Federal Bank.

While we believe we have in place qualified individuals to replace these individuals and have provided for an orderly transition, the new individuals will need to develop a cohesive and unified management team. Changes in key personnel and their responsibilities may be disruptive to our business and could have a material adverse effect on our business, financial condition and profitability. Moreover, our anticipated growth is expected to place increased demands on our human resources and will require the recruitment of additional middle management personnel. The competition to hire experienced banking professionals is also intense. If we are unable to attract qualified banking professionals, our expansion plans could be delayed or curtailed and our business, financial condition, and profitability may be adversely affected.

Fluctuations in interest rates could reduce our profitability and affect the value of our assets.

Like other financial institutions, we are subject to interest rate risk. Our primary source of income is net interest income, which is the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. We expect that we will periodically experience imbalances in the interest rate sensitivities of our assets and liabilities and the relationships of various interest rates to each other. Over any defined period of time, our interest-earning assets may be more sensitive to changes in market interest rates than our interest-bearing liabilities, or vice versa. In addition, the individual market interest rates underlying our loan and deposit products (*e.g.*, prime) may not change to the same degree over a given time period. In any event, if market interest rates should move contrary to our position, our earnings may be negatively affected. In addition, loan volume and quality and deposit volume and mix can be affected by market interest rates. Changes in levels of market interest rates could materially affect our net interest spread, asset quality, origination volume, and overall profitability.

Interest rates have recently been at historically low levels. However, since June 30, 2004, the U.S. Federal Reserve Board has increased its target for the federal funds rate 17 times, from 1.00% to 5.25%. On September 18, 2007 and October 31, 2007, the U.S. Federal Reserve Board reduced the federal fund rate 0.25% to the current rate of 4.50%. While these short-term market interest rates (which we use as a guide to price our deposits) have increased, longer-term market interest rates (which we use as a guide to price our longer-term loans such as one- to four-family residential mortgages) have not reacted to the same degree. This flattening of the market yield curve has had a negative impact on our interest rate spread and net interest margin to date. If short-term interest rates continue to rise, and if rates on our deposits and borrowings continue to reprice upwards faster than the rates on our long-term loans and investments, we would experience further compression of our interest rate spread and net interest margin, which would have a negative effect on our profitability. In a declining rate environment, we may be susceptible to the prepayment or refinancing of high rate loans, which could reduce our profitability. Further, we may have to redeploy loan proceeds received into lower yielding assets, which may also negatively impact our profitability.

We principally manage interest rate risk by managing our volume and mix of our earning assets and funding liabilities. In a changing interest rate environment, we may not be able to manage this risk effectively. If we are unable to manage interest rate risk effectively, our business, financial condition and results of operations could be materially harmed.

Changes in the level of interest rates also may negatively affect our ability to originate real estate loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings. At June 30, 2007, we had $215.2 million in loans due after one year with fixed rates of interest, representing 43.4% of our total loan portfolio and 29.5% of our total assets. Our most recent rate shock analysis indicates that our net portfolio value would be more adversely affected by an increase in interest rates than by a decrease. See Management s Discussion and Analysis of Financial Condition and Results of Operations Asset and Liability Management and Market Risk.

Our business is subject to various lending risks which could adversely impact our results of operations and financial condition.

Our business strategy centers on the continued transition to commercial banking activities in order to expand our net interest margin. Consistent with this strategy, we are working to further reduce the percentage of our assets that are lower-yielding residential loans and mortgage-backed securities and to increase the percentage of our assets consisting of construction and land development, commercial and multi-family real estate and commercial business loans that have higher risk-adjusted returns. Our increasing focus on these types of lending will continue to increase our risk profile relative to traditional thrift institutions as we continue to implement our business strategy for the following reasons:

Our commercial and multi-family real estate loans involve higher principal amounts than other loans and repayment of these loans may be dependent on factors outside our control or the control of our borrowers. We originate commercial and multi-family real estate loans for individuals and businesses for various purposes which are secured by commercial properties. As of June 30, 2007, $134.7 million, or 27.2% and $6.9 million, or 1.4% (excluding commercial real estate construction loans of $15.2 million), of our total loan portfolio was secured by commercial and multi-family real estate property, respectively.

The credit risk related to commercial and multi-family real estate loans is considered to be greater than the risk related to one- to four-family residential or consumer loans because the repayment of commercial and multifamily real estate loans typically is dependent on the income stream of the real estate securing the loan as collateral and the successful operation of the borrower s business, which can be significantly affected by conditions in the real estate markets or in the economy. For example, if the cash flow from the borrower s project is reduced as a result of leases not being obtained or renewed, the borrower s ability to repay the loan may be impaired. In addition, many of our commercial and multi-family real estate loans are not fully amortizing and contain large balloon payments upon maturity. These balloon payments may require the borrower to either sell or refinance the underlying property in order to make the balloon payment.

If we foreclose on a commercial and multi-family real estate loan, our holding period for the collateral typically is longer than for one- to four-family residential mortgage loans because there are fewer potential purchasers of the collateral. Additionally, commercial and multi-family real estate loans generally have relatively large balances to single borrowers or related groups of borrowers. Accordingly, if we make any errors in judgment in the collectibility of our commercial and multi-family real estate loans, any resulting charge-offs may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. See Business of Home Federal Bancorp and Home Federal Bank Lending Activities Commercial and Multi-Family Real Estate Lending.

Our construction and land development loans are based upon estimates of costs and value associated with the complete project. We make land purchase, lot development and real estate construction loans to individuals and builders, primarily for the construction of residential properties and, to a lesser extent, commercial and multi-family real estate projects. We will originate these loans whether or not the collateral property underlying the loan is under contract for sale. Residential real estate construction loans include single-family tract construction loans for the construction of entry level residential homes. Over the last two years, we have significantly increased the amount of construction and land development loans in our loan portfolio, both in dollar amounts and as a percentage of our total loans. At June 30, 2007, $46.2 million or 9.32% of our total loan portfolio consisted of construction and land development loans.

Our construction and land development loans are based upon estimates of costs and values associated with the completed project, which may be inaccurate. Construction and land development lending involves additional risks when compared with permanent residential lending because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. This type of lending also typically involves higher loan principal amounts and is often concentrated with a small number of builders. These loans often involve the disbursement of substantial funds with repayment primarily dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss. Our ability to continue to originate a significant amount of construction loans is dependent on the continued strength of the housing market in the Treasure Valley Region of Southwest, Idaho. Further, if we lost our relationship with one or more of our larger borrowers building in these counties or there is a decline in the demand for new housing in these counties, it is expected that the demand for construction loans would decline, our liquidity would substantially increase and our net income would be adversely affected.

Repayment of our commercial business loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may fluctuate in value. At June 30, 2007, commercial business loans totaled $4.1 million of our total loan portfolio, however, we intend to significantly expand these types of loans as a percentage of our total loan portfolio. Our commercial business loans are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral consists of accounts receivable, inventory or equipment. Credit support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any exists. As a result, in the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from it customers. The collateral securing other loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings could be reduced.

We make various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and evaluate economic conditions. Management recognizes that significant new growth in loan portfolios, new loan products and the refinancing of existing loans can result in portfolios comprised of unseasoned loans that may not perform in a historical or projected manner. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover actual losses, resulting in additions to our allowance. Material additions to our allowance could materially decrease our net income. In addition, bank regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize additional loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities could have a material adverse effect on our financial condition and profitability.

If the value of real estate in the Boise metropolitan area were to decline materially, a significant portion of our loan portfolio could become under-collateralized, which could have a material adverse effect on us.

With substantially all of our loans secured by real property and concentrated in the State of Idaho, and specifically 43.9%, 30.0%, 4.4% and 3.2%, respectively, of our total loan portfolio concentrated in Ada, Canyon, Elmore and Gem counties, Idaho, respectively, a decline in local economic conditions could adversely affect the values of our real estate collateral. As a result, we have a greater risk of loan defaults and losses in the event of an economic downturn in our market area as adverse economic changes may have a negative effect on the ability of our borrowers to make timely repayment of their loans. Consequently, a decline in local economic conditions may have a greater effect on our earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are geographically diverse. If we are required to liquidate a significant amount of collateral during a period of reduced real estate values to satisfy the debt, our financial condition and profitability could be adversely affected.

Because our loans are concentrated to borrowers in our market area, a downturn in the local economy or a decline in local real estate values could cause increases in nonperforming loans, which could hurt our profits.

Because the majority of our borrowers and depositors are individuals and businesses located and doing business in the Boise and surrounding metropolitan area, our success depends to a significant extent upon economic conditions in the Boise and surrounding metropolitan area. Adverse economic conditions in our market area could reduce our growth rate, affect the ability of our customers to repay their loans and generally affect our financial condition and results of operations. Conditions such as inflation, recession, unemployment, high interest rates, short money supply, scarce natural resources, international disorders, terrorism and other factors beyond our control may adversely affect our profitability. We do not have the ability of a larger institution to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Any sustained period of increased payment delinquencies, foreclosures or losses caused by adverse market or economic conditions in the State of Idaho could adversely affect the value of our assets, revenues, profitability and financial condition. Moreover, we cannot give any assurance we will benefit from any market growth or favorable economic conditions in our primary market areas if they do occur.

The building of market share through our branching strategy could cause our expenses to increase faster than revenues.

We intend to continue to build market share through our branching strategy. We are planning four to six new branches that we intend to open within the next 24 months. There are costs involved in opening branches and new branches generally require a period of time to generate sufficient revenues to offset their costs, especially in areas in which we do not have an established presence. Accordingly, any new branch may negatively impact our earnings for some period of time until the branch reaches certain economies of scale. Our expenses could be further increased if we encounter delays in the opening of any of our new branches. Finally, there is a risk that our new branches will not be successful even after they have been established.

If external funds are not available, this could adversely impact our growth and future prospects.

We rely on deposits, brokered deposits, Federal Home Loan Bank advances and other borrowings to fund our operations. Although we have historically been able to replace maturing deposits if desired, no assurance can be given that we will be able to replace such funds in the future if our financial condition or market conditions were to change. Although we consider the sources of existing funds adequate for our current liquidity needs, we may seek additional brokered deposits or debt in the future to achieve our long-term business objectives. There can be no assurance additional funds, if sought, would be available to us or, if available, would be on favorable terms. If additional financing sources are unavailable or are not available on reasonable terms, our growth and future prospects could be adversely affected.

We face strong competition from other financial institutions, financial service companies and other organizations offering services similar to those offered by us, which could limit our growth and profitability.

We face direct competition from a significant number of financial institutions, many with a state-wide or regional presence, and in some cases a national presence, in both originating loans and attracting deposits. Competition in originating loans comes primarily from other banks, mortgage companies and consumer finance institutions that make loans in our primary market areas. We also face substantial competition in attracting deposits from other banking institutions, money market and mutual funds, credit unions and other investment vehicles.

In addition, banks with larger capitalization and non-bank financial institutions that are not governed by bank regulatory restrictions have large lending limits and are better able to serve the needs of larger customers. Many of these financial institutions are also significantly larger and have greater financial resources than us, have been in business for a long period of time and have established customer bases and name recognition.

We compete for loans principally on the basis of interest rates and loan fees, the types of loans we originate and the quality of service we provide to borrowers. Our ability to attract and retain deposits requires that we provide customers with competitive investment opportunities with respect to rate of return, liquidity, risk and other factors. To effectively compete, we may have to pay higher rates of interest to attract deposits, resulting in reduced profitability. If we are not able to effectively compete in our market area, our profitability may be negatively affected, potentially limiting our ability to pay dividends. The greater resources and deposit and loan products offered by some of our competitors may also limit our ability to increase our interest-earning assets. See Business of Home Federal Bancorp and Home Federal Bank Competition.

We continually encounter technological change, and we may have fewer resources than many of our competitors to continue to invest in technological improvements.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success will depend, in part, upon our ability to address the needs of our clients by using technology to provide products and services that will satisfy client demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers.

We are subject to extensive regulation which could adversely affect our business.

Our operations are subject to extensive regulation by federal, state and local governmental authorities and are subject to various laws and judicial and administrative decisions imposing requirements and restrictions on part or all of our operations. Because our business is highly regulated, the laws, rules and regulations applicable to it are subject to regular modification and change. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. Any change in this regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations or otherwise materially and adversely affect our business, financial condition, prospects or profitability. See How We Are Regulated Regulation and Supervision of Home Federal Bank.

Risks Related to the Offering

The Market Value of new Home Federal Bancorp Common Stock Received in the Share Exchange May Be Less than the Market Value of Home Federal Bancorp Common Stock Exchanged

The number of shares of new Home Federal Bancorp common stock you receive will be based on an exchange ratio which will be determined as of the date of completion of the conversion and offering. The exchange ratio will be based on the percentage of Home Federal Bancorp common stock held by the public prior to the conversion, the final independent appraisal of new Home Federal Bancorp common stock prepared by RP Financial and the number of shares of common stock sold in the offering. The exchange ratio will ensure that existing public shareholders of Home Federal Bancorp common stock will own approximately the same percentage of new Home Federal Bancorp common stock after the conversion and offering as they owned of Home Federal Bancorp common stock immediately prior to completion of the conversion and offering, exclusive of the effect of their purchase of additional shares in the offering and the receipt of cash in lieu of fractional shares. The exchange ratio will not depend on the market price of Home Federal Bancorp s common stock.

The exchange ratio ranges from a minimum of 1.1360 to a maximum of 1.5369 shares of new Home Federal Bancorp common stock per share of Home Federal Bancorp common stock. Under certain circumstances, the pro forma market value can be adjusted upward by 15.0% to reflect changes in market conditions, and, at the adjusted maximum, the exchange ratio would be 1.7674 shares of new Home Federal Bancorp common stock per share of Home Federal Bancorp common stock. Shares of new Home Federal Bancorp common stock issued in the share exchange will have an initial value of $10.00 per share. The exchange ratio and the number of shares of new Home Federal Bancorp you would receive in exchange for your Home Federal Bancorp shares will be determined by the number of shares we sell in the offering. The higher the number of shares sold, the higher the exchange ratio. If the offering closes at the minimum of the offering range and you own 100 shares of Home Federal Bancorp common stock, you would receive 113 shares of new Home Federal Bancorp common stock, which would have an initial value of $1,130 based on the offering price, plus $6.00 cash. If the offering closes at 15% above the maximum of the offering range, you would receive 176 shares of new Home Federal Bancorp common stock for each 100 shares of Home Federal Bancorp stock, with an initial value of $1,760 based on the offering price, plus $7.00 cash. As a result of current market conditions, there have been significant declines in the stock prices of many financial institutions. To the extent that such declines continue, this could reduce the appraisal of new Home Federal Bancorp common stock as well as the number of shares of common stock that are sold in the offering. The result of this would be to reduce the exchange ratio and consequently the number of shares you receive of new Home Federal Bancorp common stock in exchange for your shares of Home Federal Bancorp common stock. We cannot tell you today whether the offering will close at the minimum or some other point in the valuation range. Depending on the exchange ratio and the market value of Home Federal Bancorp common stock at the time of the exchange, the initial market value of the new Home Federal Bancorp common stock that you receive in the share exchange could be less than the market value of the Home Federal Bancorp common stock that you currently own. Based on the $13.07 per share closing price of Home Federal Bancorp common stock as of the date of this proxy/prospectus, unless at least 11,735,875 shares of new Home Federal Bancorp common stock are sold in the offering (slightly below the mid-point of the offering range), the initial value of the new Home Federal Bancorp common stock you receive in the share exchange would be less than the market value of the Home Federal Bancorp common stock you currently own. See The Conversion and Stock Offering Delivery and Exchange of Stock Certificates and The Conversion and Stock Offering Effect of the Conversion on Current Stockholders.

After this offering, our compensation expenses will increase and our return on equity will be low compared to other companies. These factors could negatively impact the price of our stock.

The proceeds we will receive from the sale of our common stock will significantly increase our capital and it will take us time to fully deploy those proceeds in our business operations. Our compensation expense will increase because of the costs associated with the employee stock ownership and new stock-based incentive plans. These additional expenses will adversely affect our net income. We cannot determine the actual amount of these new stock-related compensation and benefit expenses at this time because applicable accounting practices generally require that they be based on the fair market value of the options or shares of common stock at the date of the grant; however, we expect them to be significant. We will recognize expenses for our employee stock ownership plan when shares are committed to be released to participants accounts and will recognize expenses for restricted stock awards and stock options generally over the vesting period of awards made to recipients. We estimate, once these plans are adopted, the increase in compensation expense will be approximately $1.6 million on an after-tax basis, based on the maximum of the valuation range. As a result we expect our return on equity to be below our historical level and less than many of our regional and national peers. Following the first step conversion, which occurred in December 2004, return on equity decreased from 10.47% for the year ended September 30, 2004 to 5.69% for the year ended September 30, 2005. In addition, return on assets also decreased from 0.93% for the year ended September 30, 2004 to 0.82% for the year ended September 30, 2005. For the nine months ended June 30, 2007 and for the year ended September 30, 2006, our return on equity was 4.92% and 5.90%, respectively. Although we expect that our net income will increase following the offering, we expect that our return on equity will also be reduced as a result of the additional capital that we will raise in the offering. For example, our pro forma return on equity for the twelve months ended June 30, 2007 was 3.36%, assuming the sale of shares at the maximum of the offering range. In comparison, the peer group used by RP Financial in its appraisal had an average return on equity of 7.18% for the twelve months ended June 30, 2007. If our return on equity remains below the industry average following the stock offering, this could hurt our stock price. We cannot guarantee when or if we will achieve returns on equity that are comparable to industry peers. For further information regarding pro forma income and expenses, see Pro Forma Data.

Holders of New Home Federal Bancorp common stock may not be able to sell their shares when desired if a liquid trading market does not develop.

Currently shares of Home Federal Bancorp s common stock are listed on the Nasdaq Global Market under the symbol HOME and there is an established market for the common stock. In connection with the offering, we have applied to have our common stock listed for trading on the Nasdaq Global Select Market under the symbol HOME . We cannot predict whether a liquid trading market in shares of new Home Federal Bancorp s common stock will develop or how liquid that market might become. The development of a liquid public market depends upon the existence of willing buyers and sellers, the presence of which is not within our control or the control of any market maker. See Market for Our Common Stock.

The shares of most recent second step conversions have traded below their initial offering price and as a result, o ur stock price may decline when trading commences.

If you purchase shares in the offering, you may not be able to sell them at above the $10.00 per share purchase price even if a liquid trading market develops. The shares of several recent offerings in connection with second step conversions have traded below the initial offering price after completion of the offering. After our shares begin trading, the trading price of our common stock will be determined by the marketplace and may be influenced by many factors, including prevailing interest rates, investor perceptions, securities analysts reports and general industry, geopolitical and economic conditions. See The Conversion and Stock Offering How We Determined Our Price and the Number of Shares to Be Issued in the Stock Offering.

The amount of common stock we will control, our articles of incorporation and bylaws, and state and federal law could discourage hostile acquisitions of control of Home Federal Bancorp.

Our directors and executive officers, as a group, beneficially owned approximately 4.42% of Home Federal Bancorp s outstanding common stock as of June 30, 2007 which will be exchanged for new Home Federal Bancorp common stock. Our board of directors and executive officers intend to purchase approximately 0.5% and 0.4% of additional common stock at the minimum and maximum of the offering range, respectively. These purchases, together with their prior ownership, as well as their potential acquisition of common stock through the employee stock ownership plan and proposed new stock option and stock recognition and retention plans will result in ownership by insiders of new Home Federal Bancorp in excess of 13.9% of the total shares issued in the offering at the maximum of the offering range. This inside ownership and provisions in our articles of incorporation and bylaws may discourage attempts to acquire new Home Federal Bancorp, pursue a proxy contest for control of new Home Federal Bancorp, assume control of new Home Federal Bancorp by a holder of a large block of common stock, and remove new Home Federal Bancorp s management, all of which stockholders might think are in their best interests. These provisions include a prohibition on any holder of common stock voting more than 10% of the outstanding common stock. See Restrictions on Acquisition of Home Federal Bancorp and Home Federal Anti-takeover Provisions in Home Federal Bancorp s Articles of Incorporation and Bylaws.

In addition, the business corporation law of Maryland, the state where new Home Federal Bancorp is incorporated, provides for certain restrictions on acquisition of new Home Federal Bancorp. Furthermore, federal law restricts acquisitions of control of savings and loan holding companies such as new Home Federal Bancorp.

We intend to remain independent which may mean you will not receive a premium for your common stock.

We intend to remain independent for the foreseeable future. Because we do not plan on seeking possible acquirors, it is unlikely that we will be acquired in the foreseeable future. Accordingly, you should not purchase our common stock with any expectation that a takeover premium will be paid to you in the near term.

We intend to grant stock options and restricted stock to the board of directors and certain employees following the conversion which will likely reduce your ownership interest.

New Home Federal Bancorp s articles of incorporation would not restrict new Home Federal Bancorp from adopting other stock-related compensation plans, however, the rules of the NASDAQ Stock Market, on which the common stock of Home Federal Bancorp is currently listed and on which the common stock of new Home Federal Bancorp will be listed, generally require stockholder approval of most compensation plans for directors, officers and key employees of the corporation. Moreover, although generally not required, stockholder approval of stock-related compensation plans may be sought in certain instances to qualify such plans for favorable treatment under current federal income tax laws and regulations. In addition, we plan to submit the stock compensation plans discussed in this prospectus to the stockholders for their approval. For a further discussion, see Comparison of Rights of New Home Federal Bancorp and Home Federal Bancorp s Stockholders - Issuance of Capital Stock.

If approved by a vote of the stockholders following the conversion, we intend to establish a new stock option plan with a number of shares equal to 8.7% of the shares sold in the offering and a new stock recognition and retention plan with a number of shares equal to 3.5% of the shares sold in the offering. These new stock benefit plans are being established for the benefit of selected directors, officers and employees of new Home Federal Bancorp and Home Federal Bank and are worth a total of $8.0 million at the purchase price, based on the maximum of the estimated offering range. Awards under these plans will likely reduce the ownership interest of all stockholders by increasing the number of shares outstanding. The issuance of authorized but unissued shares of common stock pursuant to the exercise of options under the new stock option plan and the new stock recognition and retention plan would dilute the voting interests of existing stockholders, by up to 4.9% and 2.0%, respectively. For further discussion regarding these plans, see Pro Forma Data and Management Benefits to Be Considered Following Completion of the Conversion and Reorganization.

INFORMATION ABOUT THE SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 17, 2007

General

This proxy statement/prospectus is being furnished to you in connection with the solicitation by the board of directors of Home Federal Bancorp of proxies to be voted at the special meeting of stockholders to be held at its main office located at 500 12th Avenue South, Nampa, Idaho, on Monday, December 17, 2007 at 1:00 p.m., Mountain time, and any adjournment or postponement thereof.

The purpose of the special meeting is to consider and vote upon the plan of conversion and reorganization of Home Federal MHC, Home Federal Bancorp, new Home Federal Bancorp and Home Federal Bank. In addition, stockholders will vote on a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to approve the plan of conversion and reorganization. Stockholders will vote on the approval of the following informational proposals with respect to the articles of incorporation and bylaws of new Home Federal Bancorp:

- increasing the authorized capital stock of new Home Federal Bancorp to 90,000,000 shares of serial preferred stock and 10,000,000 shares of common stock from 50,000,000 shares of serial preferred stock and 5,000,000 shares of common stock in Home Federal Bancorp s Articles of Incorporation;
- a super-majority stockholder approval requirement for mergers, consolidations and similar transactions, unless they have been approved in advance by at least two-thirds of the board of directors of new Home Federal Bancorp;
- a higher stockholder vote requirement for the removal of directors from the board of directors of new Home Federal Bancorp;
- a limitation on the voting rights of shares beneficially owned in excess of 10% of new Home Federal Bancorp s outstanding voting stock, and a limitation on the acquisition of over 10% of new Home Federal Bancorp s common stock during the first five years following the conversion;
- a super-majority stockholder approval requirement for amendments to certain provisions in the articles of incorporation of new Home Federal Bancorp; and
- a super-majority stockholder approval requirement for amendments to certain provisions in the bylaws of new Home Federal Bancorp.

The plan of conversion and reorganization provides for a series of transactions, referred to as the conversion and offering, which will result in the elimination of the mutual holding company. The plan of conversion and reorganization will also result in the creation of a new stock form holding company which will own all of the outstanding shares of Home Federal Bank, the exchange of shares of common stock of Home Federal Bancorp by stockholders other than Home Federal MHC, who are referred to as the public stockholders, for shares of the new stock form holding company, new Home Federal Bancorp, the issuance and the sale of additional shares to certain depositors and borrowers of Home Federal Bank and others in the offering. The conversion and offering will be accomplished through a series of substantially simultaneous and interdependent transactions as follows:

- Home Federal Bancorp will convert to a federal interim stock savings institution and simultaneously merge with and into Home Federal Bank with Home Federal Bank being the survivor; and

Home Federal MHC company will convert from mutual form to a federal interim stock savings institution and simultaneously merge with and into Home Federal Bank, pursuant to which the mutual holding company will cease to exist and the shares of Home Federal Bancorp common stock held by the mutual holding company will be canceled; and

an interim federal savings association will be formed as a wholly owned subsidiary of the newly formed Maryland corporation, new Home Federal Bancorp, and then will merge with and into Home Federal Bank.

As a result of the above transactions, Home Federal Bank will become a wholly-owned subsidiary of the new holding company, new Home Federal Bancorp, and the outstanding shares of Home Federal Bancorp common stock will be converted into shares of new Home Federal Bancorp common stock pursuant to the exchange ratio, which will result in the holders of such shares owning in the aggregate approximately the same percentage of new Home Federal Bancorp common stock to be outstanding upon completion of the conversion and offering as the percentage of Home Federal Bancorp common stock owned by them in the aggregate immediately prior to consummation of the conversion and offering before giving effect to (a) the payment of cash in lieu of issuing fractional exchange shares, and (b) any shares of common stock purchased by public stockholders in the offering.

This proxy statement/prospectus, together with the accompanying proxy card(s), is first being mailed or delivered to stockholders of Home Federal Bancorp on or about November 16, 2007.

Voting in favor of or against the plan of conversion and reorganization includes a vote for or against the conversion of Home Federal MHC to a stock holding company as contemplated by the plan of conversion and reorganization. Voting in favor of the plan of conversion and reorganization will not obligate you to purchase any common stock in the offering and will not affect the balance, interest rate or federal deposit insurance of any deposits at Home Federal Bank.

Record Date and Voting Rights

You are entitled to one vote at the special meeting for each share of Home Federal Bancorp common stock that you owned of record at the close of business on November 9, 2007 (the Record Date). On the Record Date, there were 15,261,589 shares of common stock outstanding.

You may vote your shares at the special meeting in person or by proxy. To vote in person, you must attend the special meeting and obtain and submit a ballot, which we will provide to you at the special meeting. To vote by proxy, you must complete, sign and return the enclosed proxy card. If you properly complete your proxy card and send it to us in time to vote, your proxy (one of the individuals named on your proxy card) will vote your shares as you have directed. **If you sign the proxy card but do not make specific choices, your proxy will vote your shares FOR the proposal identified in the Notice of Special Meeting.**

If any other matter is presented, your proxy will vote the shares represented by all properly executed proxies on such matters as a majority of the board of directors determines. As of the date of this proxy statement, we know of no other matters that may be presented at the special meeting, other than that listed in the Notice of Special Meeting.

Quorum

A quorum of stockholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. We will include proxies marked as abstentions and broker non-votes to determine the number of shares present at the special meeting.

Vote Required

Proposal 1: Approval of the plan of conversion and reorganization. We must obtain the affirmative vote of (i) the holders of a majority of the outstanding shares of common stock of Home Federal Bancorp, other than Home Federal MHC, and (ii) the holders of two-thirds of the votes eligible to be cast by stockholders of Home Federal Bancorp, including Home Federal MHC.

Proposal 2: Approval of the adjournment of the special meeting. We must obtain the affirmative vote of the majority of the votes cast by holders of outstanding shares of Home Federal Bancorp common stock to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to approve the plan of conversion and reorganization.

Informational Proposals 3a through 3f. The provisions of new Home Federal Bancorp s articles of incorporation and bylaws which are summarized as informational proposals 3a through 3f were approved as part of the process in which the board of directors of Home Federal Bancorp approved the plan of conversion and reorganization. These proposals are informational in nature only, because the Office of Thrift Supervision regulations governing mutual to stock conversions do not provide for votes on matters other than the plan of conversion and reorganization. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion and reorganization, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of new Home Federal Bancorp s articles of incorporation and bylaws which are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of new Home Federal Bancorp if such attempts are not approved by the Board of Directors, or may make the removal of the board of directors management, or the appointment of new directors, more difficult.

Other Matters. We must obtain the affirmative vote of the majority of the votes cast by holders of outstanding shares of common stock of Home Federal Bancorp.

We expect that Home Federal MHC will vote all of the shares of Home Federal Bancorp common stock that it owns in favor of Proposal 1, approval of the plan of conversion and reorganization.

Effect of Broker Non-Votes

If your broker does not vote on the proposals, this will constitute a broker non-vote. Broker non-votes and abstentions will have the same effect as shares voted Against the plan of conversion and reorganization.

Revoking Your Proxy

You may revoke your grant of proxy at any time before it is voted by:

- filing a written revocation of the proxy with the Secretary;
- submitting a signed proxy card bearing a later date; or
- attending and voting in person at the special meeting, but you also must file a written revocation with the Secretary of the special meeting prior to the voting.

If your shares are not registered in your own name, you will need appropriate documentation from your stockholder of record to vote personally at the special meeting. Examples of such documentation include a broker s statement, letter or other document that will confirm your ownership of shares of Home Federal Bancorp.

Solicitation of Proxies

This proxy statement/prospectus and the accompanying proxy card are being furnished to you in connection with the solicitation of proxies for the special meeting by the board of directors. Home Federal Bancorp will pay the costs of soliciting proxies from its stockholders. To the extent necessary to permit approval of the plan of conversion and reorganization and the other proposals being considered, directors, officers or employees of Home Federal Bancorp and Home Federal Bank may solicit proxies by mail, telephone and other forms of communication. We will reimburse such persons for their reasonable out-of-pocket expenses incurred in connection with such solicitation.

We have retained Regan & Associates, Inc., a proxy solicitation firm, to assist in soliciting proxies in connection with the special meeting of stockholders with respect to approval of the plan of conversion and reorganization as set forth in Proposal 1. We have agreed to pay Regan & Associates, Inc. a base fee of $10,000 plus reasonable out-of-pocket expenses. The aggregate fee will vary considerably based on the number and length of telephone solicitations made. We will also reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you.

The board of directors recommends that you promptly sign, date and mark the enclosed proxy card in favor of the approval of the plan of conversion and reorganization and promptly return it in the enclosed self-addressed, postage-prepaid proxy reply envelope. Returning the proxy card will not prevent you from voting in person at the special meeting.

Your prompt vote is very important. Failure to vote will have the same effect as voting against the plan of conversion and reorganization.

PROPOSAL 1

APPROVAL OF THE PLAN OF CONVERSION AND REORGANIZATION

The boards of directors of Home Federal Bancorp, Home Federal MHC, new Home Federal Bancorp and Home Federal Bank have approved the plan of conversion and reorganization. The plan of conversion and reorganization also has been approved by the Office of Thrift Supervision, subject to approval by certain depositors and borrowers of Home Federal Bank and the stockholders of Home Federal Bancorp entitled to vote on the matter. Office of Thrift Supervision approval does not constitute an endorsement or recommendation of the plan of conversion and reorganization.

General

The boards of directors of Home Federal MHC, Home Federal Bancorp and Home Federal Bank unanimously adopted the plan of conversion and reorganization on May 11, 2007 and it was amended on September 14, 2007. The plan of conversion and reorganization has been approved by the Office of Thrift Supervision, subject to, among other things, approval of the plan of conversion and reorganization by certain depositors and borrowers of Home Federal Bank and the stockholders of Home Federal Bancorp. The special meeting of stockholders has been called for this purpose on December 17, 2007.

The conversion to a stock holding company structure also includes the offering by new Home Federal Bancorp of its shares to qualifying depositors and borrowers of Home Federal Bank in a subscription offering and to certain other persons in a community offering and/or syndicated community offering. The conversion and offering will be effected as described under The Conversion And Stock Offering. The plan of conversion and reorganization has been included as an exhibit to the registration statement filed with the SEC. See Where You Can Find More Information in this proxy statement/prospectus.

Our Reasons for the Conversion

Because it is a mutual holding company, Home Federal MHC has no authority to issue shares of capital stock and consequently has no access to market sources of equity capital. Home Federal Bancorp may issue shares but only to a limited extent, as Home Federal MHC must own a majority of its shares of common stock. This conversion is another step in our strategic plan to increase our capital and expand our operations.

Upon completion of the conversion, we will no longer be in the mutual holding company form of organization and Home Federal Bank will be organized in the form used by commercial banks, most major corporations and a majority of savings institutions. The ability to raise new equity capital through the issuance and sale of capital stock of new Home Federal Bancorp will allow Home Federal Bank the flexibility to increase its capital position more rapidly than by accumulating earnings and at times deemed advantageous by the board of directors. It will also support future growth and expanded operations, including increased lending and investment activities, as business and regulatory needs require. The ability to attract new capital also will help better address the needs of the communities we serve and enhance our ability to make acquisitions or expand into new businesses. The acquisition alternatives available to Home Federal MHC are limited as a mutual holding company. However, after the conversion, we will have increased ability to merge with other institutions. Finally, the ability to issue additional capital stock will enable us to establish additional stock compensation plans for directors, officers and employees, giving them equity interests in new Home Federal Bancorp and greater incentive to improve its performance. For a description of the stock compensation plans which will be adopted by us in connection with the conversion, see Management Benefits to Be Considered Following Completion of the Conversion and Reorganization.

The disadvantages of the offering considered the fact that operating in the stock holding company form of organization could subject Home Federal Bancorp to contests for corporate control, including the possibility that a director could be elected that advocates the particular position of the group which elected him or her, rather than positions that are in the best interests of new Home Federal Bancorp and all stockholders.

After considering the advantages and disadvantages of the conversion, as well as applicable fiduciary duties and alternative transactions, including remaining as a mutual holding company, the boards of directors of Home Federal MHC, Home Federal Bancorp and Home Federal Bank approved the conversion as being in the best interests of our companies and equitable to the members of Home Federal MHC.

Effect of the Conversion on Current Stockholders

Effect on Outstanding Shares of Home Federal Bancorp. Federal regulations provide that in a conversion of a mutual holding company to stock form, the public stockholders of Home Federal Bancorp will be entitled to exchange their shares of common stock for common stock of the converted holding company, provided that the federal savings bank and the mutual holding company demonstrate to the satisfaction of the Office of Thrift Supervision that the basis for the exchange is fair and reasonable. Each publicly held share of Home Federal Bancorp common stock will, on the date of completion of the conversion, be automatically converted into and become the right to receive a number of shares of common stock of new Home Federal Bancorp determined pursuant to the exchange ratio (we refer to these shares as the exchange shares). The public stockholders of Home Federal Bancorp common stock will own the same percentage of common stock in new Home Federal Bancorp after the conversion as they hold in Home Federal Bancorp subject to additional purchases, or the receipt of cash in lieu of fractional shares. The total number of shares of new Home Federal Bancorp held by the former public stockholders of Home Federal Bancorp common stock after the conversion will also be affected by any purchases by these persons in the offering.

Based on the independent valuation, the 58.9% of the outstanding shares of Home Federal Bancorp common stock held by Home Federal MHC as of the date of the independent valuation and the 41.1% public ownership interest of Home Federal Bancorp, the following table sets forth, at the minimum, mid-point, maximum, and adjusted maximum of the offering range:

the total number of shares of common stock to be issued in the conversion;

the total shares of common stock outstanding after the conversion;

the exchange ratio; and

the number of shares an owner of 100 shares of Home Federal Bancorp common stock will receive in the exchange, adjusted for the number of shares sold in the offering.

	Shares to be sold in the offering		Shares of new Home Federal Bancorp stock to be exchanged for current Home Federal Bancorp common stock		Total shares of new Home Federal Bancorp common stock to be outstanding after the conversion	Exchange ratio	100 shares of Home Federal Bancorp common stock would be exchanged for the following number of shares of new Home Federal Bancorp	Value of new Home Federal Bancorp shares to be received in exchange for 100 shares of Home Federal Bancorp common stock assuming value at $10.00 per share
	Amount	**Percent**	**Amount**	**Percent**				
Minimum	10,200,000	58.9%	7,103,110	41.1%	17,303,110	1.1360	113	$ 1,130
Midpoint	12,000,000	58.9	8,356,600	41.1	20,356,600	1.3364	133	1,330
Maximum	13,800,000	58.9	9,610,090	41.1	23,410,090	1.5369	153	1,530
15% above the maximum	15,870,000	58.9	11,051,604	41.1	26,921,604	1.7674	176	1,760

If you currently own shares of Home Federal Bancorp which are held in street name, they will be exchanged without any action on your part. If you currently are the record owner of shares of Home Federal Bancorp and hold certificates for these shares you will receive, after the conversion and offering is completed, a transmittal form with instructions to surrender your stock certificates. New certificates of our common stock will be mailed within five business days after the exchange agent receives properly executed transmittal forms and stock certificates. You should not submit a stock certificate for exchange until you receive a transmittal form.

No fractional shares of our common stock will be issued to any public stockholder of Home Federal Bancorp upon consummation of the conversion. For each fractional share that would otherwise be issued, we will pay an amount equal to the product obtained by multiplying the fractional share interest to which the holder would otherwise be entitled by the $10.00 per share subscription price.

Under federal law and regulations, current public stockholders of Home Federal Bancorp do not have dissenters rights or appraisal rights.

Outstanding options to purchase shares of Home Federal Bancorp common stock also will convert into and become options to purchase new shares of new Home Federal Bancorp, Inc. common stock. The number of shares of common stock to be received upon exercise of these options will be determined pursuant to the exchange ratio. The aggregate exercise price, duration and vesting schedule of these options will not be affected by the conversion. At June 30, 2007, there were 559,228 outstanding options to purchase shares of Home Federal Bancorp common stock, 49,233 of which have vested. Such options will be converted into options to purchase 635,283 shares of common stock at the minimum of the offering range and 859,478 shares of common stock at the maximum of the offering range. Because Office of Thrift Supervision regulations prohibit us from repurchasing our common stock during the first year following the conversion unless compelling business reasons exist for such repurchases, we may use authorized but unissued shares to fund option exercises that occur during the first year following the conversion. If all existing options were exercised for authorized, but unissued shares of common stock following the conversion, stockholders would experience dilution of approximately 3.5%.

Effect on Stockholders Equity per Share of the Shares Exchanged. As adjusted for exchange ratio, the conversion will increase the stockholders equity share of the current stockholder of Home Federal Bancorp common stock. At June 30, 2007, the stockholders equity per share of Home Federal Bancorp common stock including shares held by Home Federal MHC was $7.22. Based on the pro forma information set forth for June 30, 2007, in Pro Forma Data, pro forma stockholders equity per share following the conversion will be $11.33, $10.38, $9.69 and $9.08 at the minimum, midpoint, maximum and adjusted maximum, respectively, of the offering range. As adjusted at that date for the exchange ratio, the effective stockholders equity per share of current stockholder would be $8.20, $9.65, $11.0 and $12.76 at the minimum, midpoint, maximum and adjused maximum, respectively, of the offering range.

Effect on Earnings per Share of the Shares Exchanged. As adjusted for exchange ratio, the conversion will also increase the pro forma earnings per share. For the year ended September 30, 2006, basic earnings per share of Home Federal Bancorp common stock was $0.28, including shares held by Home Federal MHC. Based on the pro forma information set forth for the year ended September 30, 2006, in Pro Forma Data, earnings per share of common stock following the conversion will range from $0.32 to $.023, respectively, for the minimum to the adjusted maximum of the offering range. As adjusted at that date for the exchange ratio, the effective annualized earnings per share for current stockholders would range from $0.32 to $0.49, respectively, for the minimum to the adjusted maximum of the offering range.

Dissenters and Appraisal Rights

The public stockholders of Home Federal Bancorp common stock will not have dissenters rights or appraisal rights in connection with the exchange of publicly held shares of Home Federal Bancorp common stock as part of the conversion.

Exchange of Shares

The conversion of your shares of Home Federal Bancorp common stock into the right to receive shares of new Home Federal Bancorp common stock will occur automatically on the effective date of the conversion, although you will need to exchange your stock certificate(s) if you hold shares in certificate form. As soon as practicable after the effective date of the conversion, our transfer agent will send a transmittal form to you. The transmittal forms are expected to be mailed promptly after the effective date and will contain instructions on how to submit the stock certificate(s) representing existing shares of Home Federal Bancorp common stock.

No fractional shares of new Home Federal Bancorp common stock will be issued to you when the conversion is completed. For each fractional share that would otherwise be issued to a stockholder who holds a certificate, you will be paid by check an amount equal to the product obtained by multiplying the fractional share interest to which you would otherwise be entitled by $10.00. If your shares are held in street name, you will automatically receive cash in lieu of fractional shares. For more information regarding the exchange of your shares see The Conversion and Stock Offering Delivery and Exchange of Stock Certificates.

Conditions to the Conversion and Offering

Consummation of the conversion and stock offering are subject to the receipt of all requisite regulatory approvals, including various approvals of the Office of Thrift Supervision. No assurance can be given that all regulatory approvals will be received. Receipt of such approvals from the Office of Thrift Supervision will not constitute a recommendation or endorsement of the Plan of Conversion or the stock offering by the Office of Thrift Supervision. Consummation of the conversion and stock offering also are subject to approval by the stockholders of Home Federal Bancorp at the special meeting of stockholders of Home Federal Bancorp and of depositors and borrowers of Home Federal Bank at a special meeting of depositors to be held the same day as the special meeting of stockholders. we may use borrowers of Home Federal Bank at a special meeting of depositors to be held the same day as the special meeting of stockholders.

Effect on Existing Compensation Plans

Under the plan of conversion and reorganization, the existing 2005 Stock Option and Incentive Plan and 2005 Recognition and Retention Plan of Home Federal Bancorp will become stock benefit plans of new Home Federal Bancorp and shares of new Home Federal Bancorp common stock will be issued (or reserved for issuance) pursuant to such benefit plans and not shares of the current Home Federal Bancorp common stock. Upon consummation of the conversion, the common stock currently reserved for or held by these benefit plans will be converted into options or new Home Federal Bancorp common stock based upon the exchange ration. Upon completion of the conversion, (i) all rights to purchase, sell or receive Home Federal Bancorp common stock currently under any agreement between Home Federal Bancorp and Home Federal Bank and any director, officer or employee of Home Federal Bank or under any plan or program of Home Federal Bancorp or Home Federal Bank (including, without limitation, the 2005 Recognition and Retention Plan), shall automatically, by operation of law, be converted into and shall become an identical right to purchase, sell or receive new Home Federal Bancorp common stock and an identical right to make payment in common stock under any such agreement between Home Federal Bancorp or Home Federal Bank and any director, officer or employee or under such plan or program of Home Federal Bancorp or Home Federal Bank, and (ii) rights outstanding under the 2005 Stock Option and Incentive Plan shall be assumed by new Home Federal Bancorp and thereafter shall be rights only for shares of new Home Federal Bancorp common stock, with each such right being for a number of shares of new Home Federal Bancorp common stock based upon the exchange ratio and the number of shares of Home Federal Bancorp that were available thereunder immediately prior to consummation of the conversion, with the price adjusted to reflect the exchange ratio but with no change in any other term or condition of such right.

New Stock Benefit Plans

Employee Stock Ownership Plan. Home Federal Bancorp has established an employee stock ownership plan for its employees which previously acquired 571,320 shares of Home Federal Bancorp s common stock on behalf of participants. As part of the conversion, the employee stock ownership plan intends to purchase a number of shares of new Home Federal Bancorp common stock equal to 8.0% of the shares sold in the offering, or 1,104,000 shares and 1,269,600 shares based on the maximum and 15% above the maximum of the offering range, respectively. We anticipate that the employee stock ownership plan will borrow funds from new Home Federal Bancorp, and that such loan will equal 100% of the aggregate purchase price of the common stock acquired by the employee stock ownership plan.

Stock Option Plan. Following consummation of the conversion and offering, new Home Federal Bancorp intends to adopt a new stock option plan. Options may be granted to our directors and key employees. The new stock option plan will be administered and interpreted by a committee of the board of directors. Unless sooner terminated, the new stock option plan shall continue in effect for a period of 10 years from the date the stock option plan is adopted by the board of directors. At a meeting of new Home Federal Bancorp s stockholders after the conversion and offering, which under applicable Office of Thrift Supervision policies may be held no earlier than six months after the completion of the conversion and offering, new Home Federal Bancorp intends to present the stock option plan to stockholders for approval and to reserve an amount equal to 8.7% of the shares of new Home Federal Bancorp common stock sold in the offering, which is 1,195,696 shares or 1,375,051 shares based on the maximum and 15% above the maximum of the offering range, respectively, for issuance under the new stock option plan. Office of Thrift Supervision regulations provide that, in the event such plan is implemented within one year after the conversion and offering, no individual officer or employee of new Home Federal Bancorp may receive more than 25% of the options granted under the new stock option plan and non-employee directors may not receive more than 5% individually, or 30% in the aggregate of the options granted under the new stock option plan.

Stock Recognition and Retention Plan. After the conversion and offering, new Home Federal Bancorp intends to adopt a stock recognition and retention plan for its directors, officers and employees. New Home Federal

Bancorp intends to present the stock recognition and retention plan to its stockholders for their approval at a meeting of stockholders which, pursuant to applicable Office of Thrift Supervision regulations, may be held no earlier than six months after the offering. The stock recognition and retention plan will be administered by a committee of new Home Federal Bancorp s board of directors, which will have the responsibility to invest all funds contributed to the trust created for the stock recognition and retention plan. New Home Federal Bancorp will contribute sufficient funds to the trust so that it can purchase, following the receipt of stockholder approval, a number of shares equal to 3.5% of the shares of new Home Federal Bancorp common stock sold in the offering, which is 478,278 shares or 550,020 shares based on the maximum and 15% above the maximum of the offering range, respectively. Shares of common stock granted pursuant to the stock recognition and retention plan generally will be in the form of restricted stock vesting at a rate to be determined by new Home Federal Bancorp s board of directors or a board committee. Currently, new Home Federal Bancorp expects that shares awarded under the stock recognition and retention plan will vest over a five year period at a rate no faster than 20% per year.

The Board of Directors recommends that you vote FOR the adoption of the plan of conversion and reorganization. See The Conversion and Stock Offering Our Reasons for the Conversion in this proxy statement/prospectus.

PROPOSAL 2

ADJOURNMENT OF THE SPECIAL MEETING

If there are not sufficient votes to constitute a quorum or to approve the plan of conversion and reorganization at the time of the special meeting, the plan of conversion and reorganization may not be approved unless the special meeting is adjourned to a later date or dates in order to permit further solicitation of proxies. In order to allow proxies that have been received by Home Federal Bancorp at the time of the special meeting to be voted for an adjournment, if necessary, Home Federal Bancorp has submitted the question of adjournment to its stockholders as a separate matter for their consideration. The Board of Directors of Home Federal Bancorp recommends that stockholders vote FOR the adjournment proposal. If it is necessary to adjourn the special meeting, no notice of the adjourned special meeting is required to be given to stockholders (unless the adjournment is for more than 120 days or if a new record date is fixed), other than an announcement at the special meeting of the hour, date and place to which the special meeting is adjourned.

The Board of Directors recommends that you vote FOR the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to approve the plan of conversion and reorganization.

PROPOSALS 3a THROUGH 3f

INFORMATIONAL PROPOSALS RELATED TO THE ARTICLES OF INCORPORATION AND BYLAWS OF HOME FEDERAL BANCORP (NEW)

By their approval of the plan of conversion as set forth in Proposal 1, the board of directors of Home Federal Bancorp has approved each of the informational proposals numbered 1A through 1F, all of which relate to provisions included in the articles of incorporation of new Home Federal Bancorp. Each of these informational proposals is discussed in more detail below.

As a result of the conversion, the public stockholders of Home Federal Bancorp, whose rights are presently governed by the charter and bylaws of Home Federal Bancorp, will become stockholders of new Home Federal Bancorp, whose rights will be governed by the articles of incorporation and bylaws of new Home Federal Bancorp. The following informational proposals address the material differences between the governing documents of the two companies. This discussion is qualified in its entirety by reference to the charter of Home Federal Bancorp and the articles of incorporation of new Home Federal Bancorp. See Where You Can Find Additional Information for procedures for obtaining a copy of those documents.

The provisions of new Home Federal Bancorp s articles of incorporation which are summarized as informational proposals 3a through 3f were approved as part of the process in which the board of directors of Home Federal Bancorp approved the plan of conversion and reorganization. These proposals are informational in nature only, because the Office of Thrift Supervision s regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. Home Federal s Bancorp s stockholders are not being asked to approve these informational proposals at the special meeting. While we are asking you to vote with respect to each of the informational proposals set forth below, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of new Home Federal Bancorp s articles of incorporation which are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of new Home Federal Bancorp, if such attempts are not approved by the Board of Directors, or may make the removal of the board of directors or management, or the appointment of new directors, more difficult.

Informational Proposal 3a Approval of an Increase of Authorized Shares of Capital Stock. Home Federal Bancorp s authorized capital stock consists of 5,000,000 shares of serial preferred stock and 50,000,000 shares of common stock. The articles of incorporation of new Home Federal Bancorp authorize 10,000,000 shares of serial preferred stock and 90,000,000 shares of common stock.

At June 30, 2007, there were 15,232,243 issued and outstanding shares of common stock of Home Federal Bancorp and no outstanding shares of preferred stock. At the maximum of the offering range, we expect to issue an aggregate of 23,410,090 shares of new Home Federal Bancorp common stock in the offering and as exchange shares, almost double the existing number of outstanding shares of Home Federal Bancorp. At the maximum of the offering range, an additional 1,195,696 shares of new Home Federal Bancorp common stock will be reserved for issuance pursuant to the proposed stock option plan and another 478,278 shares will be reserved under the new recognition and retention option plan. Given the increased number of shares of common stock to be issued and outstanding and reserved for issuance, an increase in the number of authorized shares of capital stock is believed to be appropriate.

New Home Federal Bancorp s board of directors currently has no plans for the issuance of additional shares of common stock, other than the issuance of shares of pursuant to the terms of the proposed stock option plan and recognition and retention plan.

All authorized and unissued shares of new Home Federal Bancorp s common stock and preferred stock following the conversion and offering will be available for issuance without further action of the stockholders, unless such action is required by applicable law or the listing standards of The Nasdaq Stock Market or the listing standards of any other stock exchange on which new Home Federal Bancorp s securities may then be listed.

An increase in the number of authorized shares of capital stock may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of new Home Federal Bancorp, if such attempts are not approved by the board of directors. In the event that a tender offer or other takeover attempt is threatened, the board of directors could issue shares of stock from authorized and unissued shares in order to dilute the stock ownership of persons seeking to take control of new Home Federal Bancorp.

The Board of Directors recommends that you vote FOR the proposal to increase the authorized shares of capital stock.

Informational Proposal 3b Approval of a Provision in new Home Federal Bancorp s Articles of Incorporation requiring a Super-Majority Stockholder Vote to Approve Mergers, Consolidations and Similar Transactions. Office of Thrift Supervision regulations currently require the approval of two-thirds of the board of directors of Home Federal Bancorp and the holders of two-thirds of the outstanding shares of Home Federal Bancorp common stock for mergers, consolidations and sales of all or substantially all of its assets. The charter and bylaws of Home Federal Bancorp do not provide any alternative approval standard for mergers and similar transactions.

However, Home Federal MHC, as the owner of 58.9% of the outstanding shares of common stock of Home Federal Bancorp, has the ability to block any such transaction.

The articles of incorporation of new Home Federal Bancorp provide that certain business combinations (for example, mergers, share exchanges, significant asset sales and significant stock issuances) involving **interested stockholders of new Home Federal Bancorp require, in addition to any vote required by law, the approval of at least 80% of the voting power of the outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class, unless either (1) a majority of the disinterested directors of new Home Federal Bancorp have approved the business combination or (2) certain fair price and procedural requirements are satisfied. An interested stockholder generally means a person who is a greater than 10% stockholder of new Home Federal Bancorp or who is an affiliate of new Home Federal Bancorp and at any time within the past two years was a greater than 10% stockholder of new Home Federal Bancorp.** The board of directors of new Home Federal Bancorp believes that these types of fundamental transactions generally should be first considered and approved by the board of directors as the board generally believes that it is in the best position to make an initial assessment of the merits of any such transactions. This provision in new Home Federal Bancorp s articles of incorporation makes an acquisition, merger or other similar corporate transaction less likely to occur, even if such transaction is supported by most stockholders, unless it is supported by the board of directors. Thus, it may be deemed to have an anti-takeover effect.

The Board of Directors recommends that you vote FOR the proposal to approve a provision in new Home Federal Bancorp s Articles of Incorporation requiring a Super-Majority Stockholder Vote to Approve Mergers, Consolidations and Similar Transactions.

Information Proposal 3c Approval of a Provision in new Home Federal Bancorp s Articles of Incorporation Limiting the Ability of Stockholders to Remove Directors. The provisions of new Home Federal Bancorp s articles of incorporation provide that any director may be removed by stockholders only for cause upon the affirmative vote of not less than 80% of the shares entitled to vote in the election of directors.

Home Federal Bancorp s charter provides that any director may be removed only for cause by the vote of the holders of a majority of the outstanding shares at a meeting of stockholders called for such purpose. This provision has provided an adequate degree of protection under the mutual holding company structure, in which the mutual holding company owns a majority of all voting shares and can prevent a third party from seeking removal of one or more directors in order to promote an agenda that may not be in the interests of all other stockholders.

The 80% voting requirement of the articles of incorporation of new Home Federal Bancorp is intended to prevent sudden and fundamental changes to the composition of the board of directors except in the case of director misconduct. This provision does not prevent the replacement of one or more directors at an annual meeting of stockholders, and will not prevent the replacement of the entire board over the course of three years. This provision is intended to reduce the ability of anyone to coerce members of the board of directors by threatening them with removal from office, in cases where the directors are acting in good faith to discharge their duties to the corporation and to all stockholders as a group. This provision will not prevent a stockholder from conducting a proxy contest with respect to the election of directors at an annual meeting of stockholders.

The higher vote threshold may make it more difficult to bring about a change of control of new Home Federal Bancorp. One method for a hostile stockholder to take control of a company is to acquire a majority of the outstanding shares through a tender offer or open market purchases and then use its voting power to remove the existing directors.

The board of directors believes that it is desirable to adopt this provision so that a director s continued service will be conditioned on his or her duties to the company and the stockholders in good faith, rather than his or her position relative to a dominant stockholder.

The Board of Directors recommends that you vote FOR the proposal to approve a provision in new Home Federal Bancorp s Articles of Incorporation limiting the ability of stockholders to remove directors.

Information Proposal 3d. Approval of a Provision in new Home Federal Bancorp s Articles of Incorporation to Limit the Voting Rights and Acquisition of in Excess of 10% of new Home Federal Bancorp s Common Stock. The articles of incorporation of new Home Federal Bancorp provide that in no event shall any person, who directly or indirectly beneficially owns in excess of 10% of the then-outstanding shares of common stock as of the record date for the determination of stockholders entitled or permitted to vote on any matter, be entitled or permitted to any vote in respect of the shares held in excess of the 10% limit. The articles of incorporation also provide that for a period of five years from the conversion of Home Federal MHC from mutual to stock form, no person shall directly or indirectly offer to acquire more than 10% of the outstanding shares of common stock (the 10% limit). This 10% limit restriction does not apply if the beneficial owner s ownership position in excess of the 10% limit was approved by a majority of unaffiliated directors before the beneficial owner of such shares acquired beneficial ownership of the shares in excess of the 10% limit. Beneficial ownership is determined pursuant to the federal securities laws and includes, but is not limited to, shares as to which any person and his or her affiliates (1) have the right to acquire upon the exercise of conversion rights, exchange rights, warrants or options and (2) have or share investment or voting power (but shall not be deemed the beneficial owner of any voting shares solely by reason of a revocable proxy granted for a particular meeting of stockholders, and that are not otherwise beneficially, or deemed by new Home Federal Bancorp to be beneficially, owned by such person and his or her affiliates).

The articles of incorporation of Home Federal Bancorp also provides that for a period of five years from the effective date of Home Federal MHC s mutual holding company reorganization, no person shall directly or indirectly offer to acquire more than 10% of the outstanding shares of common stock.

This provision is intended to limit the ability of any person to acquire a significant number of shares of new Home Federal Bancorp s common stock and thereby gain sufficient voting control so as to cause new Home Federal Bancorp to effect a transaction that may not be in the best interests of new Home Federal Bancorp and its stockholders generally. This provision will not prevent a stockholder from seeking to acquire a controlling interest in new Home Federal Bancorp but it will prevent a person from doing so for the first five years after the conversion unless the stockholder has first persuaded the board of directors of the merits of the course of action proposed by the stockholder. This provision in new Home Federal Bancorp s articles of incorporation makes an acquisition, merger or other similar transaction that is not supported by the board of directors less likely to occur because it can prevent the a holder of shares in excess of 10% of the outstanding shares from voting the excess in favor of the transaction. Thus, it may be deemed to have an anti-takeover effect.

The Board of Directors \recommends that you vote FOR the proposal to approve a provision in new Home Federal Bancorp s Articles of Incorporation limiting the voting rights and acquisition of in excess of 10% of new Home Federal Bancorp s common stock.

Informational Proposal 3e. Approval of a provision in new Home Federal Bancorp s Articles of Incorporation requiring a Super-Majority Stockholder Vote to Amend Certain Provisions of New Home Federal Bancorp s Articles of Incorporation. Any amendments of the charter of Home Federal Bancorp must be approved first by the board of directors, then preliminarily approved by the Office of Thrift Supervision, and thereafter approved by the holders of a majority of the total votes eligible to be cast at a legal meeting of stockholders. The articles of incorporation of new Home Federal Bancorp generally may be amended by the holders of a majority of the shares entitled to vote; provided, however, that any amendment of Section C of Article 5 (Issuing Preferred Stock; Limitation of Voting Common Stock), Article 7 (Number, Classification, Election and Removal of Directors), Article 8 and 14 (Amendment of Governing Instruments), Article 9 (Approval of Certain Business Combinations), Article 11 (Acquisitions of Securities from Interested Persons (anti-greenmail provision)), 12 (Indemnification of Directors and Officers) and Article 13 (Limitation of Liability of Directors and Officers) must be approved by the board of directors and by the affirmative vote of the holders of at least 80% of the outstanding shares entitled to vote, except that the board of directors may amend the articles of incorporation without any action by the stockholders in increase or decrease the number of authorized shares of common stock or preferred stock.

These limitations on amendments to specified provisions of new Home Federal Bancorp s articles of incorporation are intended to ensure that the referenced provisions are not limited or changed upon a simple majority vote. While this limits the ability of stockholders to amend those provisions, Home Federal MHC, as a 58.9% stockholder of Home Federal Bancorp, currently can effectively block any stockholder proposed change to the charter. This provision in new Home Federal Bancorp s articles of incorporation could have the effect of discouraging a tender offer or other takeover attempt where to ability to make fundamental changes through amendments to the articles of incorporation is an important element of the takeover strategy of the potential acquiror. The board of directors believes that the provisions limiting certain amendments to the articles of incorporation will put the board of directors in a stronger position to negotiate with third parties with respect to transactions potentially affecting the corporate structure of new Home Federal Bancorp and the fundamental rights of its stockholders, and to preserve the ability of all stockholders to have an effective voice in the outcome of such matters.

The Board of Directors recommends that you vote FOR the proposal to approve a provision in new Home Federal Bancorp s Articles of Incorporation requiring a super-majority stockholder vote to amend certain provisions of new Home Federal Bancorp s articles of incorporation.

Informational Proposal 3f. - Approval of a Provision in new Home Federal Bancorp s Bylaws Requiring a Super-majority Stockholder Vote to Amend Certain Provisions of New Home Federal Bancorp s Bylaws. The bylaws of Home Federal Bancorp may be amended in a manner consistent with regulations of the Office of Thrift Supervision and shall be effective after: (1) approval of the amendment by a majority vote of the authorized board of directors, or by a majority of the votes cast by the stockholders of Home Federal Bancorp at any legal meeting; and (2) receipt of applicable regulatory approval. The bylaws of new Home Federal Bancorp may be amended by the board of directors with a majority vote of the total number of directors assuming no vacancies on the board, or by the stockholders by the affirmative vote of the holders of at least 80% of the voting power of the outstanding shares entitled to vote generally in the election of directors, voting together as a single class.

This provision limits the ability of new Home Federal Bancorp s stockholders to revise certain bylaw provisions. However, stockholders do retain the authority to authorize changes in the bylaws of new Home Federal Bancorp. Currently, Home Federal MHC, as the owner of 58.9% of the outstanding shares of common stock of Home Federal Bancorp, has the ability to block any proposed change to the bylaws of Home Federal Bancorp.

This provision in new Home Federal Bancorp s bylaws could have the effect of discouraging a tender offer or other takeover attempt where the ability to make fundamental changes through bylaw amendments is an important element of the takeover strategy of the potential acquiror. The board of directors believes that the provision limiting certain amendments to the bylaws will put the board of directors in a stronger position to negotiate with third parties with respect to transactions potentially affecting the corporate structure of new Home Federal Bancorp and the fundamental rights of its stockholders, and to preserve the ability of all stockholders to have an effective voice in the outcome of such matters.

The Board of Directors recommends that you vote FOR the proposal to approve a provision in new Home Federal Bancorp s Bylaws requiring a super-majority stockholder vote to amend certain provisions of new Home Federal Bancorp s bylaws.

SELECTED FINANCIAL AND OTHER DATA

The Financial Condition Data as of September 30, 2006 and 2005 and the Operating Data for the years ended September 30, 2006, 2005 and 2004 are derived from the audited consolidated financial statements and related notes included elsewhere in the prospectus. The Financial Condition Data as of September 30, 2004, 2003 and 2002 and the Operating Data for the years ended September 30, 2003 and 2002 are derived from audited consolidated financial statements, not included in this prospectus. The Financial Condition Data as of June 30, 2007 and the Operating Data for the nine months ended June 30, 2007 and 2006 are derived from unaudited consolidated financial statements included elsewhere in this prospectus which, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly the data for the unaudited periods. Historical results are not necessarily indicative of results to be expected in any future period, and results for the nine months ended June 30, 2007 are not necessarily indicative of the results to be expected for the year ended September 30, 2007. The following information is only a summary and you should read it in conjunction with our consolidated financial statements and related notes beginning on page F-1 and with Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	At June 30, 2007	At September 30, 2006	2005	2004	2003	2002
FINANCIAL CONDITION DATA:	(Unaudited)	(In Thousands)				
Total assets	$728,315	$761,292	$689,577	$743,867	$450,196	$416,543
Investment securities available for sale, at fair value					5,440	2,507
Mortgage-backed securities, available for sale	166,755	12,182	14,830	871		
Mortgage-backed securities, held to maturity		183,279	180,974	96,595	24,425	44,325
Loans receivable, net (1)	491,768	503,065	430,944	392,634	372,629	318,297
Loans held for sale	4,363	4,119	5,549	3,577	5,066	12,722
Total deposit accounts	418,698	430,281	396,325	343,087	301,273	279,772
Federal Home Loan Bank advances	189,264	210,759	175,932	122,797	96,527	91,008
Stockholders equity	109,998	107,869	101,367	45,097	40,399	34,961

	Nine Months Ended June 30,		Year Ended September 30,				
OPERATING DATA:	2007	2006	2006	2005	2004	2003	2002
	(Unaudited)		(In Thousands)				
Interest income	$32,260	$29,293	$39,913	$33,910	$27,512	$26,896	$26,904
Interest expense	16,088	11,883	16,917	12,231	9,650	9,705	11,465
Net interest income	16,172	17,410	22,996	21,679	17,862	17,191	15,439
Provision for loan losses	71	320	138	456	900	615	277
Net interest income after provision for loan losses	16,101	17,090	22,858	21,223	16,962	16,576	15,162
Noninterest income	8,626	8,343	11,109	10,128	8,982	11,188	5,767
Noninterest expense	18,134	18,062	23,945	23,158	18,576	18,885	17,178
Income before income taxes	6,593	7,371	10,022	8,193	7,368	8,879	3,751
Federal income tax expense	2,517	2,817	3,810	2,910	2,684	3,423	1,644
Net income	$ 4,076	$ 4,544	$ 6,212	$ 5,283	$ 4,684	$ 5,456	$ 2,107
Earnings per common share:							
Basic	$ 0.28	$ 0.31	$ 0.43	$ 0.36	nm(2)	nm(2)	nm(2)
Diluted	0.28	0.31	0.43	0.36	nm(2)	nm(2)	nm(2)

Dividends declared per share:	$ 0.165	$ 0.160	$ 0.215	$ 0.100	nm(2)	nm(2)	nm(2)

(1) Net of allowances for loan losses, loans in process and deferred loan fees.

(2) Per share information is not meaningful. Home Federal Bancorp did not complete its minority stock offering until December 6, 2004 and did not have any outstanding shares prior to that date.

OTHER DATA:	At June 30, 2007	At September 30, 2006	2005	2004	2003	2002
Number of:						
Real estate loans outstanding	3,047	3,389	3,236	3,081	3,053	2,565
Deposit accounts	70,546	70,373	73,013	75,565	72,327	70,183
Full-service offices	15	14	15	14	14	14

KEY FINANCIAL RATIOS:	At or For the Nine Months Ended June 30, (1) 2007	2006	At or For the Year Ended September 30, 2006	2005	2004	2003	2002
Performance Ratios:							
Return on average assets (2)	0.72%	0.85%	0.85%	0.82%	0.93%	1.23%	0.53%
Return on average equity (3)	4.92	5.81	5.90	5.69	10.47	13.39	6.03
Dividend payout ratio	21.96	21.76	19.72	10.68			
Equity to asset ratio (4)	14.70	14.56	14.47	14.38	8.86	9.17	8.74
Interest rate spread (5)	2.41	2.87	2.79	3.15	3.55	3.93	3.98
Net interest margin (6)	3.02	3.41	3.33	3.57	3.84	4.19	4.23
Efficiency ratio (7)	73.13	70.14	70.21	72.81	69.20	66.55	81.01
Noninterest income/operating revenue (8)	34.8	32.4	32.6	31.8	33.5	39.4	27.2
Average interest-earning assets to average interest-bearing liabilities	120.44	122.86	122.32	121.07	113.62	110.96	107.83
Noninterest expense as a percent of average total assets	2.41	2.52	3.29	3.59	3.68	4.25	4.29
Capital Ratios:							
Tier I (core) capital (to tangible assets)	12.97	11.59	11.77	12.00	6.01	8.89	8.50
Total risk-based capital (to risk-weighted assets)	20.58	19.34	19.46	20.46	12.76	14.18	13.79
Tier I risk-based capital (to risk-weighted assets)	19.95	18.65	18.82	19.75	12.05	13.56	13.27
Asset Quality Ratios:							
Non-accrual and 90 days or more past due loans as a percent of total loans	0.07	0.01	0.08	0.11	0.16	0.04	0.14
Non-performing assets as a percent of total assets	0.07		0.05	0.15	0.10	0.03	0.17
Allowance for losses as a percent of gross loans receivable	0.56	0.64	0.59	0.67	0.67	0.49	0.41
Allowance for losses as a percent of nonperforming loans	748.77	10,533.33	766.49	602.97	432.30	1,393.23	295.94
Net charge-offs to average loans	0.02	0.01	0.01	0.05	0.03	0.04	0.10

(1) Ratios have been annualized.
(2) Net income divide d by average total assets.

(footnotes continued on following page)

(3) Net income divided by average equity.
(4) Average equity divided by average total assets.
(5) Difference between weighted average yield on interest-earning assets and weighted average rate on interest-bearing liabilities.
(6) Net interest margin, otherwise known as net yield on interest-earning assets, is calculated as net interest income divided by average interest-earning assets.
(7) The efficiency ratio represents the ratio of noninterest expense divided by the sum of net interest income and noninterest income (expense).
(8) Operating revenue is defined as the sum of net interest and non-interest income.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which can be identified by the use of words such as believes, expects, anticipates, estimates or similar expressions. Forward-looking statements include:

statements of our goals, intentions and expectations;

statements regarding our business plans, prospects, growth and operating strategies;

statements regarding the quality of our loan and investment portfolios; and

estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

general economic conditions, either nationally or in our market area, that are worse than expected;

changes in the interest rate environment that reduce our interest margins or reduce the fair value of financial instruments;

increased competitive pressures among financial services companies;

changes in consumer spending, borrowing and savings habits;

our ability to successfully manage our growth;

legislative or regulatory change s that adversely affect our business;

adverse changes in the securities markets; and

changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Public Company Accounting Oversight Board or the Financial Accounting Standards Board.

Any of the forward-looking statements that we make in this prospectus and in other public statements we make may turn out to be wrong because of inaccurate assumptions we might make, because of the factors illustrated above or because of other factors that we cannot foresee. Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements and you should not rely on such statements.

HOW WE INTEND TO USE THE PROCEEDS FROM THE SUBSCRIPTION OFFERING, DIRECT COMMUNITY OFFERING AND SYNDICATED COMMUNITY OFFERING

No proceeds will be received in connection with the exchange offer. However, we will receive proceeds from the sale of the shares of new Home Federal Bancorp s common stock in the stock offering and information regarding the anticipated use of these proceeds is provided herein for informational purposes.

Although the actual net proceeds from the sale of the shares of common stock cannot be determined until the conversion is completed, we presently anticipate that the net proceeds will be between $97.5 million at the minimum of the offering range and $132.4 million at the maximum of the offering range and may be up to $152.4 million assuming an increase in the estimated offering range by 15%. See Pro Forma Data and The Conversion and Stock Offering How We Determined Our Price and the Number of Shares to Be Issued in the Stock Offering as to the assumptions used to arrive at these amounts.

We intend to use the net proceed s received from the stock offering as follows:

	Minimum	Maximum	Maximum, as adjusted
		(In Thousands)	
Gross proceeds	$ 102,000	$ 138,000	$ 158,700
Less: estimated underwriting commission and other offering expenses	4,471	5,613	6,269
Estimated net proceeds	97,529	132,387	152,431
Less:			
Net proceeds to Home Federal Bank	48,765	66,194	76,216
Loan to our employee stock ownership plan	8,160	11,040	12,696
Net cash proceeds retained by new Home Federal Bancorp	40,604	55,153	63,519

New Home Federal Bancorp will retain 50% of the net conversion proceeds and will purchase all of the capital stock of Home Federal Bank to be issued in the conversion in exchange for the remaining 50% of the net conversion proceeds. The net proceeds retained by new Home Federal Bancorp will initially be deposited with Home Federal Bank and may ultimately be used to support lending and investment activities, future expansion of operations through the establishment or acquisition of banking offices or other financial service providers, to pay dividends or for other general corporate purposes, including repurchasing shares of its common stock. No such acquisitions are specifically being considered at this time. Home Federal Bank intends to use the proceeds received from new Home Federal Bancorp for future lending and investment activities, in addition to general and other corporate purposes. Initially, a substantial portion of the net proceeds will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities.

In particular, the net conversion proceeds will be used to expand our branch network and we are planning to open four to six new branches within the next 24 months. There is currently one new branch under construction in Nampa, Idaho and plans are being finalized for the construction of a new branch office in the Meridian, Idaho market in 2008. Our long-term strategy is to build two or three branches per year if appropriate sites can be identified and obtained. We expect that each new branch office will cost between $1.3 million to $2.2 million, depending upon the location, cost of land, and the size and design of the building and permitting costs, which may vary from one jurisdiction to another. Initially, the net proceeds from the offering will be utilized to fund new loan originations, particularly in the commercial lending area.

As our strategic plan for growth and enhanced business model implementation is realized, new services and products will continue to be offered. We expect that these new services and products will reflect our plans to expand our commercial business related banking and therefore the new product and services will be directed towards attracting and retaining commercial business customers.

New Home Federal Bancorp intends to use a portion of the net proceeds to make a loan directly to the employee stock ownership plan to enable it to purchase up to 8% of the aggregate shares of common stock sold in the offering; or if shares are not available, in the open market after the conversion. Based upon the sale of 10,200,000 shares of common stock in the offering and the sale of 13,800,000 shares of common stock in the offering and at the minimum and maximum of the estimated offering range, respectively, the loan to the Home Federal Bancorp employee stock ownership plan would be $8.2 million and $11.0 million, respectively. See Management Benefits to Be Considered Following Completion of the Conversion and Reorganization Employee Stock Ownership Plan.

New Home Federal Bancorp intends to adopt a new stock recognition and retention plan, subject to stockholder approval, and will use a portion of its proceeds to fund the purchase of shares in the open market for the plan. The stock recognition and retention plan intends to purchase in the open market 3.5% of the aggregate shares sold in the offering or $3.5 million and $4.8 million at the minimum and maximum of the estimated offering range, respectively.

The net proceeds may vary because total expenses of the conversion may be more or less than those estimated. The net proceeds will also vary if the number of shares to be issued in the conversion is adjusted to reflect a change in the estimated pro forma market value of new Home Federal Bancorp. Payments for shares made through withdrawals from existing deposit accounts at Home Federal Bank will not result in the receipt of new funds for investment by Home Federal Bank but will result in a reduction of Home Federal Bank s interest expense and liabilities as funds are transferred from interest-bearing certificates or other deposit accounts.

WE INTEND TO CONTINUE TO PAY QUARTERLY CASH DIVIDENDS

Home Federal Bancorp has paid quarterly cash dividends since the quarter ended June 30, 2005. Home Federal Bancorp s current quarterly dividend is $0.055 per share. After we complete the conversion, dividends will be paid by new Home Federal Bancorp on its outstanding shares of common stock. We currently expect that the level of cash dividends per share after the conversion, and offering will be substantially consistent with the current amount of dividends per share paid by Home Federal Bancorp on its common stock as adjusted for the additional shares issued pursuant to the exchange ratio. For example, based on the current cash dividend of $0.055 per share and an assumed exchange ratio of 1.5369 at the maximum of the offering range, the cash dividend, if paid, would be approximately $0.035 per share. However, the rate of such dividends and the initial or continued payment thereof will be in the discretion of the board of directors of new Home Federal Bancorp and will depend upon a number of factors, including the amount of net proceeds retained by us in the offering, investment opportunities available to us, capital requirements, our financial condition and result of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. No assurance can be given that we will continue to pay dividends or that they will not be reduced in the future. We cannot guarantee that the amount of dividends that we pay after the conversion will be equal to the per share dividend amount that Home Federal Bancorp s stockholders currently receive, as adjusted to reflect the exchange ratio. In addition, during the first three years after the conversion, no dividend will be declared or paid if it would be classified as a return of capital.

Dividends from new Home Federal Bancorp may eventually depend, in part, upon receipt of dividends from Home Federal Bank, because new Home Federal Bancorp initially will have no source of income other than dividends from Home Federal Bank, earnings from the investment of proceeds from the sale of common stock retained by us, and interest payments with respect to our loan to our employee stock ownership plan.

Home Federal Bank s ability to pay dividends to new Home Federal Bancorp will be governed by the Home Owners Loan Act, as amended, and the regulations of the Office of Thrift Supervision. In addition, the prior approval of the Office of Thrift Supervision will be required for the payment of a dividend if the total of all dividends declared by Home Federal Bank in any calendar year would exceed the total of its net profits for the year combined with its nets profits for the two preceding years, less any required transfers to surplus or a fund for the retirement of any preferred stock. In addition, Home Federal Bank will be prohibited from paying cash dividends to new Home Federal Bancorp to the extent that any such payment would reduce Home Federal Bank s regulatory capital below required capital levels or would impair the liquidation account to be established for the benefit of Home Federal Bank s eligible account holders and supplemental eligible account holders. See The Conversion and Offering Liquidation Rights.

Any payment of dividends by Home Federal Bank to new Home Federal Bancorp which would be deemed to be drawn out of Home Federal Bank s bad debt reserves would require a payment of taxes at the then-current tax rate of Home Federal Bank on the amount of earnings deemed to be removed from the reserves for such distribution. Home Federal Bank does not intend to make any distribution to new Home Federal Bancorp that would create such a federal tax liability. See Taxation.

Unlike Home Federal Bank, new Home Federal Bancorp is not subject to the above regulatory restrictions on the payment of dividends to its stockholders.

MARKET FOR OUR COMMON STOCK

Home Federal Bancorp s common stock is currently listed on the Nasdaq Global Market under the symbol HOME, and there is an established market for such common stock. We have applied to have the common stock of new Home Federal Bancorp listed for trading on the Nasdaq Global Select Market and we expect that the common stock will trade under the symbol HOMED for a period of 20 trading days after completion of the offering. Thereafter, new Home Federal Bancorp s trading symbol will revert to HOME We cannot assure you our common stock will be approved for listing on the Nasdaq Global Select Market.

Making a market may include the solicitation of potential buyers and sellers in order to match buy and sellorders. The development of a liquid public market depends upon the existence of willing buyers and sellers, the presence of which is not within our control or the control of any market maker. You should view the common stock as a long-term investment. Furthermore, there can be no assurance that you will be able to sell your shares at or above the purchase price.

The following table sets forth the high and low closing stock prices for Home Federal Bancorp common stock as reported by The Nasdaq Stock Market LLC and cash dividends per share declared for the periods indicated.

	Stock Price Per Share		Cash Dividends
	High	Low	Per Share
Fiscal Year Ended September 30, 2007			
Quarter Ended December 31, 2006	$17.91	$15.51	$ 0.055
Quarter Ended March 31, 2007	17.69	14.02	0.055
Quarter Ended June 30, 2007	17.80	14.53	0.055
Fiscal Year Ended September 30, 2006			
Quarter Ended December 31, 2005	$13.00	$12.10	$ 0.050
Quarter Ended March 31, 2006	13.67	12.16	0.055
Quarter Ended June 30, 2006	15.64	13.30	0.055
Quarter Ended September 30, 2006	15.74	13.63	0.055
Fiscal Year Ended September 30, 2005			
Quarter Ended December 31, 2004	$12.96	$12.49	$
Quarter Ended March 31, 2005	13.04	11.91	
Quarter Ended June 30, 2005	13.42	11.16	0.050
Quarter Ended September 30, 2005	13.19	11.97	0.050

At May 10 , 2007, the business day immediately preceding the public announcement of the conversion, and at November 9, 2007, the date of this prospectus, the closing prices of Home Federal Bancorp common stock as reported on the Nasdaq Global Market were $15.03 per share and $13.07 per share, respectively. At June 30, 2007, Home Federal Bancorp had approximately 680 stockholders of record, excluding persons or entities that hold stock in nominee or street name accounts with brokers.

CAPITALIZATION

The following table presents the capitalization of Home Federal Bancorp at June 30, 200 7, and the pro forma consolidated capitalization of new Home Federal Bancorp after giving effect to the conversion, excluding assumed earnings on the net proceeds, based upon the sale of the number of shares shown below and the other assumptions set forth under Pro Form a Data.

		New Home Federal Bancorp Pro Forma Based Upon Sale at $10.00 Per Share			
	Home Federal Bancorp Capitalization at June 30, 2007	10,200,000 Shares (Minimum of Range)	12,000,000 Shares (Midpoint of Range)	13,800,000 Shares (Maximum of Range)	15,870,000 Shares (1) (Maximum of Range, as Adjusted)
	(Dollars in Thousands)				
Deposits (2)	$418,698	$ 418,698	$ 418,698	$ 418,698	$ 418,698
Borrowings (2)	189,264	189,264	189,264	189,264	189,264
Total deposits and borrowings	$607,962	$ 607,962	$ 607,962	$ 607,962	$ 607,962
Stockholders equity					
Preferred stock, $0.01 par value, 5,000,000 shares authorized; issued and outstanding, none					
Common stock, $0.01 par value, 100,000,000 shares authorized; shares to be issued as reflected (3)	$ 152	$ 173	$ 204	$ 234	$ 269
Additional paid-in capital	59,209	156,717	174,115	191,514	211,523
Retained earnings (4)	57,922	57,922	57,922	57,922	57,922
Equity Received from MHC		50	50	50	50
Accumulated other comprehensive loss	(3,477)	(3,477)	(3,477)	(3,477)	(3,477)
Less:					
Common stock to be acquired by the employee stock ownership plan (5)	(3,808)	(11,968)	(13,408)	(14,848)	(16,504)
Common stock to be acquired by the stock recognition and retention plan (6)		(3,535)	(4,159)	(4,783)	(5,500)
Total stockholders equity	$109,998	$ 195,882	$ 211,247	$ 226,612	$ 244,283
Total stockholders equity as a percentage of pro forma assets	15.10%	24.06%	25.46%	26.82%	28.32%
Pro forma shares outstanding					
Shares offered for sale in offering		10,200,000	12,000,000	13,800,000	15,870,000
Shares to be exchanged		7,103,110	8,356,600	9,610,090	11,051,064
Total shares outstanding		17,303,110	20,356,600	23,410,090	26,921,604

(footnotes on following page)

(1) As adjusted to give effect to an increase in the number of shares of common stock which would be offered as a result of a 15% increase in the estimated offering range to reflect demand for shares, changes in market and general financial conditions following the commencement of the subscription and community offerings or regulatory considerations.
(2) Does not reflect withdrawals from deposit accounts for the purchase of shares of common stock in the conversion. These withdrawals would reduce pro forma deposits by the amount of the withdrawals.
(3) No effect has been given to the issuance of additional shares of common stock pursuant to the proposed stock option plan. If this plan is implemented, an amount up to 10% of the shares of new Home Federal Bancorp common stock sold in the offering will be reserved for issuance upon the exercise of options under the stock option plan. See Management Benefits to be Considered Following Completion of the Conversion and Reorganization.
(4) The retained earnings of Home Federal Bank will be substantially restricted after the conversion. Additionally, Home Federal Bank will be prohibited from paying any dividend that would reduce its regulatory capital below the amount required for the liquidation account that will be set up in connection with the conversion. See The Conversion and Stock Offering Effects of the Conversion Depositors Rights if We Liquidate.
(5) Assumes that 8% of the shares sold in the offering will be purchased by the employee stock ownership plan financed by a loan from new Home Federal Bancorp. The loan will be repaid principally from Home Federal Bank s contributions to the employee stock ownership plan. Since new Home Federal Bancorp will finance the employee stock ownership plan debt, this debt will be eliminated through consolidation and no liability will be reflected on new Home Federal Bancorp s consolidated financial statements. Accordingly, the amount of shares of common stock acquired by the employee stock ownership plan is shown in this table as a reduction of total stockholders equity.
(6) Assumes a number of shares of common stock equal to 3.5% of the shares of common stock sold in the offering. The dollar amount of common stock to be purchased is based on the $10.00 per share subscription price in the offering and represents unearned compensation. This amount does not reflect possible increases or decreases in the value of common stock relative to the subscription price in the offering. As new Home Federal Bancorp accrues compensation expense to reflect the vesting of shares pursuant to the new stock recognition and retention plan, the credit to equity will be offset by a charge to noninterest expense. Implementation of the new stock recognition and retention plan will require stockholder approval. The funds to be used by the new stock recognition and retention plan to purchase the shares will be provided by new Home Federal Bancorp. See Management Benefits to Be Considered Following Completion of the Conversion and Reorganization Stock Recognition and Retention Plan.

HOME FEDERAL BANK
EXCEEDS ALL REGULATORY CAPITAL REQUIREMENTS

At June 30, 2007, Home Federal Bank exceeded all of its applicable regulatory capital requirements. The table on the following page sets forth the regulatory capital of Home Federal Bank at June 30, 2007 and the pro forma regulatory capital of Home Federal Bank after giving effect to the conversion, based upon the sale of the number of shares shown in the table. The pro forma regulatory capital amounts reflect the receipt by Home Federal Bank of 50% of the net stock proceeds, after expenses. The pro forma risk-based capital amounts assume the investment of the net proceeds received by Home Federal Bank in assets that have a risk-weight of 20% under applicable regulations, as if such net proceeds had been received and so applied at June 30, 2007.

	At June 30, 2007		Pro Forma at June 30, 2007							
			10,200,000 Shares Sold at $10.00 per Share (Minimum of Range)		12,000,000 Shares Sold at $10.00 per Share (Midpoint of Range)		13,800,000 Shares Sold at $10.00 per Share (Maximum of Range)		15,870,000 Shares Sold at $10.00 per Share (Maximum of Range, as Adjusted)	
	Amount	Percent of Assets (1)	Amount	Percent of Assets	Amount	Percent of Assets	Amount	Percent of Assets	Amount	Percent of Assets
	(Dollars in Thousands)									
Equity capital under generally accepted accounting principles (GAAP)	$ 89,306	12.61%	$129,911	17.16%	$ 137,185	17.91%	$144,460	18.65%	$ 152,826	19.48%
Tangible capital	$ 92,234	12.97%	$132,839	17.48%	$140,113	18.23%	$147,388	18.96%	$ 155,754	19.78%
Requirement	10,669	1.50	11,401	1.50	11,532	1.50	11,662	1.50	11,813	1.50
Excess	$ 81,565	11.47%	$121,438	15.98%	$128,581	16.73%	$135,726	17.46%	$ 143,941	18.28%
Core capital	$ 92,234	12.97%	$132,839	17.48%	$140,113	18.23%	$147,388	18.96%	$ 155,754	19.78%
Requirement	28,452	4.00	30,402	4.00	30,751	4.00	31,099	4.00	31,500	4.00
Excess	$ 63,782	8.97%	$102,437	13.48%	$109,362	14.23%	$116,289	14.96%	$ 124,254	15.78%
Total risk based capital	$ 95,063	20.58%	$135,668	28.76%	$142,942	30.19%	$150,217	31.61%	$ 158,583	33.23%
Risk based requirement	36,954	8.00	37,734	8.00	37,873	8.00	38,013	8.00	38,173	8.00
Excess	$ 58,109	12.58%	$ 97,934	20.76%	$105,069	22.19%	$112,204	23.61%	$ 120,410	25.23%
Reconciliation of capital infused into Home Federal Bank:										
Net proceeds infused			$ 48,765		$ 57,479		$ 66,194		$ 76,216	
Less:										
Common stock acquired by employee stock ownership plan			(8,160)		(9,600)		(11,040)		(12,696)	
Pro forma increase in GAAP and regulatory capital			$ 40,605		$ 47,879		$ 55,154		$ 63,520	

(1) Adjusted total or adjusted risk-weighted assets, as appropriate.

PRO FORMA DATA

We cannot determine the actual net proceeds from the sale of our common stock until the conversion is completed. However, we estimate that net proceeds will be between $97.5 million and $132.4 million, or $152.4 million if the estimated offering range is increased by 15%, based upon the following assumptions:

all shares of common stock will be sold through non-transferable rights to subscribe for the common stock, in order of priority, to:

eligible account holders, who are depositors of Home Federal Bank with account balances of at least $50.00 as of the close of business on March 31, 2006,

the proposed employee stock ownership plan, which will purchase 8% of the shares of common stock sold in the offering,

supplemental eligible account holders, who are depositors of Home Federal Bank with account balances of at least $50.00 as of the close of business on September 30, 2007, and

other members, who are depositors of Home Federal Bank and borrowers of Home Federal Bank as of the close of business on October 31, 2007, and March 16, 2004, respectively, other than eligible account holders or supplemental eligible account holders.

Keefe, Bruyette & Woods will receive a success fee equal to 1.0% of the gross proceeds from the offering, excluding shares of common stock sold to directors, officers, employees and the employee stock ownership plan; and

total expenses, excluding the success fee paid to Keefe, Bruyette & Woods, are estimated to be approximately $1.2 million. Actual expenses may vary from those estimated.

Pro forma consolidated net income and stockholders equity of new Home Federal Bancorp have been calculated for the year ended September 30, 2006 and for the nine months ended June 30, 2007 as if the common stock to be issued in the conversion had been sold at the beginning of the period and the net proceeds had been invested at 4.91% and 4.91%, which represent the yields on one-year U.S. Government securities at September 30, 2006 and at June 30, 2007. We believe that this rate more accurately reflects a pro forma reinvestment rate than the arithmetic average method, which assumes reinvestment of the net proceeds at a rate equal to the average of the yield on interest-earning assets and the cost of deposits for these periods. The effect of withdrawals from deposit accounts for the purchase of common stock has not been reflected. A tax rate of 39.0% has been assumed for periods resulting in an after-tax yields of 3.00% and 3.00% for the year ended September 30, 2006 and for the nine months ended June 30, 2007, respectively. We have also assumed that approximately 50% of the shares of common stock being offered will be sold in the subscription and community offerings and the remaining 50% of the shares of common stock will be sold in the syndicated community offering. Historical and pro forma per share amounts have been calculated by dividing historical and pro forma amounts by the indicated number of shares of common stock, as adjusted to give effect to the shares purchased by the employee stock ownership plan. See Note 2 to the following tables. As discussed under How We Intend to Use the Proceeds From this Offering, new Home Federal Bancorp intends to make a loan to fund the purchase of 8% of the common stock sold in the offering by the employee stock ownership plan and intends to retain 50% of the net proceeds from the conversion.

No effect has been given in the tables to the issuance of additional shares of common stock pursuant to the proposed stock option plan. See Management Benefits to Be Considered Following Completion of the Conversion and Reorganization Stock Option Plan. The table below gives effect to the new stock recognition and retention plan, which is expected to be adopted by new Home Federal Bancorp following the conversion and presented along with the new stock option plan to stockholders for approval at an annual or special meeting of stockholders to be held at least six months following the completion of the conversion. If the new stock recognition and retention plan is approved by stockholders, the stock recognition and retention plan intends to acquire an amount of common stock equal to 3.5% of the shares of common stock sold in the offering, either through open market purchases, if permissible, or from authorized but unissued shares of common stock. The following tables assume that stockholder approval has been obtained, as to which there can be no assurance, and that the shares acquired by the stock recognition and retention plan are purchased in the open market at $10.00 per share. No effect has been given to new Home Federal Bancorp s results of operations after the conversion, the market price of the common stock after the conversion or a less than 3.5% purchase by the new stock recognition and retention plan.

The following pro forma information may not be representative of the financial effects of the foregoing transactions at the dates on which such transactions actually occur and should not be taken as indicative of future results of operations. Pro forma stockholders equity represents the difference between the stated amount of assets and liabilities of Home Federal Bancorp computed in accordance with GAAP. Stockholders equity does not give effect to intangible assets in the event of a liquidation, to Home Federal Bank s bad debt reserve or to the liquidation account to be maintained by Home Federal Bank. The pro forma stockholders equity is not intended to represent the fair market value of the common stock and may be different than amounts that would be available for distribution to stockholders in the event of liquidation.

The tables on the following pages summarize historical consolidated data of Home Federal Bank and new Home Federal Bancorp s pro forma data at or for the dates and periods indicated based on the assumptions set forth above and in the table and should not be used as a basis for projection of the market value of our common stock following the conversion and the offering.

	At or For the Nine Months Ended June 30, 2007			
	10,200,000 Shares Sold at $10.00 Per Share (Minimum of Range)	12,000,000 Shares Sold at $10.00 Per Share (Midpoint of Range)	13,800,000 Shares Sold at $10.00 Per Share (Maximum of Range)	15,870,000 Shares Sold at $10.00 Per Share (Maximum of Range, as Adjusted) (1)
	(Dollars in Thousands)			
Gross proceeds of offering	$ 102,000	$ 120,000	$ 138,000	$ 158,700
Less Expenses	(4,471)	(5,042)	(5,613)	(6,269)
Plus: MHC assets reinvested	50	50	50	50
Estimated net proceeds	97,579	115,008	132,437	152,481
Less: Common stock purchased by employee stock ownership plan (2)	(8,160)	(9,600)	(11,040)	(12,696)
Less: Common stock purchased by the stock recognition and retention plan (3)	(3,535)	(4,159)	(4,783)	(5,500)
Estimated investable net proceeds	$ 85,884	$ 101,249	$ 116,614	$ 134,285
For the Nine Months ended June 30, 2007:				
Consolidated net income:				
Historical	$ 4,076	$ 4,076	$ 4,076	$ 4,076
Pro forma income on net proceeds	1,928	2,273	2,618	3,015
Pro forma income on assets from MHC	1	1	1	1
Pro forma employee stock ownership plan adjustment (2)	(249)	(293)	(337)	(387)
Pro forma restricted stock award adjustment (3)	(323)	(380)	(437)	(503)
Pro forma stock option adjustment (4)	(324)	(382)	(439)	(505)
Pro forma net income	$ 5,109	$ 5,295	$ 5,482	$ 5,697
Per share net income:				
Historical	$ 0.26	$ 0.22	$ 0.19	$ 0.17
Pro forma income on net proceeds, as adjusted	0.12	0.12	0.12	0.12
Pro forma employee stock ownership plan adjustment (2)	(0.02)	(0.02)	(0.02)	(0.02)
Pro forma restricted stock award adjustment (3)	(0.02)	(0.02)	(0.02)	(0.02)
Pro forma stock option adjustment (4)	(0.02)	(0.02)	(0.02)	(0.02)
Pro forma net income per share (5)	$ 0.32	$ 0.28	$ 0.25	$ 0.23
Offering price as a multiple of pro forma net earnings per share	23.44x	26.79x	30.00x	32.61x
Number of shares outstanding for pro forma income per share calculations	15,804,647	18,592,672	21,382,157	24,588,970

(table continued on following page) *(Footnotes on page 4 3)*

	At or For the Nine Months Ended June 30, 2007			
	10,200,000 Shares Sold at $10.00 Per Share (Minimum of Range)	12,000,000 Shares Sold at $10.00 Per Share (Midpoint of Range)	13,800,000 Shares Sold at $10.00 Per Share (Maximum of Range)	15,870,000 Shares Sold at $10.00 Per Share (Maximum of Range, as Adjusted) (1)
	(Dollars in Thousands)			
At June 30, 2007:				
Stockholders equity:				
Historical	$ 109,998	$ 109,998	$ 109,998	$ 109,998
Estimated net proceeds	97,529	114,958	132,387	152,431
Plus: Equity Increase from MHC	50	50	50	50
Less: Common stock acquired by the employee stock ownership plan (2)	(8,160)	(9,600)	(11,040)	(12,696)
Less: Common stock acquired by the stock recognition and retention plan (3)(4)	(3,535)	(4,159)	(4,783)	(5,500)
Pro forma stockholders equity	$ 195,882	$ 211,247	$ 226,612	$ 244,283
Less: Intangibles				
Pro forma tangible stockholders equity	$ 195,882	$ 211,247	$ 226,612	$ 244,283
Stockholders equity per share:				
Historical	$ 6.36	$ 5.40	$ 4.70	$ 4.09
Estimated net proceeds	5.64	5.65	5.66	5.66
Less: Common stock acquired by the employee stock ownership plan (2)	(0.47)	(0.47)	(0.47)	(0.47)
Less: Common stock acquired by the stock recognition and retention plan (3)(4)	(0.20)	(0.20)	(0.20)	(0.20)
Pro forma stockholders equity per share (6)	$ 11.33	$ 10.38	$ 9.69	$ 9.08
Less: Intangibles per share				
Pro forma tangible stockholders equity per share	$ 11.33	$ 10.38	$ 9.69	$ 9.08
Offering price as a percentage of pro forma stockholders equity (5)	88.26%	96.34%	103.20%	110.13%
Offering price as a percentage of pro forma tangible stockholders equity per share	88.26%	96.34%	103.20%	110.13%
Number of shares outstanding for pro forma book value per share calculations	17,303,110	20,356,600	23,410,090	26,921,604

(Footnotes on page 4 3)

	At or For the Year Ended September 30, 2006			
	10,200,000 Shares Sold at $10.00 Per Share (Minimum of Range)	12,000,000 Shares Sold at $10.00 Per Share (Midpoint of Range)	13,800,000 Shares Sold at $10.00 Per Share (Maximum of Range)	15,870,000 Shares Sold at $10.00 Per Share (Maximum of Range, as Adjusted) (1)
	(Dollars in Thousands)			
Gross proceed s of offering	$ 102,000	$ 120,000	$ 138,000	$ 158,700
Less Expenses	(4,471)	(5,042)	(5,613)	(6,269)
Plus: Assets Received from MHC	50	50	50	50
Estimated net proceeds	97,579	115,008	132,437	152,481
Less: Common stock purchased by employee stock ownership plan (2)	(8,160)	(9,600)	(11,040)	(12,696)
Less: Common stock purchased by the stock recognition and retention plan (3)	(3,535)	(4,159)	(4,783)	(5,500)
Estimated investable net proceeds	$ 85,884	$ 101,249	$ 116,614	$ 134,285
For the Year Ended September 30, 2006:				
Consolidated net income:				
Historical	$ 6,212	$ 6,212	$ 6,212	$ 6,212
Pro forma income on net proceeds	2,571	3,031	3,491	4,020
Pro forma income on assets from MHC	1	1	1	1
Pro forma employee stock ownership plan adjustment (2)	(332)	(390)	(449)	(516)
Pro forma restricted stock award adjustment (3)	(431)	(507)	(583)	(671)
Pro forma stock option adjustment (4)	(432)	(509)	(585)	(673)
Pro forma net income	$ 7,589	$ 7,838	$ 8,087	$ 8,373
Per share net income:				
Historical	$ 0.40	$ 0.34	$ 0.29	$ 0.25
Pro forma income on net proceeds, as adjusted	0.16	0.16	0.16	0.16
Pro forma employee stock ownership plan adjustment (2)	(0.02)	(0.02)	(0.02)	(0.02)
Pro forma restricted stock award adjustment (3)	(0.03)	(0.03)	(0.03)	(0.03)
Pro forma stock option adjustment (4)	(0.03)	(0.03)	(0.03)	(0.03)
Pro forma net income per share (5)	$ 0.48	$ 0.42	$ 0.37	$ 0.33
Offering price as a multiple of pro forma net earnings per share	20.83x	23.81x	27.03x	30.30x
Number of shares outstanding for pro forma income per share calculations	15,693,340	18,461,730	21,231,569	24,415,797

(table continued on following page) *(Footnotes on page 4 3)*

	At or For the Year Ended September 30, 2006			
	10,200,000 Shares Sold at $10.00 Per Share (Minimum of Range)	12,000,000 Shares Sold at $10.00 Per Share (Midpoint of Range)	13,800,000 Shares Sold at $10.00 Per Share (Maximum of Range)	15,870,000 Shares Sold at $10.00 Per Share (Maximum of Range, as Adjusted) (1)
	(Dollars in Thousands)			
At September 30, 2006:				
Stockholders equity:				
Historical	$ 107,869	$ 107,869	$ 107,869	$ 107,869
Estimated net proceeds	97,529	114,958	132,387	152,431
Plus: Equity Increase from MHC	50	50	50	50
Less: Common stock acquired by the employee stock ownership plan (2)	(8,160)	(9,600)	(11,040)	(12,696)
Less: Common stock acquired by the stock recognition and retention plan (3)(4)	(3,535)	(4,159)	(4,783)	(5,500)
Pro forma stockholders equity	193,753	209,118	224,483	242,154
Less: Intangibles				
Pro forma tangible stockholders equity	$ 193,753	$ 209,118	$ 224,483	$ 242,154
Stockholders equity per share:				
Historical	$ 6.23	$ 5.30	$ 4.61	$ 4.01
Estimated net proceeds	5.64	5.65	5.66	5.66
Less: Common stock acquired by the employee stock ownership plan (2)	(0.47)	(0.47)	(0.47)	(0.47)
Less: Common stock acquired by the stock recognition and retention plan (3)(4)	(0.20)	(0.20)	(0.20)	(0.20)
Pro forma stockholders equity per share (6)	$ 11.20	$ 10.28	$ 9.60	$ 9.00
Less: Intangibles per share				
Pro forma tangible stockholders equity per share	$ 11.20	$ 10.28	$ 9.60	$ 9.00
Offering price as a percentage of pro forma stockholders equity (5)	89.29%	97.28%	104.17%	111.11%
Offering price as a percentage of pro forma tangible stockholders equity per share	89.29%	97.28%	104.17%	111.11%
Number of shares outstanding for pro forma book value per share calculations	17,303,110	20,356,600	23,410,090	26,921,604

(footnotes on following page)

(1) As adjusted to give effect to an increase in the number of shares which could occur as a result of a 15% increase in the offering range to reflect demand for the shares, changes in market and financial conditions following the commencement of the offering or regulatory considerations.

(2) Assumes that 8% of shares of common stock sold in the offering will be purchased by the employee stock ownership plan. For purposes of this table, the funds used to acquire these shares are assumed to have been borrowed by the employee stock ownership plan from new Home Federal Bancorp. Home Federal Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the required principal and interest payments on the debt. Home Federal Bank s total annual payments on the employee stock ownership plan debt are based upon 15 equal annual installments of principal and interest. Statement of Position 93-6 requires that an employer record compensation expense in an amount equal to the fair value of the shares committed to be released to employees. The pro forma adjustments assume that the employee stock ownership plan shares are allocated in equal annual installments based on the number of loan repayment installments assumed to be paid by Home Federal Bank, the fair value of the common stock remains equal to the subscription price and the employee stock ownership plan expense reflects an effective combined federal and state tax rate of 39.0%. The unallocated employee stock ownership plan shares are reflected as a reduction of stockholders equity. No reinvestment is assumed on proceeds contributed to fund the employee stock ownership plan. The pro forma net income further assumes that 40,800, 48,000, 55,200 and 63,480 shares were committed to be released during the nine-month period ending June 30, 2007; and 54,400, 64,000, 73,600 and 84,640 shares were committed to be released during the 12-month period ending September 30, 2006, at the minimum, midpoint, maximum, and adjusted maximum of the offering range, respectively, and in accordance with Statement of Position 93-6, only the employee stock ownership plan shares committed to be released during the period were considered outstanding for purposes of income per share calculations. See Management Benefits to Be Considered Following Completion of the Conversion and Reorganization Employee Stock Ownership Plan.

(3) If approved by new Home Federal Bancorp s stockholders, the new stock recognition and retention plan may purchase an aggregate number of shares of common stock equal to 3.5% of the shares sold in the offering (or possibly a greater number of shares if the plan is implemented more than one year after completion of the conversion). Stockholder approval of the new stock recognition and retention plan, and purchases by the plan may not occur earlier than six months after the completion of the conversion. The shares may be acquired directly from new Home Federal Bancorp or through open market purchases. The funds to be used by the new stock recognition and retention plan to purchase the shares will be provided by new Home Federal Bancorp. The table assumes that (i) the new stock recognition and retention plan acquires the shares through open market purchases at $10.00 per share, (ii) 15% and 20% of the amount contributed to the new stock recognition and retention plan is amortized as an expense during the nine months ended June 30, 2007 and the year ended September 30, 2006, respectively, and (iii) the stock recognition and retention plan expense reflects an effective combined federal and state tax rate of 39.0%. Assuming stockholder approval of the new stock recognition and retention plan and that shares of common stock (equal to 3.5% of the shares sold in the offering) are awarded through the use of authorized but un issued shares of common stock, stockholders would have their ownership and voting interests diluted by approximately 2.0%. See Management Benefits to Be Considered Following Completion of the Conversion and Reorganization Stock Recognition and Retention Plan.

(4) If approved by new Home Federal Bancorp s stockholders, the new stock option plan may grant options to acquire an aggregate number of shares of common stock equal to 10% of the shares sold in the offering (or possibly a greater number of shares if the plan is implemented more than one year after completion of the conversion). Stockholder approval of the new stock option plan may not occur earlier than six months after the completion of the conversion. In calculating the pro forma effect of the stock option plan, it is assumed that the exercise price of the stock options and the trading price of the common stock at the date of grant were $10.00 per share, the estimated grant-date fair value determined using the Black-Scholes option pricing model was $2.71 for each option, the aggregate grant-date fair value of the stock options was amortized to expense on a straight-line basis over a five-year vesting period of the options, and that 25% of

the amortization expense (or the assumed portion relating to options granted to directors) resulted in a tax benefit using an assumed tax rate of 39.0%. The actual expense of the stock option plan will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used in the option pricing model ultimately adopted. Under the above assumptions, the adoption of the stock option plan will result in no additional shares under the treasury stock method for purposes of calculating earnings per share. There can be no assurance that the actual exercise price of the stock options will be equal to the $10.00 price per share. If a portion of the shares to satisfy the exercise of options under the stock option plan are obtained from the issuance of authorized but unissued shares, our net income per share and stockholders equity per share will decrease. The issuance of authorized but previously unissued shares of common stock pursuant to the exercise of options under such plan would dilute existing stockholders ownership and voting interests by approximately 4.9%.

(5) Income per share computations are determined by taking the number of shares assumed to be sold in the offering and, in accordance with Statement of Position 93-6, subtracting the employee stock ownership plan shares that have not been committed for release during the period. See note 2, above.

(6) The retained earnings of Home Federal Bank will be substantially restricted after the conversion. See The Conversion and Stock Offering Effect of the Conversion Depositors Rights if We Liquidate Liquidation Rights.

RECENT DEVELOPMENTS

The following tables set forth certain information concerning our consolidated financial position and results of operations at the dates and for the periods indicated. Information at September 30, 2007 and June 30, 2007, the three and twelve months ended September 30, 2007 and the three months ended September 30, 2006 are unaudited, but, in the opinion of management, contain all adjustments (none of which were other than normal recurring entries) necessary for a fair presentation of the results of these periods. This information should be read in conjunction with our consolidated financial statements and related notes beginning on page F-1 of this prospectus.

FINANCIAL CONDITION DATA:	At September 30, 2007	At June 30, 2007	At September 30, 2006
	(In Thousands)		
Total assets	$ 709,954	$ 728,315	$ 761,292
Mortgage-backed securities, available for sale	162,258	166,755	12,182
Mortgage-backed securities, held to maturity			183,279
Loans receivable, net (1)	480,118	491,768	503,065
Loans held for sale	4,904	4,363	4,119
Total deposit accounts	404,609	418,698	430,281
Federal Home Loan Bank advances	180,730	189,264	210,759
Stockholders equity	112,637	109,998	107,869

	Three Months Ended September 30,		Twelve Months Ended September 30,	
OPERATING DATA:	2007	2006	2007	2006
	(In Thousands)			
Interest income	$ 10,378	$ 10,620	$ 42,638	$ 39,913
Interest expense	5,248	5,034	21,336	16,917
Net interest income	5,130	5,586	21,302	22,996
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	2,564	2,766	11,190	11,109
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
Dividends declared per share	$ 0.055	$ 0.055	$ 0.22	$ 0.215

(1) Net of allowances for loan losses, loans in process and deferred loan fees.

KEY FINANCIAL RATIOS:	At or For the Three Months Ended September 30, (1) 2007	2006	At or For the Twelve Months Ended September 30, 2007	2006
Performance Ratios:				
Return on average assets (2)	0.67%	0.88%	0.71%	0.85%
Return on average equity (3)	4.27	6.16	4.75	5.90
Dividend payout ratio	26.19	18.32	23.52	19.72
Equity-to-assets ratio (4)	15.70	14.24	14.94	14. 47
Interest rate spread (5)	2.37	2.54	2.40	2.79
Net interest margin (6)	3.04	3.12	3.03	3.33
Efficiency ratio (7)	70.33	70.44	72.46	70.21
Noninterest income/operating revenue (8)	33.32	33.12	34.43	32.57
Average interest-earning assets to average interest-bearing liabilities	121.59	120.83	120.71	122.32
Noninterest expense as a percent of average total assets	3.04	3.11	3.17	3.29
Capital Ratios:				
Tier 1 (core) capital (to tangible assets)	13.56	11.77	13.56	11.77
Total risk-based capital (to risk-weighted assets)	21.38	19.46	21.38	19.46
Tier 1 risk-based capital (to risk-weighted assets)	20.69	18.82	20.69	18.82
Asset Quality Ratios:				
Nonaccrual and 90 days or more past due loans as a percent of total loans	0.32	0.08	0.32	0.08
Nonperforming assets as a percent of total assets	0.29	0.05	0.29	0.05
Allowance for losses as a percent of gross loans receivable	0.62	0.59	0.62	0.59
Allowance for losses as a percent of nonperforming loans	195.17	766.55	195.17	766.55
Net charge-offs to average loans	0.02	0.001	0.04	0.01

(1) Ratios have been annualized.

(2) Net income divided by average total assets.

(3) Net income divided by average equity.

(4) Average equity divided by average total assets.

(5) Difference between weighted average yield on interest-earning assets and weighted average rate on interest-bearing liabilities.

(6) Net interest margin, otherwise known as net yield on interest-earning assets, is calculated as net interest income divided by average interest-earning assets.

(7) The efficiency ratio represents the ratio of noninterest expense divided by the sum of net interest income and noninterest income.

(8) Operating revenue is defined as the sum of net interest and noninterest income

Regulatory Capital

The table below sets forth Home Federal s capital position relative to its Office of Thrift Supervision capital requirements at September 30, 2007. The definitions used in the table are those provided in the capital regulations issued by the Office of Thrift Supervision. See How We Are Regulated - Regulation and Supervision of Home Federal - Capital Requirements.

	At September 30, 2007	
	Amount	Percent of Assets (1)
	(Dollars in Thousands)	
Equity capital under generally accepted accounting principles (GAAP)	$ 91,908	13.33%
Tier 1 risk-based capital	$ 93,678	20.69%
Requirement	18,112	10.00
Excess	$ 75,566	16.69%
Tier 1 (core) capital	$ 93,736	13.56%
Requirement	20,741	3.00
Excess	$ 72,995	10.56%
Total risk-based capital	$ 96,805	21.38%
Risk-based requirement	36,224	8.00
Excess	$ 60,581	13.38%

(1) Adjusted total or adjusted risk-weighted assets, as appropriate.

MANAGEMENT S DISCUSSION AND ANALYSIS OF RECENT DEVELOPMENTS

Comparison of Financial Condition at September 30, 2007 and September 30, 2006

General. Total assets decreased $51.4 million, or 6.7%, to $709.9 million at September 30, 2007 from $761.3 million at September 30, 2006. Mortgage-backed securities and loans, net decreased $33.2 million and $22.9 million respectively and were the primary reason for the asset decline during the twelve-month period. Total liabilities decreased $56.1 million, or 8.6% to $597.3 million. Federal Home Loan Bank advances and deposits decreased by $30.0 million and $25.7 million respectively.

Assets. For the year ended September 30, 2007, total assets decreased $51.4 million. The increases and decreases were primarily concentrated in the following asset categories:

	Balance at September 30, 2007	Balance at September 30, 2006	Increase (decrease)	
			Amount	Percent

	(Dollars in Thousands)			
Cash and amounts due from depository institutions	$ 20,588	$ 18,385	2,203	12.0%
Mortgage-backed securities, available for sale	162,258	12,182	150,076	1,231.9
Mortgage-backed securities, held to maturity		183,279	(183,279)	(100.0)
Loans receivable, net of allowance for loan losses	480,118	503,065	(22,947)	(4.6)

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Cash and amounts due from depository institutions increased $2.2 million as a result of normal fluctuations of amounts due from other financial institutions.

Mortgage-backed securities decreased $33.2 million to $162.3 million at September 30, 2007, from $195.5 million at September 30, 2006. During the year ended September 30, 2007, we purchased $2.1 million of 5/1 hybrid adjustable-rate mortgage-backed securities issued by Freddie Mac. Repayments of principal and proceeds from sales totaled $31.9 million for the year ended September 30, 2007. We purchase mortgage-backed securities to manage interest rate sensitivity, supplement loan originations and provide liquidity.

During the quarter ended June 30, 2007, we transferred our entire portfolio of held-to-maturity mortgage- backed securities to available for sale to help meet future liquidity needs associated with increasing commercial banking and other lending activities. As part of our liquidity management, we do not intend to classify any investments as held to maturity in the foreseeable future.

Loans receivable, net, decreased $23.0 million to $480.1 million at September 30, 2007, from $503.1 million at September 30, 2006. One-to four-family residential mortgage loans decreased $49.5 million as we sold a majority of the one-to four-family loans that we originated. In prior years, we held a portion of the one-to four-family loans we originated in our loan portfolio. Commercial loans increased $18.6 million during the year ended September 30, 2007. We have made significant progress in building our commercial real estate and small business banking programs, including the addition of an experienced commercial banking team to expand our existing commercial real estate lending program. We will also emphasize other commercial banking activities, including business banking, cash management and other products associated with a full-service commercial bank.

Deposits. Deposits decreased $25.7 million, or 6.0%, to $404.6 million at September 30, 2007, from $430.3 million at September 30, 2006. Certificates of deposit accounted for the majority of the decrease in total deposits during the period. The decrease in certificates of deposit was primarily the result of our choosing not to match rates offered by local competitors that in some cases exceeded our alternative funding sources. The following table details the changes in deposit accounts:

	Balance at September 30, 2007	Balance at September 30, 2006	Increase (decrease) Amount	Increase (decrease) Percent
	(Dollars in Thousands)			
Noninterest-bearing demand deposits	$ 38,643	$ 44,626	(5,983)	(13.4)%
Interest-bearing demand deposits	127,659	128,276	(617)	(0.5)
Savings deposits	23,116	23,655	(539)	(2.3)
Certificates of deposit	215,191	233,724	(18,533)	(7.9)
Total deposit accounts	404,609	$ 430,281	(25,672)	(6.0)

Borrowings. Federal Home Loan Bank advances decreased $30.1 million, or 14.3%, to $180.7 million at September 30, 2007, from $210.8 million at September 30, 2006. We use Federal Home Loan Bank advances as an alternative funding source to deposits, and to manage funding costs, reduce interest rate risk and to leverage our balance sheet.

Equity. Stockholders equity increased $4.8 million, or 4.4%, to $112.6 million at September 30, 2007, from $107.9 million at September 30, 2006. The increase was primarily a result of the $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 $2.0 million increase in unrealized losses on securities available for sale. On September 14, 2007, the Company paid $0.055 per share in cash dividends to stockholders of record as of August 31, 2007, excluding shares held by Home Federal MHC.

Comparison of Operating Results for the Three Months ended September 30, 2007 and September 30, 2006

General. Net income for the three months ended September 30, 2007 was $1.2 million, or $0.08 per diluted share, compared to net income of $1.7 million, or $0.11 per diluted share, for the three months ended September 30, 2006.

Net Interest Income. Our net interest income decreased $456,000 or 8.2% to $5.1 million for the three months ended September 30, 2007 from $5.6 million for the three months ended September 30, 2006. Average total interest-earning assets decreased $41.1 million between the two three month time periods. During that same period, our net interest spread decreased 17 basis points.

Interest and Dividend Income. Total interest and dividend income for the three months ended September 30, 2007 decreased $242,000 to $10.4 million from $10.6 million for the three months ended September 30, 2006. The decrease during the period was primarily attributable to the $41.1 million or 5.7% decrease in the average balance of interest-earning assets.

The following table compares detailed average earning asset balances, associated yields and resulting changes in interest and dividend income for the three months ended September 30, 2007 and 2006:

	Three Months Ended September 30,				
	2007		2006		Increase/ (Decrease) in Interest and Dividend Income from 2006
	Average Balance	Yield	Average Balance	Yield	
	(Dollars in Thousands)				
Loans receivable, net of deferred fees/costs	$ 487,737	6.70%	$ 501,279	6.51%	$ 8
Loans held for sale	3,587	6.48	3,661	6.56	(2)
Investment securities, including interest- bearing deposits in other banks	9,412	5.18	1,952	5.33	96
Mortgage-backed securities	164,326	4.91	199,304	4.77	(359)
Federal Home Loan Bank stock	9,591	0.63	9,591	0.00	15
Total interest-earning assets	$ 674,653	6.15%	$ 715,787	5.93%	$ (2 42)

Interest Expense. Interest expense increased $214,000 or 4.3% to $5.2 million for the three months ended September 30, 2007 from $5.0 million for the three months ended September 30, 2006. The average balance of total interest-bearing liabilities decreased $37.5 million, or 6.3% to $554.9 million for the three months ended September 30, 2007 from $592.4 million for the three months ended September 30, 2006. The increase in interest expense from the prior year was primarily due to an increase in cost of funds. The average cost of funds increased 38 basis points to 3.78% for the three months ended September 30, 2007 compared to 3.40% for the three months ended September 30, 2006.

The following table details average balances, cost of funds and the change in interest expense for the three months ended September 30, 2007 and 2006:

	Three Months Ended September 30, 2007 Average Balance	2007 Cost	2006 Average Balance	2006 Cost	Increase/ (Decrease) in Interest Expense from 2006
	(Dollars in Thousands)				
Savings deposits	$ 23,220	0.60%	$ 23,610	0.22%	$ 22
Interest-bearing demand deposits	84,868	0.70	96,464	0.58	10
Money market accounts	46,009	3.47	32,220	2.04	235
Certificates of deposit	215,484	4.73	230,183	4.19	139
Federal Home Loan Bank advances	185,277	4.57	204,898	4.40	(192)
Total interest-bearing liabilities	$ 554,858	3.78%	$ 592,375	3.40%	$ 214

Provision for Loan Losses. In connection with its analysis of the loan portfolio for the three months ended September 30, 2007, management determined that a provision for loan losses of $338,000 was required for the three months ended September 30, 2007, compared to a reversal of allowance of $182,000 for the three months ended September 30, 2006. The $52 0 ,000 increase in the provision takes into account increased activity within classified assets as well as the current downturn in the real estate market. We do not originate or purchase one- to four-family subprime loans. Management considers the allowance for loans losses at September 30, 2007 to be adequate to cover probable losses inherent in the loan portfolio based on the assessment of the above-mentioned factors affecting the loan portfolio. While management believes the estimates and assumptions used in its determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provision that may be required will not adversely impact our financial condition and results of operations. In addition, the determination of the amount of our allowance for loan losses is subject to review by bank regulators, as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

The following table details selected activity associated with the allowance for loan losses for the three months ended September 30, 2007 and 2006:

	At or For the Three Months Ended September 30, 2007	2006
	(Dollars in Thousands)	
Provision for loan losses	$ 338	$ (182)
Net charge-offs	98	3
Allowance for loan losses	2,988	2,974
Allowance for loan losses as a percentage of gross loans receivable at the end of the period	0.62%	0.59%
Allowance for loan losses as a percentage of nonperforming loans at the end of the period	195.17	766.49
Nonperforming loans	$ 1,531	$ 388
Nonaccrual and 90 days or more past due loans as a percentage of loans receivable at the end of the period	0.32%	0.08%
Loans receivable, net	$ 480,118	$ 503,065

Noninterest Income. Noninterest income for the three months ended September 30, 2007 was $2.6 million, a decrease of $202,000, or 7.3%, from the three months ended September 30, 2006.

The following table provides a detailed analysis of the changes in components of noninterest income:

	Three Months Ended September 30, 2007	Increase/(Decrease) from September 30, 2006	Percentage Increase/(Decrease)
		(Dollars in Thousands)	
Service fees and charges	$ 2,297	$ (102)	(4.3)%
Gain on sale of loans	251	(11)	(4.2)
Increase in cash surrender value of bank life insurance	104	6	(6.1)
Loan servicing fees	129	(21)	(14.0)
Mortgage servicing rights, net	(222)	(90)	(68.2)
Other	5	16	(145.5)
Total noninterest income	$ 2,564	$ (202)	(7.30)%

Noninterest income decreased $202,000, or 7.3%, to $2.6 million for the three months ended September 30, 2007 from $2.8 million for the three months ended September 30, 2006. The decrease was primarily attributable to a $102,000 or 4.3% decrease in fees and service charges and a $90,000 or 68.2% decrease in the value of the mortgage servicing asset.

Noninterest Expense. Total noninterest expense for the three months ended September 30, 2007 was $5.4 million, a decrease of $472,000 or 8.0% compared to the three months ended September 30, 2006.

The following table provides a detailed analysis of the changes in components of noninterest expense:

	Three Months Ended September 30, 2007	Increase/(Decrease) from September 30, 2006	Percentage Increase/(Decrease)
		(Dollars in Thousands)	
Compensation and benefits	$ 2,886	$ (767)	(21.0)%
Occupancy and equipment	726	40	5.8
Data processing	548	110	25.1
Advertising	503	218	76.5
Other	748	(73)	(8.9)
Total noninterest expense	$ 5,411	$ (472)	(8.0)%

Compensation and benefits decreased $767,000 or 21.0% to $2.9 million for the three months ended September 30, 2007 from $3.7 million for the same period a year ago. The decrease was primarily attributable to a decreased incentive payout in the current year. Advertising costs increased $218,000 or 76.5%, primarily as a result of marketing costs related to a debit card rewards program and a business banking campaign that were recently initiated.

Income Tax Expense. Income tax expense for the three months ended September 30, 2007 was $750,000, which represented a decrease of $243,000 from the three months ended September 30, 2006. Income before income taxes was $1.9 million for the three months ended September 30, 2007 compared to $2.6 million for the three months ended September 30, 2006, a decrease of $706,000, or 26.6%. Our combined federal and state effective income tax rate for the quarter ending September 30, 2007 was 38.6% compared to 37.5% for the three months ended September 30, 2006.

Comparison of Operating Results for the Years ended September 30, 2007 and September 30, 2006

General. Net income for the year ended September 30, 2007 was $5.3 million, or $0.36 per diluted share, compared to net income of $6.2 million, or $0.43 per diluted share, for the year ended September 30, 2006.

Net Interest Income. Net interest income decreased $1.7 million, or 7.4%, to $21.3 million for the year ended September 30, 2007, from $23.0 million for the year ended September 30, 2006. The decrease in net interest income was primarily attributable to a lower net interest margin, despite an overall increase in average interest- earning assets and interest-bearing liabilities 2007 versus 2006.

Our net interest margin decreased 30 basis points to 3.03% for the year ended September 30, 2007, from 3.33% for the same period last year. The cost of interest bearing liabilities increased 66 basis points to 3.66% for the fiscal year from 3.00% for the same period of the prior year. The decline in the net interest margin reflects the relatively flat yield curve that currently exists, as the cost of shorter-term deposits and borrowed funds increased more rapidly than the yield on longer-term assets. Although we believe 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, pressure will likely continue in the near term as a result of the flat yield curve environment.

The following table sets forth the results of balance sheet growth and changes in interest rates to our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). Changes attributable to both rate and volume, which cannot be segregated, are allocated proportionately to the changes in rate and volume.

	Year Ended September 30, 2007 Compared to September 30, 2006 Increase (Decrease) Due to		
	Rate	**Volume**	**Total**
		(In Thousands)	
Interest-earning assets:			
Loans receivable, net	$ 1,276	$ 2,098	$ 3,374
Loans held for sale	11	(7)	4
Investment securities, including interest-bearing deposits in other banks	30	175	205
Mortgage-backed securities	130	(1,036)	(906)
Federal Home Loan Bank stock	48		48
Total net change in income on interest-earning assets	$ 1,495	$ 1,230	$ 2,725
Interest-bearing liabilities:			
Savings deposits	$ 55	$ (3)	$ 52
Interest-bearing demand deposits	137	(34)	103
Money market accounts	519	161	680
Certificates of deposit	2,232	298	2,530
Total deposits	2,943	422	3,365
Federal Home Loan Bank advances	568	486	1,054
Total net change in expense on interest-bearing liabilities	$ 3,511	$ 908	$ 4,419
Total increase (decrease) in net interest income			$ (1,694)

Interest and Dividend Income. Total interest and dividend income for the year ended September 30, 2007 increased $2.7 million, or 6.8%, to $42.6 million, from $39.9 million for the same period of the prior year. The increase during the period was primarily attributable to the $14.0 million, or 2.0%, increase in the average balance of

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interest-earning assets and an increase in the yield on interest-earning assets to 6.06% from 5.79% as a result of the general increase in interest rates and changes in our loan portfolio mix.

The following table compares detailed average earning asset balances, associated yields, and resulting changes in interest and dividend income for the years ended September 30, 2007 and 2006.

	Year Ended September 30,				
	2007		2006		Increase/ (Decrease) in Interest and Dividend Income from 2006
	Average Balance	Yield	Average Balance	Yield	
	(Dollars in Thousands)				
Loans receivable, net of deferred fees/costs	$ 503,478	6.62%	$ 471,291	6.35%	$ 3,374
Loans held for sale	3,652	6.46	3,771	6.15	4
Investment securities, available for sale, including interest-bearing deposits in other banks	6,645	5.19	3,197	4.38	205
Mortgage-backed securities	180,309	4.82	201,838	4.76	(906)
FHLB stock	9,591	0.50	9,591		48
Total interest-earning assets	$ 703,675	6.06%	$ 689,688	5.79%	$ 2,725

Interest Expense. Interest expense increased $4.4 million, or 26.1%, to $21.3 million for the year ended September 30, 2007 from $16.9 million for the year ended September 30, 2006. The average balance of total interest-bearing liabilities increased $19.1 million, or 3.4%, to $582.9 million for the year ended September 30, 2007 from $563.8 million for the year ended September 30, 2006. The increase was primarily a result of growth in certificates of deposit, money market accounts, and additional FHLB advances. As a result of general market rate increases, the average cost of funds for total interest-bearing liabilities increased 66 basis points to 3.66% for the year ended September 30, 2007 compared to 3.00% for the year ended September 30, 2006.

The following table details average balances, cost of funds and the change in interest expense for the years ended September 30, 2007 and 2006:

	Year Ended September 30,				
	2007		2006		Increase/ (Decrease) in Interest Expense from 2006
	Average Balance	Cost	Average Balance	Cost	
	(Dollars in Thousands)				
Savings deposits	$ 23,397	0.44%	$ 24,863	0.21%	$ 52
Interest-bearing demand deposits	91,198	0.62	97,916	0.48	103
Money market deposits	39,908	3.04	31,875	1.68	680
Certificates of deposit	226,522	4.59	218,496	3.60	2,530
FHLB advances	201,911	4.49	190,684	4.20	1,054
Total interest-bearing liabilities	$ 582,936	3.66%	$ 563,834	3.00%	$ 4,419

Provision for Loan Losses. A provision for loan losses of $409,000 was established by management in connection with its analysis of the loan portfolio for the year ended September 30, 2007, compared to a provision for loan losses of $138,000 established for the same period of 2006. The $271,000 increase in the provision takes into account increased activity within classified assets as well as the current downturn in the real estate market. We do not originate or purchase one-to four-family subprime loans. Management considers the allowance for loans losses at September 30, 2007 to be adequate to cover probable losses inherent in the loan portfolio based on the assessment of the above-mentioned factors affecting the loan portfolio.

The following table details selected activity associated with the allowance for loan losses for the years ended September 30, 2007 and 2006:

	At or For the Year Ended September 30,	
	2007	2006
	(Dollars in Thousands)	
Provision for loan losses	$ 409	$ 138
Net charge-offs	203	46
Allowance for loan losses	2,988	2,974
Allowance for loan losses as a percentage of gross loans receivable at the end of the period	0.6 2%	0.5 9%
Allowance for loan losses as a percentage of nonperforming loans at the end of the period	195.17%	766.49%
Nonperforming loans	$ 1,531	$ 388
Nonaccrual and 90 days or more past due loans as a percentage of loans receivable at the end of the period	0.32%	0.08%
Loans receivable, net	$ 480,118	$ 503,065

Noninterest Income. Noninterest income increased $81,000, or 0.7%, to $11.2 million for the year ended September 30, 2007 from $11.1 million for the year ended September 30, 2006. While overall noninterest income was flat, gain on sale of loans increased $363,000 or 34.4%. This increase in noninterest income was offset by a $266,000 or 148.6% decrease in the value of the mortgage servicing asset. We currently sell a majority of the one-to four-family residential loans we originate. For the year ended September 30, 2006, a larger percentage of the residential mortgage loans originated were held in the loan portfolio. For the year ended September 30, 2007 we had a $150,000 write down of the value of the mortgage servicing rights.

The following table provides a detailed analysis of the changes in components of noninterest income:

	Year Ended September 30,		Increase (Decrease)	
	2007	2006	Amount	Percent
	(Dollars in Thousands)			
Service fees and charges	$ 9,218	$ 9,292	$ (74)	(0.8)%
Gain on sale of loans	1,419	1,056	363	34.4
Increase in cash surrender value of bank owned life insurance	405	383	22	5.7
Loan servicing fees	549	620	(71)	(11.5)
Mortgage servicing rights, net	(445)	(179)	(266)	(148.6)
Other	44	(63)	107	169.8
Total noninterest income	$ 11,190	$ 11,109	$ 81	0.7%

Noninterest Expense. Noninterest expense decreased $400,000, or 1.7%, to $23.5 million for the year ended September 30, 2007 from $23.9 million for the year ended September 30, 2006.

The following table provides a detailed analysis of the changes in components of noninterest expense:

	Year Ended September 30,		Increase (Decrease)	
	2007	2006	Amount	Percent
	(Dollars in Thousands)			
Compensation and benefits	$ 14,249	$ 15,081	$ (832)	(5.5)%
Occupancy and equipment	2,871	2,759	112	4.1
Data processing	2,097	1,802	295	16.4
Advertising	1,475	1,025	450	43.9
Other	2,853	3,278	(425)	(13.0)
Total noninterest expense	$ 23,545	$ 23,945	$ (400)	(1.7)%

Compensation and benefits decreased $832,000 or 5.5% to $14.2 million for the year ended September 30, 2007 from $15.1 million for the same period a year ago. The decrease was primarily attributable to a decreased incentive payout in the current year. In addition, full-time equivalent employees has decreased from 240 as of September 30, 2006 to 223 as of September 30, 2007. Advertising costs increased $450,000 or 43.9%, primarily as a result of marketing costs related to a debit card rewards program and a business banking campaign that were initiated during the current fiscal year. Other noninterest expenses decreased $425,000 primarily as a result of costs incurred in the prior fiscal year related to the conversion of the core processing system and professional costs associated with the initial year of Sarbanes-Oxley compliance.

Our efficiency ratio, which is the percentage of noninterest expense to net interest income plus noninterest income, was 72.5% for the year ended September 30, 2007 compared to 70.2% for the year ended September 30, 2006. The increase in efficiency ratio was primarily attributable to a $1.7 million, or 7.4% decrease in net interest income. By definition, a lower efficiency ratio would be an indication that we are more efficiently utilizing resources to generate net interest income and other fee income.

Income Tax Expense. Income tax expense decreased $543,000, or 14.3%, to $3.3 million for the year ended September 30, 2007 from $3.8 million for the same period a year ago. Income before income taxes decreased $1.5 million or 14.8% to $8.5 million for the year ended September 30, 2007 compared to $10.0 million for the year ended September 30, 2006. Our combined federal and state effective income tax rate for the current period was 38.3% compared to 38.0% for the same period of the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a community-based financial institution primarily serving the Boise, Idaho and surrounding metropolitan area known as the Treasure Valley region of southwestern Idaho, including Ada, Canyon, Elmore and Gem counties, through our 15 full-service banking offices and two loan centers. We are in the business of attracting deposits from the public and utilizing those deposits to originate loans. We offer a wide range of loan products to meet the demands of our customers. Historically, lending activities have been primarily directed toward the origination of residential and commercial real estate loans. Real estate lending activities have been primarily focused on first mortgages on owner occupied, and one- to four-family residential properties. To an increasing extent in recent years, lending activities have also included the origination of residential and commercial construction and land development loans and home equity loans. While continuing our commitment to residential lending, management expects commercial lending, including commercial real estate, builder finance and commercial business lending, to become increasingly important activities for us. Consistent with this strategy, we appointed Mr. Williams as President of Home Federal Bank in September 2006 and expect him to succeed Mr. Stevens in September 2008. Mr. Williams has extensive experience in business related lending.

Our primary source of pre-tax income is net interest income. Net interest income is the difference between interest income, which is the income that we earn on our loans and investments, and interest expense, which is the interest that we pay on our deposits and borrowings. Changes in levels of interest rates affect our net interest income. The recent interest rate environment, which has caused short-term market interest rates to rise, while longer term interest rates have remained stable, has had a negative impact on our interest rate spread and net interest margin, which has reduced profitability and caused a decrease in our return on average assets and return on average equity. To offset the negative impact the current interest rate environment is having on our profitability, we are seeking to find means of increasing interest income while controlling expenses. We intend to diversity the mix of our assets by reducing the percentage of our assets that are lower-yielding residential loans and mortgage-backed securities and increasing the percentage of our assets consisting of construction and land development, commercial real estate, and commercial business loans that have higher risk-adjusted returns.

Our operating expenses consist primarily of compensation and benefits, occupancy and equipment, data processing, advertising, postage and supplies, professional services and, when applicable, deposit insurance premiums. Compensation and benefits consist primarily of the salaries and wages paid to our employees, payroll taxes, expenses for retirement and other employee benefits. Occupancy and equipment expenses, which are the fixed and variable costs of building and equipment, consist primarily of lease payments, taxes, depreciation charges, maintenance and costs of utilities.

Following the completion of the offering, we anticipate that our operating expense will increase as a result of the increased compensation expenses associated with the purchases of shares of common stock by our employee stock ownership plan, and awards under additional stock-based incentive plans. While these additional expenses will negatively impact earnings, we do not expect them to completely offset the additional income we expect to receive by leveraging the proceeds from this offering.

Assuming that the adjusted maximum number of shares is sold in the offering:

- our employee stock ownership plan will acquire 1,269,600 additional shares of common stock with a $12.7 million loan from new Home Federal Bancorp, that is expected to be repaid over 15 years, resulting in an annual pre-tax expense of approximately $846,400 (assuming that the common stock maintains a value of $10.00 per shares);

- our new stock option plan would authorize the grant of options to purchase shares up to 8.7% of the amount of our shares sold in the offering to eligible participants, which would result in compensation expense over the vesting period of the options. Assuming the market price of the common stock is $10.00 per share, all options are granted with an exercise price of $10.00 per share and have a term of 10 years; the dividend yield on the stock is zero; the risk free interest rate is 5.03%; and the volatility rate on the common stock is 11.31%, the estimated grant-date fair value of the options utilizing a Black-Scholes option pricing analysis is $2.71 per option granted. Assuming this value is amortized over the five year vesting period, the corresponding annual pre-tax expense associated with the stock option plan would be approximately $745,000; and

- our new stock recognition and retention plan would authorize the award of a number of shares equal to up to 3.5% of the amount of our shares sold in the offering to eligible participants, which would be expense as the awards vest. Assuming that all shares are awarded at a price of $10.00 per share, and that the awards vest over a five year period, the corresponding annual pre-tax expense would be approximately $1.1 million.

The actual expense that will be recorded for the additional shares purchased by our employee stock ownership plan will be determined by the market value of the shares of common stock as they are released to employees over the term of the loan, and depending on whether the loan is repaid faster than its contractual term allowing for an acceleration in the release of shares held as collateral for the loan. Accordingly, increases in the stock price above $10.00 per share will increase the total employee stock ownership plan expense, and any accelerated repayment of the loan along with an accelerated release of shares will increase the annual employee stock ownership plan expense. Additionally, the actual expense of the restricted shares will be determined by the fair market value of the stock on the grant date, which might be greater than $10.00 per share. Further, the actual expense of the stock options will be determined by the grant-date fair value of the options which will depend on a number of factors, including the valuation assumptions used in the Black-Scholes option pricing model. For more information of expenses associated with new equity based benefit plans, see "Pro Forma Data."

Our results of operations may also be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

Operating Strategy

Our strategies center on our continued development into a full service, community-oriented bank. Our goal is to continue to enhance our franchise value and earnings through controlled growth in our banking operations, especially small business lending, while maintaining the community-oriented customer service and sales focus that has characterized our success to date. In order to be successful in this objective and increase stockholder value, we are committed to the following strategies:

Continue Growing in Our Existing Markets. We believe there is a large customer base in our market that is dissatisfied with the service received from larger regional banks. By offering quicker decision making in the delivery of banking products and services, offering customized products where appropriate, and providing customer access to our senior managers, we hope to distinguish ourselves from larger, regional banks operating in our market areas. Our larger capital base resulting from this offering and our plans to diversify our product mix should allow us to compete effectively against smaller banks.

*Continue Our Disciplined Execution.*We believe our success as a banking organization depends on a disciplined approach to originating loans and monitoring the performance of our loan portfolio. Despite our growth, we have consistently maintained strong asset quality. We believe our strong asset quality is the result of our underwriting standards, experienced loan officers and the strength of the local economy. In addition, many of the commercial loans we originate are to borrowers well known by our loan officers from existing and prior banking relationships. At June 30, 2007, our nonperforming assets as a percentage of total assets were 0.07% and for the nine months ended June 30, 2007 our ratio of net charge-offs to average loans was 0.02%. Our year-end nonperforming assets as a percentage of total assets and ratio of net charge-offs to average loans have not exceeded 0.17% and 0.10%, respectively, in any of the past five years.

Expanding Our Product Offerings. We intend to continue our emphasis on originating commercial lending products that diversify our loan portfolio by increasing the percentage of our assets consisting of higher-yielding construction and land development and commercial real estate and commercial business loans with higher risk-adjusted returns, shorter maturities and more sensitivity to interest rate fluctuations, while still providing high quality loan products for single-family residential borrowers. We also intend to selectively add products to provide diversification of revenue sources and to capture our customer's full relationship. We intend to continue to expand our business by cross selling our loan and deposit products and services to our customers in order to increase our fee income.

Focus on our Branch Expansion. Branch expansion has played a significant role in our ability to grow loans, deposits and customer relationships. Since August 2000 we have opened eight branches in our existing markets. We are planning four to six new branches that we intend to open within the next 24 months. There is currently one new branch under construction in Nampa, Idaho and plans are being finalized for the construction of a new branch office in the Meridian, Idaho market in 2008. Our long-term strategy is to build two or three branches per year if appropriate sites can be identified and obtained. We will also actively search for appropriate acquisitions to enhance our ability to deliver products and services in our existing markets and to expand into surrounding markets. However, there are currently no specific acquisitions under consideration.

Increasing Our Core Transaction Deposits. A fundamental part of our overall strategy is to improve both the level and the mix of deposits that serve as a funding base for asset growth. By growing demand deposit accounts and other transaction accounts, we intend to reduce our reliance on higher-cost certificates of deposit and borrowings such as advances from the Federal Home Loan Bank of Seattle. In order to expand our core deposit franchise, we are focusing on introducing additional products and services to obtain money market and time deposits by bundling them with other consumer services. Business deposits are being pursued by the introduction of cash management products and by specific targeting of small business customers.

Hire Experienced Employees With a Customer Service Focus. Our ability to continue to attract and retain banking professionals with strong business banking and service skills, community relationships and significant knowledge of our markets is key to our success. We believe that by focusing on experienced bankers who are established in their communities, we enhance our market position and add profitable growth opportunities. We emphasize to our employees the importance of delivering exemplary customer service and seeking opportunities to build further relationships with our customers. Our goal is to compete by relying on the strength of our customer service and relationship banking approach.

Continuing an internal management culture which is driven by a focus on profitability, productivity and accountability for results and which responds proactively to the challenge of change. The primary method for reinforcing our culture is the comprehensive application of our "Pay for Performance" total compensation program. Every employee has clearly defined accountabilities and performance standards that tie directly or indirectly to our profitability. All incentive compensation is based on specific profitability measures, sales volume goals or a combination of specific profitability measures and individual performance goals. This approach encourages all employees to focus on our profitability and has created an environment that embraces new products, services and delivery systems.

Critical Accounting Policies

We use estimates and assumptions in our financial statements in accordance with generally accepted accounting principles. Management has identified several accounting policies that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of our financial statements. These policies relate to the determination of the allowance for loan losses and the associated provision for loan losses, the fair market value of capitalized mortgage servicing rights, as well as deferred income taxes and the associated income tax expense. Management reviews the allowance for loan losses for adequacy on a quarterly basis and establishes a provision for loan losses that it believes is sufficient for the loan portfolio growth expected and the loan quality of the existing portfolio. The carrying value of the capitalized mortgage servicing rights is also assessed on a quarterly basis. Income tax expense and deferred income taxes are calculated using an estimated tax rate and are based on management's and our tax advisor's understanding of our effective tax rate and the tax code. These estimates are reviewed by our independent auditor on an annual basis and by our regulators when they examine Home Federal Bank.

Allowance for Loan Losses. Management recognizes that loan losses may occur over the life of a loan and that the allowance for loan losses must be maintained at a level necessary to absorb specific losses on impaired loans and probable losses inherent in the loan portfolio. Our Asset Liability Management Committee assesses the allowance for loan losses on a quarterly basis. The Committee analyzes several different factors including delinquency rates, charge-off rates and the changing risk profile of our loan portfolio, as well as local economic conditions such as unemployment rates, bankruptcies and vacancy rates of business and residential properties.

We believe that the accounting estimate related to the allowance for loan losses is a critical accounting estimate because it is highly susceptible to change from period to period, requiring management to make assumptions about future losses on loans. The impact of a sudden large loss could deplete the allowance and require increased provisions to replenish the allowance, which would negatively affect earnings.

Our methodology for analyzing the allowance for loan losses consists of specific allocations on significant individual credits and a general allowance amount, including a range of losses. The specific allowance component is determined when management believes that the collectibility of a specific large loan has been impaired and a loss is probable. The general allowance component relates to assets with no well-defined deficiency or weakness and takes into consideration loss that is inherent within the portfolio but has not been realized. The general allowance is determined by applying a historical loss percentage to various types of loans with similar characteristics and classified loans that are not analyzed specifically. Due to the imprecision in calculating inherent and potential losses, a range is added to the general allowance to provide an allowance for loan losses that is adequate to cover losses that may arise as a result of changing economic conditions and other factors that may alter our historical loss experience.

The allowance is increased by the provision for loan losses, which is charged against current period operating results and decreased by the amount of actual loan charge-offs, net of recoveries.

Mortgage Servicing Rights. Mortgage servicing rights represent the present value of the future loan servicing fees from the right to service loans for others. The most critical accounting policy associated with mortgage servicing is the methodology used to determine the fair value of capitalized mortgage servicing rights, which requires the development of a number of estimates, the most critical of which is the mortgage loan prepayment speeds assumption. The mortgage loan prepayment speeds assumption is significantly impacted by interest rates. In general, during periods of falling interest rates, the mortgage loans prepay faster and the value of our mortgage servicing asset declines. Conversely, during periods of rising rates, the value of mortgage servicing rights generally increases due to slower rates of prepayments. We perform a quarterly review of mortgage servicing rights for potential changes in value. This review may include an independent appraisal by an outside party of the fair value of the mortgage servicing rights.

Deferred Income Taxes. Deferred income taxes are reported for temporary differences between items of income or expense reported in the financial statements and those reported for income tax purposes. Deferred taxes are computed using the asset and liability approach as prescribed in Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this method, a deferred tax asset or liability is determined based on the enacted tax rates that will be in effect when the differences between the financial statement carrying amounts and tax basis of existing assets and liabilities are expected to be reported in an institution's income tax returns. The deferred tax provision for the year is equal to the net change in the net deferred tax asset from the beginning to the end of the year, less amounts applicable to the change in value related to investments available for sale. The effect on deferred taxes of a change in tax rates is recognized as income in the period that includes the enactment date. The primary differences between financial statement income and taxable income result from depreciation expense, mortgage servicing rights, loan loss reserves and dividends received from the Federal Home Loan Bank of Seattle.

Deferred income taxes do not include a liability for pre-1988 bad debt deductions allowed to thrift institutions that may be recaptured if the institution fails to qualify as a bank for income tax purposes in the future.

Comparison of Financial Condition at June 30, 2007 and September 30, 2006

General. Total assets decreased $33.0 million, or 4.3%, to $728.3 million at June 30, 2007 from $761.3 million at September 30, 2006. Mortgage-backed securities decreased $28.7 million, or 14.7%, to $166.8 million and were the primary reason for the asset decline during the nine-month period. As a result, we also reduced outstanding Federal Home Loan Bank advances by $21.5 million, or 10.2%, to $189.3 million. Total deposits decreased $11.6 million, or 2.7%, to $418.7 million at June 30, 2007. The balance of certificates of deposit decreased $6.6 million and was primarily the result of our choosing not to match rates offered by local competitors that in some instances exceeded our alternative funding sources. In addition, the transfer from Home Federal Bank of a single commercial relationship that reduced outstanding balances by approximately $4.1 million during the nine-month period.

Assets. For the nine months ended June 30, 2007, total assets decreased $33.0 million. The increases and decreases were primarily concentrated in the following asset categories:

	Balance at June 30, 2007	Balance at September 30, 2006	Increase (Decrease) Amount	Percent
	(Dollars in Thousands)			
Cash and amounts due from depository institutions	$ 23,086	$ 18,385	$ 4,701	25.6%
Mortgage-backed securities, available for sale	166,755	12,182	154,573	1,268.9
Mortgage-backed securities, held to maturity		183,279	(183,279)	(100.0)
Loans receivable, net of allowance for loan losses	491,768	503,065	(11,297)	(2.2)

Cash and amounts due from depository institutions increased $4.7 million as a result of normal fluctuations of amounts due from other financial institutions.

Mortgage-backed securities decreased $28.7 million to $166.8 million at June 30, 2007, from $195.5 million at September 30, 2006. During the nine months ended June 30, 2007, we purchased $2.1 million of 5/1 hybrid adjustable-rate mortgage-backed securities issued by Freddie Mac. Repayments of principal and proceeds from sales totaled $25.4 million for the nine months ended June 30, 2007. We purchase mortgage-backed securities to manage interest rate sensitivity, supplement loan originations and provide liquidity.

We had a change in our strategy regarding mortgage-backed securities and during the quarter ended June 30, 2007, we transferred our entire portfolio of held-to-maturity mortgage-backed securities to available for sale to help meet future liquidity needs associated with increasing commercial banking and other lending activities. As part of our liquidity management, we do not currently intend to classify any investments as held to maturity in the foreseeable future.

Loans receivable, net, decreased $11.3 million to $491.8 million at June 30, 2007, from $503.1 million at September 30, 2006. One- to four-family residential mortgage loans decreased $34.0 million as we sold a majority of the one- to four-family loans that we originate. In prior years, we held a portion of the one- to four-family loans we originated in our loan portfolio. Commercial loans increased $18.5 million, or 12.8%, during the nine months ended June 30, 2007. We have made significant progress in building our commercial real estate and small business banking programs, including the addition of an experienced commercial banking team to expand our existing commercial real estate lending program. We will also emphasize other commercial banking activities, including business banking, cash management and other products associated with a full-service commercial bank.

Deposits. Deposits decreased $11.6 million, or 2.7%, to $418.7 million at June 30, 2007, from $430.3 million at September 30, 2006. A significant portion of the decrease in noninterest-bearing demand deposits was the result of a single commercial relationship that reduced outstanding balances by approximately $4.1 million during the nine-month period. Money market deposits accounted for the majority of the increase in interest-bearing deposits as a result of our increased emphasis on commercial accounts and as customers transferred funds into higher rate deposit products. The decrease in certificates of deposit was primarily the result of our choosing not to match rates offered by local competitors that in some instances exceeded our alternative funding sources.

The following table details the changes in deposit accounts:

	Balance at June 30, 2007	Balance at September 30, 2006	Increase (Decrease) Amount	Percent
	(Dollars in Thousands)			
Noninterest-bearing demand deposits	$ 34,368	$ 44,626	$ (10,258)	(23.0)%
Interest-bearing demand deposits	133,770	128,276	5,494	4.3
Savings deposits	23,465	23,655	(190)	(0.8)
Certificates of deposit	227,095	233,724	(6,629)	(2.8)
Total deposit accounts	$ 418,698	$ 430,281	$ (11,583)	(2.7)%

Borrowings. Federal Home Loan Bank advances decreased $21.5 million, or 10.2%, to $189.3 million at June 30, 2007, from $210.8 million at September 30, 2006. We use Federal Home Loan Bank advances as an alternative funding source to deposits, and to manage funding costs, reduce interest rate risk and to leverage our balance sheet.

Equity. Stockholders equity increased $2.1 million, or 2.0%, to $110.0 million at June 30, 2007, from $107.9 million at September 30, 2006. The increase was primarily a result of the $4.1 million in net income and the allocation of earned employee stock ownership plan shares, equity compensation and the exercise of stock options totaling $2.3 million, offset by $959,000 in cash dividends paid to stockholders and $3.3 million increase in unrealized losses on securities available for sale. During the quarter ended June 30, 2007, we transferred our 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. On June 15, 2007, we paid $0.055 per share in cash dividends to stockholders of record as of June 1, 2007, excluding shares held by Home Federal MHC.

Comparison of Operating Results for the Nine Months ended June 30, 2007 and June 30, 2006

General. Net income for the nine months ended June 30, 2007 was $4.1 million, or $0.28 per diluted share, compared to net income of $4.6 million, or $0.31 per diluted share, for the nine months ended June 30, 2006.

Net Interest Income. Net interest income decreased $1.2 million, or 7.1%, to $16.2 million for the nine months ended June 30, 2007, from $17.4 million for the nine months ended June 30, 2006. The decrease in net interest income was primarily attributable to the ongoing compression of our net interest margin, despite an overall increase in average interest-earning assets and interest-bearing liabilities of $32.6 million and $38.2 million, respectively.

Our net interest margin decreased 39 basis points to 3.02% for the nine months ended June 30, 2007, from 3.41% for the same period of the prior year. The cost of interest-bearing liabilities increased 76 basis points to 3.62% for the nine months of fiscal 2007 compared to 2.86% for the same period of the prior year. The decline in the net interest margin reflects the relatively flat yield curve that currently exists, as the cost of shorter-term deposits and borrowed funds increased more rapidly than the yield on longer-term assets. Although we believe 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, pressure will likely continue in the near term as a result of the flat yield curve environment.

The following table sets forth the results of balance sheet growth and changes in interest rates to our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). Changes attributable to both rate and volume, which cannot be segregated, are allocated proportionately to the changes in rate and volume.

	Nine Months Ended June 30, 2007 Compared to June 30, 2006		
	Increase (Decrease) Due to		
	Rate	Volume	Total
	(In Thousands)		
Interest-earning assets:			
Loans receivable, net	$ 1,049	$ 2,320	$ 3,369
Loans held for sale	7	(4)	3
Investment securities, including interest-bearing deposits in other banks	32	77	109
Mortgage-backed securities	25	(572)	(547)
Federal Home Loan Bank stock	33		33
Total net change in income on interest-earning assets	$ 1,146	$ 1,821	$ 2,967
Interest-bearing liabilities:			
Savings deposits	$ 31	$ (1)	$ 30
Interest-bearing demand deposits	100	(8)	92
Money market accounts	363	82	445
Certificates of deposit	1,969	423	2,392
Total deposits	2,463	496	2,959
Federal Home Loan Bank advances	490	756	1,246
Total net change in expense on interest-bearing liabilities	$ 2,953	$ 1,252	$ 4,205
Total decrease in net interest income			$ (1,238)

Interest and Dividend Income. Total interest and dividend income for the nine months ended June 30, 2007 increased $3.0 million, or 10.1%, to $32.3 million, from $29.3 million for the nine months ended June 30, 2006. The increase during the period was primarily attributable to the $32.6 million, or 4.8%, increase in the average balance of interest-earning assets and an increase in the yield on interest-earning assets to 6.03% from 5.73% as a result of the general increase in interest rates and changes in the our loan portfolio mix.

The following table compares detailed average earning asset balances, associated yields, and resulting changes in interest and dividend income for the nine months ended June 30, 2007 and 2006:

	Nine Months Ended June 30,				
	2007		2006		Increase/ (Decrease) in Interest and Dividend Income from 2006
	Average Balance	Yield	Average Balance	Yield	
	(Dollars in Thousands)				
Loans receivable, net	$ 508,782	6.59%	$ 461,185	6.30%	$ 3,369
Loans held for sale	3,675	6.54	3,809	6.21	3
Investment securities, available for sale, including interest-bearing deposits in other banks	5,713	5.20	3,617	4.20	109
Mortgage-backed securities	185,694	4.79	202,692	4.75	(547)
Federal Home Loan Bank stock	9,591	0.46	9,591		33
Total interest-earning assets	$ 713,455	6.03%	$ 680,894	5.73%	$ 2,967

Interest Expense. Interest expense increased $4.2 million, or 35.4%, to $16.1 million for the nine months ended June 30, 2007 from $11.9 million for the nine months ended June 30, 2006. The average balance of total interest-bearing liabilities increased $38.2 million, or 6.9%, to $592.4 million for the nine months ended June 30, 2007 from $554.2 million for the nine months ended June 30, 2006. The increase was primarily a result of growth in certificates of deposits and additional Federal Home Loan Bank advances. As a result of general market rate increases, the average cost of funds for total interest-bearing liabilities increased 76 basis points to 3.62% for the nine months ended June 30, 2007 compared to 2.86% for the nine months ended June 30, 2006.

The following table details average balances, cost of funds and the change in interest expense for the nine months ended June 30, 2007 and 2006:

	Nine Months Ended June 30,				
	2007		2006		Increase/ (Decrease) in Interest Expense from 2006
	Average Balance	Cost	Average Balance	Cost	
	(Dollars in Thousands)				
Savings deposits	$ 23,457	0.39%	$ 25,285	0.20%	$ 30
Interest-bearing demand deposits	93,330	0.60	98,405	0.44	92
Money market deposits	37,852	2.87	31,759	1.55	445
Certificates of deposit	230,242	4.54	214,558	3.39	2,392
Federal Home Loan Bank advances	207,517	4.46	184,209	4.12	1,246
Total interest-bearing liabilities	$ 592,398	3.62%	$ 554,216	2.86%	$ 4,205

Provision for Loan Losses. In connection with its analysis of the loan portfolio for the nine months ended June 30, 2007, management determined that a provision for loan losses of $71,000 was required for the nine months ended June 30, 2007, compared to a provision for loan losses of $320,000 established for the nine months ended

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June 30, 2006. The $249,000, or 77.8% decrease in the provision primarily reflects an $11.9 million reduction in loans receivable for the current year as compared to an increased of $63.1 million for the same period of last year. Our credit quality also remained excellent, as non-performing assets were $520,000, or 0.07% of total assets, at June 30, 2007, compared to $30,000, or 0.004% of total assets, at June 30, 2006. We do not originate or purchase one- to four-family subprime loans. Management considers the allowance for loan losses at June 30, 2007 to be adequate to cover probable losses inherent in the loan portfolio based on the assessment of the above-mentioned factors affecting the loan portfolio. While management believes the estimates and assumptions used in its determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not adversely impact our financial condition and results of operations. In addition, the determination of the amount of our allowance for loan losses is subject to review by bank regulators, as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

Prior to March 31, 2007, the allowance for loan losses included the estimated loss from unfunded loan commitments. The preferred accounting method is to separate the unfunded loan commitments from the disbursed loan amounts and record the unfunded loan commitment portion as a liability. At June 30, 2007, the reserve for unfunded loan commitments was $139,000, which was included in other liabilities on the Consolidated Balance Sheet. Combining the $139,000 liability for unfunded commitments with the allowance for loan losses provides an allowance of $2.9 million, or 0.59% of gross loans at June 30, 2007, compared to $3.2 million, or 0.64% at June 30, 2006.

The following table details selected activity associated with the allowance for loan losses for the nine months ended June 30, 2007 and 2006:

	At or For the Nine Months Ended June 30,	
	2007	2006
	(Dollars in Thousands)	
Provision for loan losses	$ 71	$ 320
Net charge-offs	105	43
Allowance for loan losses	2,748	3,160
Allowance for loan losses as a percentage of gross loans receivable at the end of the period	0.56%	0.64%
Nonperforming loans	$ 367	$ 30
Allowance for loan losses as a percentage of nonperforming loans at the end of the period	748.77%	10,533.33%
Nonaccrual and 90 days or more past due loans as a percentage of loans receivable at the end of the period	0.074	0.006
Loans receivable, net	$ 491,768	$ 494,016

Noninterest Income. Noninterest income increased $283,000, or 3.4%, to $8.6 million for the nine months ended June 30, 2007 from $8.3 million for the nine months ended June 30, 2006. The increase was primarily attributable to a $374,000, or 47.1%, increase in gains on the sale of residential mortgage loans offset by a $176,000, or 374.5%, decrease related to the value of the mortgage servicing rights. We currently sell a majority of the one- to four-family residential mortgage loans that we originate. For the nine months ended June 30, 2006, a larger percentage of the residential mortgage loans originated were held in the loan portfolio. For the nine months ended June 30, 2006, we had a $201,000 write-up of the value of the mortgage servicing rights. As a result of the conversion of our core processing system during the quarter ended December 31, 2005, we retired fixed assets and software related to the prior system, resulting in an $86,000 charge to other noninterest income for the nine months ended June 30, 2006.

The following table provides a detailed analysis of the changes in components of noninterest income:

	Nine Months Ended June 30,		Increase (Decrease)	
	2007	2006	Amount	Percent
	(Dollars In Thousands)			
Service fees and charges	$ 6,921	$ 6,893	$ 28	0.4%
Gain on sale of loans	1,168	794	374	47.1
Increase in cash surrender value of bank owned life insurance	301	285	16	5.6
Loan servicing fees	420	470	(50)	(10.6)
Mortgage servicing rights, net	(223)	(47)	(176)	(374.5)
Other	39	(52)	91	(175.0)
Total noninterest income	$ 8,626	$ 8,343	$ 283	3.4%

Noninterest Expense. Noninterest expense increased $72,000, or less than 1%, to $18.1 million for the nine months ended June 30, 2007 from $18.1 million for the nine months ended June 30, 2006.

The following table provides a detailed analysis of the changes in components of noninterest expense:

	Nine Months Ended June 30,		Increase (Decrease)	
	2007	2006	Amount	Percent
	(Dollars in Thousands)			
Compensation and benefits	$ 11,363	$ 11,428	$ (65)	(0.6)%
Occupancy and equipment	2,145	2,073	72	3.5
Data processing	1,549	1,364	185	13.6
Advertising	972	740	232	31.4
Other	2,105	2,457	(352)	(14.3)
Total noninterest expense	$ 18,134	$ 18,062	$ 72	0.4%

Compensation and benefits decreased $65,000, or less than 1%, to $11.4 million for the nine months ended June 30, 2007 from $11.4 million for the same period a year ago. The decrease was primarily attributable to a decrease in the number of full-time equivalent employees offset by increased costs related to equity compensation plans and annual merit increases. As of June 30, 2007, we employed 215 full-time equivalent employees, compared to 240 at June 30, 2006, a decrease of approximately 10%. Advertising costs increased $232,000, or 31.4%, primarily as a result of marketing costs related to a debit card rewards program and a business banking campaign that were initiated during the current fiscal year. Other noninterest expenses decreased $352,000 primarily as a result of costs incurred in the prior fiscal year related to the conversion of the core processing system and professional costs associated with the initial year of Sarbanes-Oxley compliance.

Our efficiency ratio, which is the percentage of noninterest expense to net interest income plus noninterest income, was 73.1% for the nine months ended June 30, 2007 compared to 70.1% for the nine months ended June 30, 2006. The increase in efficiency ratio was primarily attributable to a $1.2 million, or 7.1%, decrease in net interest income. By definition, a lower efficiency ratio would be an indication that we are more efficiently utilizing resources to generate net interest income and other fee income.

Income Tax Expense. Income tax expense decreased $300,000, or 10.6%, to $2.5 million for the nine months ended June 30, 2007 from $2.8 million for the same period a year ago. Income before income taxes decreased $778,000, or 10.6%, to $6.6 million for the nine months ended June 30, 2007 compared to $7.4 million for the nine months ended June 30, 2006. Our combined federal and state effective income tax rate for the current period was unchanged at 38.2% as compared to the same period of the prior fiscal year. Additionally, as a result of the reclassification of our mortgage-backed securities to available-for-sale, our deferred tax position changed from a net liability of ($800,000) to a net asset of $1.7 million.

Comparison of Financial Condition at September 30, 2006 and September 30, 2005

General. Total assets increased $71.7 million, or 10.4%, to $761.3 million at September 30, 2006 from $689.6 million at September 30, 2005. Loans receivable, net, increased $72.1 million, or 16.7%, to $503.1 million, and was the primary reason for the asset growth during the fiscal year. The demand for loans was funded with increased deposits of $34.0 million and Federal Home Loan Bank advances of $34.9 million.

Assets. For the year ended September 30, 2006, total assets increased $71.7 million. The increases and decreases were primarily concentrated in the following asset categories:

	Balance at September 30, 2006	Balance at September 30, 2005	Increase/(Decrease) Amount	Increase/(Decrease) Percent
	(Dollars in Thousands)			
Mortgage-backed securities, available for sale	$ 12,182	$ 14,830	$ (2,648)	(17.9)%
Mortgage-backed securities, held to maturity	183,279	180,974	2,305	1.3
Loans receivable, net of allowance for loan losses	503,065	430,944	72,121	16.7
Loans held for sale	4,119	5,549	(1,430)	(25.8)

Mortgage-backed securities decreased $343,000 to $195.5 million at September 30, 2006, from $195.8 million at September 30, 2005. For the year ended September 30, 2006, we purchased $30.3 million of mortgage-backed securities that consisted primarily of hybrid adjustable and fixed rate securities with terms of 15 years or less. Normal repayments of principal totaled $30.7 million for the year ended September 30, 2006. We may purchase mortgage-backed securities to manage interest rate sensitivity and to supplement loan originations during periods when the we are not able to originate the desired type or volume of portfolio loans.

Loans receivable, net, increased $72.1 million to $503.1 million at September 30, 2006, from $430.9 million at September 30, 2005. One- to four-family residential loans and commercial real estate loans increased $50.8 million and $17.8 million, respectively, during the year ended September 30, 2006. During the 2006 fiscal year, we purchased $38.8 million of hybrid adjustable, one- to four-family mortgage loans located primarily in the Western United States. Purchased mortgage loans allow us to increase interest-earning assets, manage interest rate risk, and geographically diversify our mortgage loan portfolio at a relatively low overhead cost. As of September 30, 2006, over 90% of our loan portfolio was secured by real estate, either as primary or secondary collateral.

Loans held for sale decreased $1.4 million to $4.1 million at September 30, 2006, from $5.5 million at September 30, 2005. The balance of loans held for sale can vary significantly from period to period reflecting loan demand by borrowers and the current interest rate environment. We originate fixed-rate residential loans, the majority of which are sold in the secondary market. Selling fixed-rate mortgage loans allows us to reduce interest rate risk associated with long term, fixed-rate products and provides funds to make new loans and diversify the loan portfolio.

Deposits. Deposits increased $34.0 million, or 8.6%, to $430.3 million at September 30, 2006, from $396.3 million at September 30, 2005. Certificates of deposit accounted for the majority of the increase in total deposits during the period with certificates of six to 12-month terms having the largest increase in balances. Demand deposits and savings accounts decreased $2.3 million, or 1.2%, as customers migrated towards higher rate deposit products during the fiscal year. The following table details the changes in deposit accounts:

	Balance at September 30, 2006	Balance at September 30, 2005	Increase/(Decrease) Amount	Percent
	(Dollars in Thousands)			
Noninterest-bearing demand deposits	$ 44,626	$ 46,311	$ (1,685)	(3.6)%
Interest-bearing demand deposits	128,276	127,330	946	0.7
Savings deposits	23,655	25,219	(1,564)	(6.2)
Certificates of deposit	233,724	197,465	36,259	18.4
Total deposit accounts	$ 430,281	$ 396,325	$ 33,956	8.6%

Borrowings. Advances from the Federal Home Loan Bank increased $34.9 million, or 19.8%, to $210.8 million at September 30, 2006, from $175.9 million at September 30, 2005.

Equity. Stockholders equity increased $6.5 million, or 6.4%, to $107.9 million at September 30, 2006, from $101.4 million at September 30, 2005. The increase was primarily a result of the $6.2 million in net income and earned employee stock ownership plan shares and equity compensation totaling $1.5 million, offset by $1.2 million of cash dividends paid to stockholders. On September 15, 2006, we paid $0.055 per share in cash dividends to stockholders of record as of September 1, 2006, excluding shares held by Home Federal MHC.

Comparison of Operating Results for the Years ended September 30, 2006 and September 30, 2005

General. Net income for the year ended September 30, 2006 was $6.2 million, or $0.43 per diluted share, compared to net income of $5.3 million, or $0.36 per diluted share, for the year ended September 30, 2005. Results for the year ended September 30, 2005 included the $386,000 pre-tax gain on the sale of a former branch and a $1.8 million pre-tax expense for establishing the Home Federal Foundation, Inc. a charitable foundation established in connection with the initial formation and minority stock offering of Home Federal Bancorp. Excluding the gain on the sale of the branch and the expense for establishing the Home Federal Foundation, we had net income of $6.2 million, or $0.42 per diluted share, for the year ended September 30, 2005.

The following table reconciles our actual net income to pro forma net income for the fiscal year ended September 30, 2006 and 2005, exclusive of the sale of the branch and the contribution to the Home Federal Foundation, as adjusted for federal and state taxes:

	Year Ended September 30, 2006	2005
	(Dollars in Thousands)	
Pro forma disclosure		
Net income, as reported	$ 6,212	$ 5,283
Gain on sale of branch		(386)
Contribution to Home Federal Foundation		1,825
Federal and state income tax effect		(561)
Pro forma net income	$ 6,212	$ 6,161
Earnings per share		
Diluted as reported	$ 0.43	$ 0.36
Pro forma diluted	$ 0.43	$ 0.42

Net Interest Income. Net interest income increased $1.3 million, or 6.1%, to $23.0 million for the year ended September 30, 2006, from $21.7 million for the year ended September 30, 2005. Average total interest-earning assets increased $83.0 million, or 13.7% to $689.7 million for the year ended September 30, 2006 from $606.7 million for the same period last year. Average total interest-bearing liabilities increased $62.7 million, or 12.5%, to $563.8 million for the year ended September 30, 2006 from $501.1 million for the same period last year.

Our net interest margin decreased 24 basis points to 3.33% for the year ended September 30, 2006, from 3.57% for the same period last year. The cost of deposits increased 58 basis points to 2.39% for the fiscal year from 1.81% for the same period last year. The decline in the net interest margin to 3.33% reflects competitive pricing pressures and the relatively flat yield curve that currently exists, as the cost of shorter-term deposits and borrowed funds increased more rapidly than the yield on longer-term assets.

Interest and Dividend Income. Total interest and dividend income for the year ended September 30, 2006 increased $6.0 million, or 17.7%, to $39.9 million, from $33.9 million for the year ended September 30, 2005. The increase was primarily attributable to the $83.0 million, or 13.7%, increase in the average balance of interest-earning assets and an increase in the yield on interest-earning assets to 5.79% as a result of the general increase in interest rates.

The following table compares detailed average earning asset balances, associated yields, and resulting changes in interest and dividend income for the years ended September 30, 2006 and 2005:

	Year Ended September 30,				
	2006		2005		Increase/ (Decrease) in Interest and Dividend Income from 2005
	Average Balance	Yield	Average Balance	Yield	
	(Dollars in Thousands)				
Loans receivable, net	$ 471,291	6.35%	$ 419,940	6.14%	$ 4,155
Loans held for sale	3,771	6.15	2,518	5.80	86
Investment securities available for sale, including interest-bearing deposits in other banks	3,197	4.38	14,972	2.09	(173)
Mortgage-backed securities	201,838	4.76	160,780	4.75	1,965
Federal Home Loan Bank stock	9,591		8,480	0.35	(30)
Total interest-earning assets	$ 689,688	5.79%	$ 606,690	5.59%	$ 6,003

On May 18, 2005, the Federal Home Loan Bank indefinitely suspended dividends on all classes of its stock as part of its recapitalization plans.

Interest Expense. Interest expense increased $4.7 million, or 38.3%, to $16.9 million for the year ended September 30, 2006 from $12.2 million for the year ended September 30, 2005. The average balance of total interest-bearing liabilities increased $62.7 million, or 12.5%, to $563.8 million for the year ended September 30, 2006 from $501.1 million for the year ended September 30, 2005. The increase was primarily a result of growth in certificates of deposit and additional Federal Home Loan Bank advances. As a result of general market rate increases following the U.S. Federal Reserve Board rate increases during the past several quarters, the average cost of funds for total interest-bearing liabilities increased 56 basis points to 3.00% for the year ended September 30, 2006 compared to 2.44% for the year ended September 30, 2005.

The following table details average balances, cost of funds and the change in interest expense for the year ended September 30, 2006 and 2005:

	Year Ended September 30,				
	2006		2005		Increase/ (Decrease) in Interest Expense from 2005
	Average Balance	Cost	Average Balance	Cost	
	(Dollars in Thousands)				
Savings deposits	$ 24,863	0.21%	$ 25,633	0.20%	$
Interest-bearing demand deposits	97,916	0.48	104,972	0.28	168
Money market accounts	31,875	1.68	36,061	1.09	140
Certificates of deposit	218,496	3.60	181,015	3.06	2,318
Federal Home Loan Bank advances	190,684	4.20	153,443	3.87	2,060
Total interest-bearing liabilities	$ 563,834	3.00%	$ 501,124	2.44%	$ 4,686

Provision for Loan Losses. A provision for loan losses of $138,000 was established by management in connection with its analysis of the loan portfolio for the year ended September 30, 2006, compared to a provision for loan losses of $456,000 established for the same period of 2005. The $318,000 decrease in the provision took into account the increase in loans receivable during the fiscal year, offset by the loan portfolio s overall strong credit quality, reduction in classified assets, level of nonperforming loans and net charge-offs. On an annual basis we also analyzes its historical loan loss rates used in the calculation of the provision. As a result of the fiscal 2006 analysis, the allowance for loan losses was reduced $182,000 due to a decline in three and five year average historical loss rates for certain loan categories.

The following table details selected activity associated with the allowance for loan losses for the year ended September 30, 2006 and 2005:

	At or For the Year Ended September 30,	
	2006	2005
	(Dollars in Thousands)	
Provision for loan losses	$ 138	$ 456
Net charge-offs	46	211
Allowance for loan losses	2,974	2,882
Allowance for loan losses as a percentage of gross loans receivable at the end of the period	0.59%	0.67%
Allowance for loan losses as a percentage of nonperforming loans at end of period	766.49%	602.97%
Nonperforming loans	$ 388	$ 478
Nonaccrual and 90 days or more past due loans as a percentage of loans receivable at the end of the period	0.08%	0.11%
Loans receivable, net	$ 503,065	$ 430,944

Noninterest Income. Noninterest income increased $981,000, or 9.7%, to $11.1 million for the year ended September 30, 2006 from $10.1 million for the year ended September 30, 2005. The increase in noninterest income was primarily attributable to a $1.0 million increase in service charges as a result of enhancements to the retail checking program related to the core processing conversion that took place in the first quarter of the current fiscal year. Gains on sale of loans also increased to $1.1 million for the year ended September 30, 2006 from $382,000 for the comparable period in 2005 as loans sold to investors increased to $81.6 million for the year ended September 30, 2006 from $57.6 million for the year ended September 30, 2005. We also recaptured $137,000 of prior write-downs of the mortgage servicing rights for the 2006 fiscal year compared to a $300,000 write-down for the prior fiscal year. Other noninterest income for the year ended September 30, 2005 included a $386,000 gain on the sale of a former branch and a $456,000 gain from life insurance proceeds, which were not experienced in the 2006 fiscal year.

The following table provides a detailed analysis of the changes in components of noninterest income:

	Year Ended September 30,		Increase (Decrease)	
	2006	2005	Amount	Percent
	(Dollars in Thousands)			
Service fees and charges	$ 9,292	$ 8,274	$ 1,018	12.3%
Gain on sale of loans	1,056	382	674	176.4
Increase in cash surrender value of bank owned life insurance	383	343	40	11.7
Loan servicing fees	620	672	(52)	(7.7)
Mortgage servicing rights, net	(179)	(480)	301	(62.7)
Other	(63)	937	(1,000)	(106.7)
Total noninterest income	$ 11,109	$ 10,128	$ 981	9.7%

We perform a quarterly review of mortgage servicing rights for potential increases or declines in value. For the year ended September 30, 2006, we determined the value of the mortgage servicing rights increased $137,000. In addition, amortization of the servicing rights exceeded the servicing rights capitalized as the majority of loans were sold with the servicing rights released, resulting in a net expense of $179,000 for the year ended September 30, 2006. The mortgage servicing right was 1.15% of mortgage loans serviced for others at September 30, 2006 compared to 1.10% at September 30, 2005. Mortgage servicing rights is an accounting estimate of the present value of the future servicing fees from the right to service mortgage loans for others. This estimate is affected by prepayment speeds of the underlying mortgages and interest rates. In general, during periods of rising interest rates, mortgage loans prepay slower and the value of the mortgage-servicing asset increases.

Noninterest Expense. Noninterest expense increased $787,000, or 3.4%, to $23.9 million for the year ended September 30, 2006 from $23.2 million for the year ended September 30, 2005.

The following table provides a detailed analysis of the changes in components of noninterest expense:

	Year Ended September 30,		Increase (Decrease)	
	2006	2005	Amount	Percent
	(Dollars in Thousands)			
Compensation and benefits	$ 15,081	$ 12,636	$ 2,445	19.3%
Occupancy and equipment	2,759	2,765	(6)	(0.2)
Data processing	1,802	1,616	186	11.5
Advertising	1,025	1,147	(122)	(10.6)
Contribution to Home Federal Foundation		1,825	(1,825)	(100.0)
Other	3,278	3,169	109	3.4
Total noninterest expense	$ 23,945	$ 23,158	$ 787	3.4%

During the year ended September 30, 2005, we established the Home Federal Foundation by contributing $1.8 million, consisting of 146,004 shares of our common stock and $365,010 in cash. The Home Federal Foundation was formed for the purpose of supporting charitable organizations and activities that enhance the quality of life for residents within our market area.

Excluding the contribution to the Home Federal Foundation, noninterest expense increased $2.6 million for the year ended September 30, 2006. Compensation and benefits accounted for $2.4 million of the total increase, increasing to $15.1 million for the year ended September 30, 2006 from $12.6 million for the same period a year ago. The majority of the increase in compensation and benefits was attributable to the establishment of our equity compensation plans, annual merit increases, and increases in employee commissions and incentive plans. The equity compensation plans consist of our employee stock ownership plan, 2005 Recognition and Retention Plan, and the 2005 Stock Option and Incentive Plan. See Note 9 of the Selected Notes to Consolidated Financial Statements contained in this prospectus for further information. As of September 30, 2006, we employed 240 full-time equivalent employees, compared to 237 at September 30, 2005. The 11.5% increase in data processing was primarily attributable to the outsourcing of our check processing function as part of the conversion of our core processing system in November 2005. The outsourcing costs were offset by a corresponding reduction in compensation, equipment expense and other costs.

The efficiency ratio was 70.2% for the year ended September 30, 2006 compared to 72.8% for the year ended September 30, 2005. Excluding the non-recurring contribution to the Home Federal Foundation and the gain on the sale of a former branch, the efficiency ratio was 67.9% for the year ended September 30, 2005.

Income Tax Expense. Income tax expense increased $900,000, or 30.9%, to $3.8 million for the year ended September 30, 2006 from $2.9 million for the same period a year ago. Income before income taxes was $10.0 million for the year ended September 30, 2006 compared to $8.2 million for the year ended September 30, 2005. Our combined federal and state effective income tax rate for the current year was 38.0% compared to 35.5% for the prior fiscal year. For the year ended September 30, 2005, the effective tax rate was lower primarily as a result of the receipt of life insurance proceeds that are not subject to income taxes.

Comparison of Operating Results for the Years ended September 30, 2005 and September 30, 2004

General. Net income for the year ended September 30, 2005 was $5.3 million, or $0.36 per diluted share, compared to net income of $4.7 million for the year ended September 30, 2004. On December 6, 2004, we completed our mutual holding company reorganization, at which time Home Federal Bancorp was organized. As a result, comparisons to prior periods refer to the results of Home Federal Bank as a federal mutual savings and loan association, and per share data is not applicable. The per share data for the year ended September 30, 2005 is being reported on shares outstanding from December 6, 2004 through September 30, 2005, because we completed our reorganization on December 6, 2004.

As part of the reorganization and minority stock offering, we formed and capitalized the Home Federal Foundation with a one-time contribution of $1.8 million, which consisted of 146,004 shares of its common stock and $365,010 in cash. The Home Federal Foundation was formed for the purpose of supporting charitable organizations and activities that enhance the quality of life for residents within our market area. In addition, during the second quarter ended March 31, 2005, we sold a former branch for a pre-tax gain of $386,000.

Excluding the contribution to the Home Federal Foundation and the sale of the branch, we had net income of $6.2 million, or $0.42 per diluted share, for the year ended September 30, 2005, compared to $4.7 million for the year ended September 30, 2004. The following table reconciles our actual net income to pro forma net income, exclusive of the contribution to the Home Federal Foundation and sale of the branch and as adjusted for federal and state taxes:

	Year Ended September 30,	
	2005	2004
	(Dollars in Thousands)	
Pro forma disclosure		
Net income, as reported	$ 5,283	$ 4,684
Gain on sale of branch	(386)	
Contribution to Home Federal Foundation	1,825	
Federal and state income tax effect	(561)	
Pro forma net income	$ 6,161	$ 4,684
Earnings per share		
Diluted as reported	$ 0.36	nm(1)
Pro forma diluted	$ 0.42	nm(1)

(1) Earnings per share information is not meaningful. We did not complete our minority stock offering until December 6, 2004.

Net Interest Income. Net interest income increased $3.8 million, or 21.2%, to $21.7 million for the year ended September 30, 2005, from $17.9 million for the year ended September 30, 2004. Average total interest-earning assets increased $141.3 million to $606.7 million for the year ended September 30, 2005 primarily as a result of the purchase of mortgage-backed securities with the net proceeds of the minority stock offering and additional purchases throughout the past year to achieve a desired level of interest-earning assets. Cash that was received from subscribers in the minority stock offering and invested in lower-yielding overnight funds also contributed to the increase in interest-earning assets. The additional mortgage-backed securities and cash contributed to a 32 basis point decline in our average asset yields during the year ended September 30, 2005. During that same period, our average cost of funds increased 8 basis points, resulting in a 40 basis point decrease in the net interest spread.

Interest and Dividend Income. Total interest and dividend income for the year ended September 30, 2005 increased $6.4 million, or 23.3%, to $33.9 million, from $27.5 million for the year ended September 30, 2004. The increase was the result of the $141.3 million increase in the average balance of interest-earning assets. The increase in average balance of interest-earning assets was partially offset by lower interest rates on mortgage-backed securities purchased and the decision by the Federal Home Loan Bank to indefinitely suspend dividend payments on Federal Home Loan Bank stock.

The following table compares detailed average earning asset balances, associated yields, and resulting changes in interest and dividend income for the year ended September 30, 2005 and 2004:

	Year Ended September 30,				
	2005		2004		Increase/ (Decrease) in Interest and Dividend Income from 2004
	Average Balance	Yield	Average Balance	Yield	
	(Dollars in Thousands)				
Loans receivable, net	$ 419,940	6.14%	$ 382,947	6.21%	$ 36,993
Loans held for sale	2,518	5.80	2,910	5.79	(392)
Investment securities available for sale, including interest-bearing deposits in other banks	14,972	2.09	14,690	1.77	282
Mortgage-backed securities	160,780	4.75	58,076	5.23	102,704
Federal Home Loan Bank stock	8,480	0.35	6,761	4.11	1,719
Total interest-earning assets	$ 606,690	5.59%	$ 465,384	5.91%	$ 141,306

Interest Expense. Interest expense increased $2.6 million, or 27.1%, to $12.2 million for the year ended September 30, 2005 from $9.6 million for the year ended September 30, 2004. The average balance of total interest-bearing liabilities was $501.1 million, an increase of $91.5 million, for the year ended September 30, 2005 compared to $409.6 million for the year ended September 30, 2004. The increase was primarily a result of deposits received from stock subscription requests prior to the completion of the minority stock offering, growth in certificates of deposits as general market interest rates increased and additional Federal Home Loan Bank advances to leverage the balance sheet and to achieve the desired level of interest-earning assets. The average cost of funds for total interest-bearing liabilities was 2.44%, an increase of 8 basis points for the year ended September 30, 2005 compared to 2.36% for the year ended September 30, 2004.

The following table details average balances, cost of funds and the change in interest expense for the year ended September 30, 2005 and 2004:

	Year Ended September 30,				
	2005		2004		Increase/ (Decrease) in Interest Expense from 2004
	Average Balance	Cost	Average Balance	Cost	
	(Dollars in Thousands)				
Savings deposits	$ 25,633	0.20%	$ 24,431	0.25%	$ 1,202
Interest-bearing demand deposits	104,972	0.28	83,364	0.27	21,608
Money market deposits	36,061	1.09	33,319	0.70	2,742
Certificates of deposit	181,015	3.06	153,280	2.89	27,735
Federal Home Loan Bank advances	153,443	3.87	115,197	4.08	38,246
Total interest-bearing liabilities	$ 501,124	2.44%	$ 409,591	2.36%	$ 91,533

Provision for Loan Losses. The provision for loan losses decreased $444,000, or 49.3%, to $456,000 for the year ended September 30, 2005 from $900,000 for the year ended September 30, 2004. The following table details selected activity associated with the allowance for loan losses for the years ended September 30, 2005 and 2004:

	At or For the Year Ended September 30,	
	2005	2004
	(Dollars in Thousands)	
Provision for loan losses	$ 456	$ 900
Net charge-offs	211	116
Allowance for loan losses	2,882	2,637
Allowance for loan losses as a percentage of gross loans receivable and loans held for sale at the end of the period	0.67%	0.67%
Allowance for loan losses as a percentage of nonperforming loans at end of period	602.97%	432.30%
Nonperforming loans	$ 478	$ 610
Nonaccrual and 90 days or more past due loans as a percentage of loans receivable and loans held for sale at the end of the period	0.11%	0.16%
Loans receivable, net	$ 430,944	$ 392,634

We increased our provision for loan losses for the fiscal year ended September 30, 2004 due to the then unseasoned nature of our loan portfolio that resulted from a record volume of refinanced mortgage loans. In management s judgment, the increase in the amount of refinanced mortgage loans resulted in an increase in the level of unseasoned loans within the loan portfolio thereby increasing the inherent risk of loss to us. In addition, during the prior fiscal year, management revised the estimated loss ratios of certain loan categories to more accurately reflect our loss history. Industry or peer loss rates were used if we did not have a meaningful history of losses.

Noninterest Income. Noninterest income increased $1.1 million, or 12.2%, to $10.1 million for the year ended September 30, 2005 from $9.0 million for the year ended September 30, 2004. Other noninterest income for the year ended September 30, 2005 included a $386,000 gain on the sale of a branch and $456,000 in net life insurance proceeds as a result of the death of a former bank officer.

We perform a quarterly review of mortgage servicing rights for potential changes in value. For the year ended September 30, 2005, we determined the value of the mortgage servicing right had declined $300,000. In addition, amortization of the servicing right exceeded the servicing rights capitalized as loans sold with servicing rights retained have declined as compared to the prior year. The mortgage servicing right was 1.10% of mortgage loans serviced for others at September 30, 2005 compared to 1.23% at September 30, 2004.

The following table provides a detailed analysis of the changes in components of noninterest income:

	Year Ended September 30,		Increase (Decrease)	
	2005	2004	Amount	Percent
	(Dollars in Thousands)			
Service fees and charges	$ 8,274	$ 7,401	$ 873	11.8%
Gain on sale of loans	382	375	7	1.9
Increase in cash surrender value of bank owned life insurance	343	493	(150)	(30.4)
Loan servicing fees	672	671	1	0.1
Mortgage servicing rights, net	(480)	22	(502)	(2,281.8)
Other	937	20	917	4,585.0
Total noninterest income	$ 10,128	$ 8,982	$ 1,146	12.8%

Noninterest Expense. Noninterest expense increased $4.6 million, or 24.7%, to $23.2 million for the year ended September 30, 2005 from $18.6 million for the year ended September 30, 2004. Excluding the $1.8 million one-time contribution to the Home Federal Foundation, noninterest expense increased $2.8 million, or 15.1%.

The following table provides a detailed analysis of the changes in components of noninterest expense:

	Year Ended September 30,		Increase (Decrease)	
	2005	2004	Amount	Percent
	(Dollars in Thousands)			
Compensation and benefits	$ 12,636	$ 10,553	$ 2,083	19.7%
Occupancy and equipment	2,765	2,778	(13)	(0.5)
Data processing	1,616	1,549	67	4.3
Advertising	1,147	1,060	87	8.2
Contribution to Home Federal Foundation	1,825		1,825	100.0
Other	3,169	2,636	533	20.2
Total noninterest expense	$ 23,158	$ 18,576	$ 4,582	24.7%

Compensation expense increased as a result of the establishment of the employee stock ownership plan, annual merit pay increases, incentive compensation and an increase in the number of employees. As of September 30, 2005, Home Federal Bancorp employed 237 full-time equivalent employees, compared to 228 at September 30, 2004. Other noninterest expenses increased primarily as a result of a $206,000 accrued death benefit to the family of a former bank officer pursuant to a nonqualified retirement plan and professional expenses related to being a publicly held company. The efficiency ratio increased to 72.8% for the year ended September 30, 2005 compared to 69.2% for the year ended September 30, 2004. Excluding the non-recurring contribution to the Home Federal Foundation and the gain on sale of the branch, the efficiency ratio was 67.9% for the year ended September 30, 2005.

Income Tax Expense. Income tax expense increased $226,000 to $2.9 million for the year ended September 30, 2005 from $2.7 million for the year ended September 30, 2004. Income before income taxes was $8.2 million for the year ended September 30, 2005 compared to $7.4 million for the year ended September 30, 2004. Our combined federal and state effective income tax rate for the year ended September 30, 2005 was 35.5% compared to 36.4% for the prior fiscal year. The decrease in the effective tax rate was primarily as a result of the receipt of life insurance proceeds that are not subject to income taxes.

Average Balances, Interest and Average Yields/Cost

The following table sets forth for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities, resultant yields, interest rate spread, net interest margin, and the ratio of average interest-earning assets to average interest-bearing liabilities. Average balances have been calculated using the average of daily balances during the period. Interest and dividends are reported on a tax-equivalent basis. During the time periods presented, we did not own any tax-exempt investment securities.

	Nine Months Ended June 30,						Year Ended September 30,							
	2007			2006			2006			2005			2004	
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends
	(Dollars in Thousands)													
Interest-earning assets:														
Loans receivable, net (1)	$ 508,732	$ 25,151	6.59%	$ 461,185	$ 21,782	6.30%	$ 471,291	$ 29,943	6.35%	$ 419,940	$ 25,788	6.14%	$ 382,947	$ 23,768
Loans held for sale	3,675	180	6.54	3,809	177	6.21	3,771	232	6.15	2,518	146	5.80	2,910	168
Investment securities including interest-bearing deposits in other banks	5,713	223	5.20	3,617	114	4.20	3,197	140	4.38	14,972	313	2.09	14,690	260
Mortgage-backed securities	185,694	6,673	4.79	202,692	7,220	4.75	201,838	9,598	4.76	160,780	7,633	4.75	58,076	3,038
Federal Home Loan Bank stock	9,591	33	0.46	9,591			9,591			8,480	30	0.35	6,761	278
Total interest-earning assets	713,455	$ 32,260	6.03%	680,894	$ 29,293	5.73%	689,688	$ 39,913	5.79%	606,690	$ 33,910	5.59	465,384	$ 27,512
Noninterest earning assets	38,825			37,039			38,015			39,101			39,418	
Total assets	$ 752,280			$ 717,933			$ 727,703			$ 645,791			$ 504,802	
Interest-bearing liabilities:														
Savings deposits	$ 23,457	$ 68	0.39%	$ 25,285	$ 38	0.20%	$ 24,863	$ 51	0.21%	$ 25,633	$ 51	0.20%	$ 24,431	$ 60
Interest-bearing demand deposits	93,330	420	0.60	98,405	328	0.44	97,916	466	0.48	104,972	298	0.28	83,364	228
Money market accounts	37,852	815	2.87	31,759	370	1.55	31,875	534	1.68	36,061	394	1.09	33,319	232
Certificates of deposit	230,242	7,843	4.54	214,558	5,451	3.39	218,496	7,863	3.60	181,015	5,545	3.06	153,280	4,435
Total deposits	384,881	9,146	3.17	370,007	6,187	2.23	373,150	8,914	2.39	347,681	6,288	1.81	294,394	4,955
Federal Home Loan Bank advances	207,517	6,942	4.46	184,209	5,696	4.12	190,684	8,003	4.20	153,443	5,943	3.87	115,197	4,695
Total interest-bearing liabilities	592,398	$ 16,088	3.62%	554,216	$ 11,883	2.86%	563,834	$ 16,917	3.00%	501,124	$ 12,231	2.44%	409,591	$ 9,650
Noninterest-bearing liabilities	49,314			59,221			58,559			51,786			50,476	
Total liabilities	641,712			613,437			622,393			552,910			460,067	
Stockholders equity	110,568			104,496			105,310			92,881			44,735	

Total liabilities and equity	$ 752,280	$ 717,933	$ 727,703	$ 645,791	$ 504,802
Net interest income	$ 16,172	$ 17,410	$ 22,996	$ 21,679	$ 17,862
Interest rate spread	2.41%	2.87%	2.79%	3.15%	3.55
Net interest margin (2)	3.02%	3.41%	3.33%	3.57%	3.84
Ratio of average interest-earning assets to average interest-bearing liabilities	120.44%	122.86%	122.32%	121.07%	113.62

(1) Non-accrual loans are included in the average balance. Loan fees are included in interest income on loans and are insignificant.

(2) Net interest margin, otherwise known as yield on interest-earning assets, is calculated as net interest income divided by average interest-earning assets.

The following table sets forth (on a consolidated basis) for the periods and at the dates indicated, the weighted average yields earned on our assets, the weighted average interest rates paid on our liabilities, together with the net yield on interest-earning assets.

	At June 30,	Nine Months Ended June 30,		Year Ended September 30,		
	2007	2007	2006	2006	2005	2004
Weighted average yield on:						
Loans receivable, net	6.59%	6.59%	6.30%	6.35%	6.14%	6.21%
Loans held for sale	6.56	6.54	6.21	6.15	5.80	5.79
Investment securities, including interest-bearing deposits in other banks	5.21	5.20	4.20	4.38	2.09	1.77
Mortgage-backed securities	4.99	4.79	4.75	4.76	4.75	5.23
Federal Home Loan Bank stock	0.58	0.46			0.35	4.11
Total interest-earning assets	6.09	6.03	5.73	5.79	5.59	5.91
Weighted average rate paid on:						
Savings deposits	0.58	0.39	0.20	0.21	0.20	0.25
Interest-bearing demand deposits	0.61	0.60	0.44	0.48	0.28	0.27
Money market accounts	3.26	2.87	1.55	1.68	1.09	0.70
Certificates of deposit	4.77	4.54	3.39	3.60	3.06	2.89
Total deposits	3.36	3.17	2.23	2.39	1.81	1.68
Federal Home Loan Bank advances	4.50	4.46	4.12	4.20	3.87	4.08
Total interest-bearing liabilities	3.74	3.62	2.86	3.00	2.44	2.36
Interest rate spread (spread between weighted average rate on all interest-earning assets and all interest-bearing liabilities)	2.35	2.41	2.87	2.79	3.15	3.55
Net interest margin (net interest income (expense) as a percentage of average interest-earning assets)	N/A	3.02	3.41	3.33	3.57	3.84

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on our net interest income. Information is provided with respect to: (1) effects on interest income attributable to changes in volume (changes in volume multiplied by prior rate); and (2) effects on interest income attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to both rate and volume, which cannot be segregated, are allocated proportionately to the changes in rate and volume.

	Nine Months Ended June 30, 2007 Compared to Nine Months Ended June 30, 2006 Increase (Decrease) Due to			Year Ended September 30, 2006 Compared to Year Ended September 30, 2005 Increase (Decrease) Due to			Year Ended September 30, 2005 Compared to Year Ended September 30, 2004 Increase (Decrease) Due to		
	Rate	Volume	Total	Rate	Volume	Total	Rate	Volume	Total
						(In Thousands)			
Interest-earning assets:									
Loans receivable, net	$ 1,049	$ 2,320	$ 3,369	$ 916	$ 3,239	$ 4,155	$ (248)	$ 2,268	$ 2,020
Loans held for sale	7	(4)	3	10	76	86		(22)	(22)
Investment securities, including interest-bearing deposits in other banks	32	77	109	186	(359)	(173)	48	5	53
Mortgage-backed securities	25	(572)	(547)	13	1,952	1,965	(254)	4,849	4,595
Federal Home Loan Bank stock	33		33	(34)	4	(30)	(344)	96	(248)
Total net change in income on interest-earning assets	$ 1,146	$ 1,821	$ 2,967	$ 1,091	$ 4,912	$ 6,003	$ (798)	$ 7,196	$ 6,398
Interest-bearing liabilities:									
Savings deposits	$ 31	$ (1)	$ 30	$	$	$	$ (12)	$ 3	$ (9)
Interest-bearing demand deposits	100	(8)	92	189	(21)	168	9	61	70
Money market accounts	363	82	445	190	(50)	140	142	20	162
Certificates of deposit	1,969	423	2,392	1,061	1,257	2,318	272	838	1,110
Total deposits	2,463	496	2,959	1,440	1,186	2,626	411	922	1,333
Federal Home Loan Bank advances	490	756	1,246	528	1,532	2,060	(219)	1,467	1,248
Total net change in expense on interest-bearing liabilities	$ 2,953	$ 1,252	$ 4,205	$ 1,968	$ 2,718	$ 4,686	$ 192	$ 2,389	$ 2,581

Total change in net interest income	$ (1,238)	$ 1,317	$ 3,817

Asset and Liability Management and Market Risk

General. Our Board of Directors has established an asset and liability management policy to guide management in maximizing net interest rate spread by managing the differences in terms between interest-earning assets and interest-bearing liabilities while maintaining acceptable levels of liquidity, capital adequacy, interest rate sensitivity, changes in net interest income, credit risk and profitability. The policy includes the use of an Asset Liability Management Committee whose members include certain members of senior management. The Committee s purpose is to communicate, coordinate and manage our asset/liability positions consistent with our business plan and Board-approved policies, as well as to price savings and lending products, and to develop new products. The Asset Liability Management Committee meets twice a month to review various areas including:

economic conditions;

interest rate outlook;

asset/liability mix;

interest rate risk sensitivity;

change in net interest income;

current market opportunities to promote specific products;

historical financial results;

projected financial results; and

capital position.

The Committee also reviews current and projected liquidity needs twice a month. As part of its procedures, the Asset Liability Management Committee regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and market value of portfolio equity, which is defined as the net present value of an institution s existing assets, liabilities and off-balance sheet instruments, and evaluating such impacts against the maximum potential change in market value of portfolio equity that is authorized by the Board of Directors.

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time. Our loans generally have longer maturities than our deposits. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk.

In recent years, we primarily have utilized the following strategies in our efforts to manage interest rate risk:

we have increased our originations of shorter term loans and particularly, construction and land development loans and home equity loans;

we have structured our borrowings with maturities that match fund our loan and investment portfolios;

we have attempted, where possible, to extend the maturities of our deposits which typically fund our long-term assets; and

we have invested in securities with relatively short anticipated lives, generally three to five years.

How We Measure the Risk of Interest Rate Changes. We measure our interest rate sensitivity on a quarterly basis utilizing an internal model. Management uses various assumptions to evaluate the sensitivity of our operations to changes in interest rates. Although management believes these assumptions are reasonable, the interest rate sensitivity of our assets and liabilities on net interest income and the market value of portfolio equity could vary substantially if different assumptions were used or actual experience differs from such assumptions. The assumptions we use are based upon proprietary and market data and reflect historical results and current market conditions. These assumptions relate to interest rates, prepayments, deposit decay rates and the market value of certain assets under the various interest rate scenarios. An independent service was used to provide market rates of interest and certain interest rate assumptions to determine prepayments and maturities of loans, investments and borrowings. Time deposits are modeled to reprice to market rates upon their stated maturities. We assumed that non-maturity deposits can be maintained with rate adjustments not directly proportionate to the change in market interest rates. Our historical deposit decay rates were used, which are substantially lower than market decay rates. In the past, we have demonstrated that the tiering structure of our deposit accounts during changing rate environments results in relatively low volatility and less than market rate changes in our interest expense for deposits. Our deposit accounts are tiered by balance and rate, whereby higher balances within an account earn higher rates of interest. Therefore, deposits that are not very rate sensitive (generally, lower balance tiers) are separated from deposits that are rate sensitive (generally, higher balance tiers).

When interest rates rise, we generally do not have to raise interest rates proportionately on less rate sensitive accounts to retain these deposits. These assumptions are based upon an analysis of our customer base, competitive factors and historical experience. The following table shows the change in our net portfolio value at June 30, 2007 that would occur upon an immediate change in interest rates based on our assumptions, but without giving effect to any steps that we might take to counteract that change. The net portfolio value is calculated based upon the present value of the discounted cash flows from assets and liabilities. The difference between the present value of assets and liabilities is the net portfolio value and represents the market value of equity for the given interest rate scenario. Net portfolio value is useful for determining, on a market value basis, how much equity changes in response to various interest rate scenarios. Large changes in net portfolio value reflect increased interest rate sensitivity and generally more volatile earnings streams.

	Net Portfolio Value (NPV)			Net Portfolio as % of Portfolio Value of Assets		
Basis Point Change in Rates	Amount	$ Change (1)	% Change	NPV Ratio (2)	% Change (3)	Asset Market Value
			(Dollars in Thousands)			
300	$ 84,350	$(28,686)	(25.38)%	13.01%	(3.16)%	$648,200
200	96,423	(16,613)	(14.70)	14.50	(1.68)	665,157
100	102,433	(10,603)	(9.38)	15.01	(1.17)	682,362
Base	113,036			16.18	Base	698,765
-100	115,069	2,033	1.80	16.13	(0.04)	713,280
-200	113,965	929	0.82	15.75	(0.42)	723,421
-300	108,875	(4,161)	(3.68)	14.92	(1.25)	729,637
Pre-Shock NPV Ratio				16.18		
Post-Shock NPV Ratio				14.50		
Static Sensitivity Measure - decline in NPV Ratio				1.68		

(1) Represents the increase (decrease) of the estimated net portfolio value at the indicated change in interest rates compared to the base net portfolio value.
(2) Calculated as the estimated net portfolio value divided by the portfolio value of total assets.
(3) Calculated as the increase (decrease) of the net portfolio value ratio assuming the indicated change in interest rates over the base net portfolio value ratio.

The following table illustrates the change in net interest income at June 30, 2007 that would occur in the event of an immediate change in interest rates, but without giving effect to any steps that might be taken to counter the effect of that change in interest rates.

Basis Point Change in Rates	Net Interest Income Amount	$ Change (1)	% Change
	(Dollars in Thousands)		
300	$17,041	$(1,862)	(9.85)%
200	17,726	(1,177)	(6.23)
100	18,365	(538)	(2.85)
Base	18,903		Base
-100	19,602	699	3.70
-200	19,607	704	3.72
-300	18,755	(148)	(0.78)

(1) Represents the increase (decrease) of the estimated net interest income at the indicated change in interest rates compared to net interest income assuming no change in interest rates.

We use certain assumptions in assessing our interest rate risk. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates and the market values of certain assets under differing interest rate scenarios, among others.

As with any method of measuring interest rate risk, shortcomings are inherent in the method of analysis presented in the foregoing tables. For example, although assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in the market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable rate mortgage loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Further, if interest rates change, expected rates of prepayments on loans and early withdrawals from certificates of deposit could deviate significantly from those assumed in calculating the table.

Liquidity and Commitments

We are required to have enough cash flow in order to maintain sufficient liquidity to ensure a safe and sound operation. Historically, we have maintained cash flow above the minimum level believed to be adequate to meet the requirements of normal operations, including potential deposit outflows. On a quarterly basis, we review and update cash flow projections to ensure that adequate liquidity is maintained.

Our primary sources of funds are from customer deposits, loan repayments, loan sales, maturing investment securities and advances from the Federal Home Loan Bank of Seattle. These funds, together with retained earnings and equity, are used to make loans, acquire investment securities and other assets, and fund continuing operations. While maturities and the scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by the level of interest rates, economic conditions and competition. We believe that our current liquidity position is sufficient to fund all of our existing commitments.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments such as overnight deposits or mortgage-backed securities. On a longer-term basis, we maintain a strategy of investing in various lending products as described in greater detail under Business of Home Federal Bank Lending Activities. At June 30, 2007, the total approved loan origination commitments outstanding amounted to $18.1 million. At the same date, unused lines of credit were $35.6 million.

We use our sources of funds primarily to meet ongoing commitments, to pay maturing certificates of deposit and savings withdrawals, to fund loan commitments and to maintain our portfolio of mortgage-backed securities and investment securities.

Certificates of deposit scheduled to mature in one year or less at June 30, 2007 totaled $187.7 million. Management s policy is to generally maintain deposit rates at levels that are competitive with other local financial institutions. Based on historical experience, we believe that a significant portion of maturing deposits will remain with Home Federal Bank. In addition, we had the ability at June 30, 2007 to borrow an additional $93.9 million from the Federal Home Loan Bank of Seattle as a funding source to meet commitments and for liquidity purposes.

We measure our liquidity based on our ability to fund our assets and to meet liability obligations when they come due. Liquidity (and funding) risk occurs when funds cannot be raised at reasonable prices, or in a reasonable time frame, to meet our normal or unanticipated obligations. We regularly monitor the mix between our assets and our liabilities to manage effectively our liquidity and funding requirements.

Our primary source of funds is our deposits. When deposits are not available to provide the funds for our assets, we use alternative funding sources. These sources include, but are not limited to: cash management from the Federal Home Loan Bank of Seattle, wholesale funding, brokered deposits, federal funds purchased and dealer repurchase agreements, as well as other short-term alternatives. Alternatively, we may also liquidate assets to meet our funding needs.

On a quarterly basis, we estimate our liquidity sources and needs for the coming three-month, six-month, and one-year time periods. Also, we determine funding concentrations and our need for sources of funds other than deposits. This information is used by our Asset Liability Management Committee in forecasting funding needs and investing opportunities.

Contractual Obligations

Through the normal course of operations, we have entered into certain contractual obligations. Our obligations generally relate to funding of operations through deposits and borrowings as well as leases for premises. Lease terms generally cover a five-year period, with options to extend, and are non-cancelable.

At June 30, 2007, scheduled maturities of contractual obligations were as follows:

	Within 1 Year	After 1 Year Through 3 Years	After 3 Years Through 5 Years	Beyond 5 Years	Total Balance
			(In Thousands)		
Certificates of deposit	$ 187,672	$ 29,762	$ 9,467	$ 194	$ 227,095
Federal Home Loan Bank advances	43,682	92,032	29,850	23,700	189,264
Operating leases	464	926	257	587	2,234
Total contractual obligations	$ 231,818	$ 122,720	$ 39,574	$ 24,481	$ 418,593

Off-Balance Sheet Arrangements

We are party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of our customers. These financial instruments generally include commitments to originate mortgage, commercial and consumer loans, and involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. Our maximum exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amount of those instruments. Because some commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We use the same credit policies in making commitments as we do for on-balance sheet instruments. Collateral is not required to support commitments.

Undisbursed balances of loans closed include funds not disbursed but committed for construction projects. Unused lines of credit include funds not disbursed, but committed to, home equity, commercial and consumer lines of credit.

Commercial letters of credit are conditional commitments issued by us to guarantee the performance of a customer to a third party. Those guarantees are primarily used to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral is required in instances where we deem it necessary.

The following is a summary of commitments and contingent liabilities with off-balance sheet risks as of June 30, 2007:

	Contract or Notional Amount
	(In thousands)
Commitments to originate loans:	
Fixed rate	$ 10,933
Adjustable rate	7,175
Undisbursed balance of loans closed	10,348
Unused lines of credit	35,582
Total	$ 64,038

Capital

Consistent with our goal to operate a sound and profitable financial organization, we actively seek to maintain a well capitalized institution in accordance with regulatory standards. Home Federal Bank s total equity capital was $89.3 million at June 30, 2007, or 12.6%, of total assets on that date. As of June 30, 2007, we exceeded all regulatory capital requirements. Our regulatory capital ratios at June 30, 2007 were as follows: Tier 1 capital 13.0%; Tier 1 (core) risk-based capital 19.9%; and total risk-based capital 20.6%. The regulatory capital requirements to be considered well capitalized are 5%, 6% and 10%, respectively. See How We Are Regulated Regulation and Supervision of Home Federal Bank Capital Requirements and Pro Forma Data.

Impact of Inflation

The Consolidated Financial Statements and related financial data presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles generally require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. The primary impact of inflation is reflected in the increased cost of our operations. As a result, interest rates generally have a more significant impact on a financial institution s performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services. In a period of rapidly rising interest rates, the liquidity and maturity structures of our assets and liabilities are critical to the maintenance of acceptable performance levels.

The principal effect of inflation on earnings, as distinct from levels of interest rates, is in the area of noninterest expense. Expense items such as employee compensation, employee benefits and occupancy and equipment costs may be subject to increases as a result of inflation. An additional effect of inflation is the possible increase in dollar value of the collateral securing loans that we have made. Our management is unable to determine the extent, if any, to which properties securing loans have appreciated in dollar value due to inflation.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes: an interpretation of Statement of Financial Accounting Standard (SFAS) Statement No. 109. This interpretation clarifies Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, to indicate a criterion that an individual tax position would have to meet for some or all of the benefit of that position to be recognized in an entity s financial statements. The interpretation is effective for fiscal years beginning after December 15, 2006 and is not expected to have a significant impact on our consolidated financial condition or results of operations.

On February 15, 2007, the Financial Accounting Standards Board issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. The statement permits entities to choose to measure selected financial assets and liabilities at fair value, with changes in fair value recorded in earnings. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The statement is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. An entity may elect to early adopt as of the beginning of a fiscal year that begins on or before November 15, 2007. We are in the process of evaluating the impact of the statement on our consolidated financial position and results of operations.

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, Fair Value Measurements. The statement provides enhanced guidance for measuring assets and liabilities using fair value and applies whenever other standards require or permit assets or liabilities to be measured at fair value. SFAS No. 157 also requires expanded disclosure of items that are measured at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and is not expected to have a significant impact on our consolidated financial condition or results of operations.

In March 2006, the Financial Accounting Standards Board issued SFAS No. 156, Accounting for Servicing of Financial Assets, an amendment of SFAS Statement No. 140, which permits, but does not require, an entity to account for one or more classes of servicing rights (i.e., mortgage servicing rights) at fair value, with the changes in fair value recorded in the consolidated statement of income. We elected early adoption of the statement as of September 30, 2006 to measure mortgage servicing rights using the fair value method. The adoption of this statement did not have a material impact on our financial condition and results of operations.

BUSINESS OF HOME FEDERAL BANCORP, INC. AND HOME FEDERAL BANK

General

Home Federal Bancorp, Inc. was organized as a federally chartered stock corporation at the direction of Home Federal Savings and Loan Association of Nampa in connection with its mutual holding company reorganization. On December 6, 2004, Home Federal Savings and Loan Association of Nampa completed the reorganization and minority stock offering. In connection with the reorganization, Home Federal Savings and Loan Association of Nampa converted to a federally chartered stock savings bank and changed its name to Home Federal Bank. Home Federal Bancorp sold 40.06% of its outstanding shares of common stock to the public and issued 59.04% of its outstanding shares of common stock to Home Federal MHC, the mutual holding company parent of Home Federal Bancorp. In connection with the reorganization, Home Federal Bancorp received $53.6 million in net proceeds after deducting expenses, and issued an additional 146,004 shares and $365,010 in cash to the Home Federal Foundation, Inc., a charitable foundation established as part of the reorganization.

Regulations of the Office of Thrift Supervision provide that so long as Home Federal MHC exists, it will own at least a majority of Home Federal Bancorp s common stock. Home Federal Bancorp s business activity is the ownership of the outstanding capital stock of Home Federal Bank and management of the investment of offering proceeds retained from the reorganization. Home Federal Bancorp neither owns nor leases any property but instead uses the premises, equipment and other property of Home Federal Bank with the payment of appropriate management fees, as required by applicable law and regulations. In the future, Home Federal Bancorp may acquire or organize other operating subsidiaries; however, there are no current plans to do so. Home Federal Bancorp has no significant assets, other than mortgage-backed securities and all of the outstanding shares of Home Federal Bank, and no significant liabilities.

Home Federal Bank was founded in 1920 as a building and loan association and reorganized as a federal mutual savings and loan association in 1936. Home Federal s deposits are insured by the Federal Deposit Insurance Corporation up to applicable legal limits under the Deposit Insurance Fund. Home Federal Bank has been a member of the Federal Home Loan Bank system since 1937. Home Federal Bank is regulated by the Office of Thrift Supervision and the Federal Deposit Insurance Corporation.

We are a community-oriented financial institution dedicated to serving the financial service needs of consumers and businesses within our market area. We engage primarily in the business of attracting deposits from the general public and using these funds to originate loans. We emphasize the origination of loans secured by first mortgages on owner-occupied, residential real estate, residential development and construction, and commercial real estate. To a lesser extent, we originate other types of real estate loans, commercial business loans and consumer loans. See Lending Activities.

Operating Lines

The following reflects our management structure and responsibilities of each of our operating lines before and after the conversion:

Market Area

We serve the Boise, Idaho and surrounding metropolitan area known as the Treasure Valley region of southwestern Idaho, which includes Ada, Canyon, Elmore and Gem counties, through our 15 full-service banking offices, two loan centers, 16 automated teller machines and Internet banking services. Included in our 15 full-service banking offices are six Wal-Mart in-store branch locations, one of which was opened in October 2006. For more information, see Properties. below.

Home Federal Bank maintains its largest branch presence in Ada County with eight locations, followed by Canyon County with five offices, including Home Federal Bank s corporate headquarters in Nampa. As of June 30, 2006, we had a 5.45% market share of the Federal Deposit Insurance Corporation-insured deposits in these two counties, ranking us fifth among all insured depository institutions in these counties. The two remaining branches are located in Elmore and Gem counties.

The local economy is primarily urban with the City of Boise, the state capital of Idaho, being the most populous of the markets that we serve, followed by Nampa, the state s second largest city. Nearly 40% of the state s population lives and works in the four counties of Ada, Canyon, Elmore and Gem that are served by Home Federal Bank. Of the four counties, Ada County has the largest population with approximately 370,738 residents, a median household income of $62,235 and per capita income of $30,892, followed by Canyon County, which has a population of approximately 179,835 residents, a median household income of $46,117 and per capita income of $19,849. Population growth in Ada and Canyon counties in recent years has been stronger with increases of 3.0% and 4.6%, respectively, compared to state and national growth rates of 2.3% and 1.2%, respectively. Household incomes in Ada and Canyon counties have experienced increases of 4.4% and 3.7%, respectively, in recent years that are equal to, or better than, the increases of 3.7% and 3.4%, respectively, at the state and national levels.

The counties of Elmore and Gem, are more rural and less populated than Ada and Canyon counties. Elmore county has a population of approximately 30,270 residents, a median household income of $43,808 and per capita income of $18,823. Gem County has a population of approximately 17,190 residents, a median household income of $42,707 and per capita income of $19,069. The population growth in Elmore County in recent years remained below the population growth rate for Idaho as well as the national growth rate. Gem County, however, has experienced a modest increase in population during this same period, although remaining below the growth rates at the state and national levels.

The regional economy is well diversified with government, healthcare, manufacturing, high technology, call centers and construction providing sources of employment. In addition, agriculture and related industries continue to be key components of the economy in southwestern Idaho. Generally, sources of employment are concentrated in Ada and Canyon counties and include the headquarters of Micron Technology, Washington Group International, J.R. Simplot Company and Boise Cascade, LLC. Other major employers include Hewlett-Packard, two regional medical centers and Idaho state government agencies. The City of Boise is also home to Boise State University, the state s largest and fastest growing university. The unemployment rate for the month of May 2007 in the State of Idaho was 2.3%, compared to the U.S. unemployment rate of 4.5%, and the unemployment rates for Ada, Canyon, Elmore and Gem counties were 1.9%, 2.6%, 3.1% and 2.6%, respectively. The unemployment rates in Elmore and Gem counties generally reflect areas that have a small employment base and experience only modest rates of job growth. In addition, Elmore County employment is generally influenced by the presence of Mountain Home Air Force Base and the services needed to support this facility.

Lending Activities

General. Historically, our principal lending activity has consisted of the origination of loans secured by first mortgages on owner-occupied, one- to four-family residences and loans for the construction of one- to four-family residences. We also originate consumer loans, with an emphasis on home equity loans and lines of credit. Since 1997, we have been aggressively offering commercial real estate loans and to a lesser extent, multi-family loans, primarily in the Treasure Valley. A substantial portion of our loan portfolio is secured by real estate, either as primary or secondary collateral, located in our primary market area. As of June 30, 2007, the net loan portfolio totaled $491.8 million and represented 67.5% of our total assets. As of June 30, 2007, our total loan portfolio was comprised of 56.7% single-family home loans, 8.1% home equity loans and lines of credit, 32.0% commercial real estate loans, 1.6% multi-family real estate loans, 0.8% commercial business loans, 0.5% secured consumer loans and 0.3% unsecured consumer loans.

At June 30, 2007, the maximum amount that we could have loaned to any one borrower and the borrower s related entities under applicable regulations was $14.3 million. Our internal policy limits loans to one borrower and the borrower s related entities to 80% of the regulatory limit, or $11.4 million. At June 30, 2007, we had no borrowing relationship with outstanding balances in excess of this amount.

Our largest single borrower relationship at June 30, 2007 was six commercial real estate loans totaling $5.4 million in the aggregate made to a family partnership and secured by buildings housing a restaurant, office and retail space, a childcare facility and RV storage. The second largest lending relationship was five commercial real estate loans and one single-family residential loan totaling $5.2 million. One of the loans was made to a limited liability corporation secured by a retail center with multiple tenants. Four of loans were made to the family partnership for office buildings. The residential loan was made to an individual. Our third single borrower relationship was a commercial real estate loan for $4.2 million made to a limited liability corporation secured by a health club. The fourth largest lending relationship was four commercial real estate loans for $4.0 million made to a limited liability corporation. One of the loans is for a gas station and convenience store and three loans are for retail centers with multiple tenants. The fifth largest lending relationship was three commercial real estate loans secured by office buildings and a home equity line of credit totaling $3.9 million made to a limited liability company. All of these loans, including those made to corporations, have personal guarantees in place as an additional source of repayment. All of the properties securing these loans are in our primary market area. These loans were performing according to their repayment terms at June 30, 2007.

Loan Portfolio Analysis. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated.

	At June 30, 2007		At September 30,									
			2006		2005		2004		2003		2002	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)											
Real estate:												
One- to four-family residential (1)	$ 259,600	52.38%	$ 293,640	57.88%	$ 252,126	58.00%	$ 242,818	61.27%	$ 247,309	65.81%	$ 194,088	60.27%
Multi-family residential	6,910	1.39	7,049	1.39	5,454	1.25	6,265	1.58	7,750	2.06	7,512	2.34
Commercial	134,734	27.18	125,401	24.72	116,432	26.78	93,575	23.61	79,020	21.02	79,197	24.59
Total real estate	401,244	80.95	426,090	83.99	374,012	86.03	342,658	86.46	334,079	88.89	280,797	87.20
Real estate construction:												
One- to four-family residential	21,296	4.30	23,678	4.67	14,421	3.32	7,207	1.82	5,225	1.39	6,505	2.02
Multi-family residential	997	0.20			1,427	0.33	834	0.21	352	0.09	1,486	0.46
Commercial and land development	23,895	4.82	16,344	3.22	7,470	1.72	11,151	2.81	9,128	2.43	6,579	2.04
Total real estate construction	46,188	9.32	40,022	7.89	23,318	5.37	19,192	4.84	14,705	3.91	14,570	4.52
Consumer:												
Home equity	40,328	8.14	34,143	6.73	28,558	6.57	27,351	6.90	20,640	5.49	18,069	5.61
Automobile	2,433	0.49	3,245	0.64	4,576	1.05	3,838	0.97	1,939	0.52	2,297	0.71
Other consumer	1,393	0.28	1,300	0.26	1,530	0.35	1,949	0.49	2,827	0.75	3,666	1.14
Total consumer	44,154	8.91	38,688	7.63	34,664	7.97	33,138	8.36	25,406	6.76	24,032	7.46
Commercial business	4,064	0.82	2,480	0.49	2,759	0.63	1,363	0.34	1,662	0.44	2,641	0.82
Total loans	495,650	100.00%	507,280	100.00%	434,753	100.00%	396,351	100.00%	375,852	100.00%	322,040	100.00%
Less:												
Deferred loan fees	1,134		1,241		927		1,080		1,370		2,358	
Allowance for loan losses	2,748		2,974		2,882		2,637		1,853		1,385	

Loans receivable, net	$ 491,768	$ 503,065	$ 430,944	$ 392,634	$ 372,629	$ 318,297

(1) Does not include loans held for sale of $4.4 million, $4.1 million, $5.5 million, $3.6 million, $5.1 million and $12.7 million at June 30, 2007, September 30, 2006, 2005, 2004, 2003 and 2002, respectively.

The following table shows the composition of our loan portfolio, excluding loans held for sale, by fixed and adjustable rate loans at the dates indicated.

	At June 30, 2007		At September 30, 2006		2005		2004		2003		
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amou
					(Dollars in Thousands)						
FIXED RATE LOANS											
Real estate:											
One- to four-family residential	$ 164,400	33.17%	$ 188,102	37.08%	$ 199,352	45.86%	$ 193,241	48.76%	$ 198,882	52.91%	$ 133,6
Multi-family residential	2,009	0.40	2,055	0.41	2,119	0.48	2,136	0.54	2,137	0.57	2,0
Commercial	22,214	4.48	19,236	3.79	16,303	3.74	12,428	3.13	8,461	2.25	8,1
Total real estate	188,623	38.05	209,393	41.28	217,774	50.08	207,805	52.43	209,480	55.73	143,8
Real estate construction:											
One- to four-family residential	799	0.16	16,797	3.31	3,391	0.78	2,778	0.70	4,909	1.31	2,1
Multi-family residential											
Commercial and land development	7,361	1.49	5,967	1.18	1,838	0.42	312	0.08	2,478	0.66	3
Total real estate construction	8,160	1.65	22,764	4.49	5,229	1.20	3,090	0.78	7,387	1.97	2,4
Consumer:											
Home equity	13,173	2.66	9,723	1.92	4,903	1.13	4,393	1.11	2,906	0.77	1
Automobile	2,433	0.49	3,245	0.64	4,576	1.05	3,838	0.97	1,939	0.52	2,2
Other consumer	1,393	0.28	1,300	0.26	1,530	0.35	1,949	0.49	2,827	0.75	3,6
Total consumer	16,999	3.43	14,268	2.82	11,009	2.53	10,180	2.57	7,672	2.04	6,0
Commercial business	1,427	0.29	622	0.12	1,091	0.25	642	0.16	775	0.21	1,4
Total fixed rate loans	215,209	43.42	247,047	48.71	235,103	54.06	221,717	55.94	225,314	59.95	153,8

(table continues on following page)

	At June 30, 2007		At September 30, 2006		2005		2004		2003	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)									
ADJUSTABLE RATE LOANS										
Real estate:										
One- to four-family residential	$ 95,200	19.21%	$ 105,538	20.80%	$ 52,774	12.14%	$ 49,577	12.51%	$ 48,427	12.89%
Multi-family residential	4,901	0.99	4,994	0.98	3,335	0.77	4,129	1.04	5,613	1.49
Commercial	112,520	22.70	106,165	20.93	100,129	23.04	81,147	20.48	70,559	18.77
Total real estate	212,621	42.90	216,697	42.71	156,238	35.95	134,853	34.03	124,599	33.15
Real estate construction:										
One- to four-family residential	20,497	4.14	6,881	1.36	11,030	2.54	4,429	1.12	316	0.08
Multi-family residential	997	0.20			1,427	0.33	834	0.21	352	0.09
Commercial and land development	16,534	3.33	10,377	2.04	5,632	1.30	10,839	2.73	6,650	1.77
Total real estate construction	38,028	7.67	17,258	3.40	18,089	4.17	16,102	4.06	7,318	1.94
Consumer:										
Home equity	27,155	5.48	24,420	4.81	23,655	5.44	22,958	5.79	17,734	4.72
Automobile										
Other consumer										
Total consumer	27,155	5.48	24,420	4.81	23,655	5.44	22,958	5.79	17,734	4.72
Commercial business	2,637	0.53	1,858	0.37	1,668	0.38	721	0.18	887	0.24
Total adjustable rate loans	280,441	56.58	260,233	51.29	199,650	45.94	174,634	44.06	150,538	40.05
Total loans	495,650	100.00%	507,280	100.00%	434,753	100.00%	396,351	100.00%	375,852	100.00%
Less:										
Deferred loan fees	1,134		1,241		927		1,080		1,370	
Allowance for loan losses	2,748		2,974		2,882		2,637		1,853	
Loans receivable, net	$491,768		$ 503,065		$ 430,944		$ 392,634		$ 372,629	

One- to Four-Family Residential Real Estate Lending. As of June 30, 2007, $259.6 million, or 52.4%, of our total loan portfolio consisted of permanent loans secured by one- to four-family residences. We originate both fixed rate loans and adjustable rate loans in our residential lending program. Generally, 30 year fixed rate loans are originated to meet the requirements of Fannie Mae and Freddie Mac for sale in the secondary market. We do from time to time, however, retain a portion of the fixed rate loans that we originate, particularly loans with maturities of 20 years or less, in our loan portfolio to meet asset and liability management objectives. At June 30, 2007, $164.4 million, or 63.3% , of our permanent one- to four-family loan portfolio consisted of fixed rate loans.

We also offer adjustable rate mortgage loans at rates and terms competitive with market conditions. Presently, most of the adjustable rate mortgage loans are originated for the purpose of selling them in the secondary market. We offer several adjustable rate mortgage products that adjust annually after an initial period ranging from one to ten years. Contractual annual adjustments are generally limited to increases or decreases of no more than two percent, subject to a maximum increase of no more than six percent from the rate offered at the time of origination. The adjustable rate mortgage loans held in our portfolio do not permit negative amortization of principal and generally carry no prepayment restrictions. Borrower demand for adjustable rate mortgage loans versus fixed rate mortgage loans is a function of the level of interest rates, the expectations of changes in the level of interest rates and the difference between the initial interest rates and fees charged for each type of loan. The relative amount of fixed rate mortgage loans and adjustable rate mortgage loans that can be originated at any time is largely determined by the demand for each in a competitive environment. At June 30, 2007, we had $95.2 million, or 36.7% , of our permanent one- to four-family mortgage loans in adjustable rate loans.

Adjustable rate mortgage loans in our loan portfolio helps us reduce our exposure to changes in interest rates. There are, however, credit risks resulting from the potential of increased interest to be paid by the borrower as a result of increases in interest rates. It is possible that, during periods of rising interest rates, the risk of default on adjustable rate mortgage loans may increase as a result of repricing and the increased costs to the borrower. Furthermore, because adjustable rate mortgage loans may be offered at initial rates of interest below the rates that would apply were the adjustment index used for pricing initially, these loans may be subject to increased risks of default or delinquency. Another consideration is that although adjustable rate mortgage loans allow us to decrease the sensitivity of our asset base as a result of changes in the interest rates, the extent of this interest sensitivity is limited by the periodic and lifetime interest rate adjustment limits. Because of these considerations, there is no assurance that yields on adjustable rate mortgage loans will be sufficient to offset increases in our cost of funds, particularly in today s interest rate environment.

We generally underwrite our one- to four-family loans based on the applicant s employment and credit history and the appraised value of the subject property. Generally, we lend up to 80% of the lesser of the appraised value or purchase price for one- to four-family residential loans. In situations where we grant a loan with a loan-to-value ratio in excess of 80%, we generally require private mortgage insurance in order to reduce our exposure to 80% or less. We also offer combination first and second mortgage loans which do not require private mortgage insurance, however, these loans are generally sold to the secondary market. Properties securing our one- to four-family loans are generally appraised by independent fee appraisers that have been approved by us. We require our borrowers to obtain title and hazard insurance, and flood insurance, if necessary, in an amount not less than the value of the property improvements.

Our fixed rate, single family residential mortgage loans are normally originated with 15 to 30 year terms, although these loans typically remain outstanding for substantially shorter periods. In addition, substantially all residential mortgage loans in our loan portfolio contain due-on-sale clauses, which allow us to declare the unpaid amount of the loan due and payable upon the sale of the property securing the loan. Typically, we enforce these due-on-sale clauses to the extent permitted by law and as a standard course of business. The average loan maturity is a function of, among other factors, the level of purchase and sale activity in the real estate market, prevailing interest rates and the interest rates payable on outstanding loans.

At June 30, 2007, $36.4 million, or 14.0%, of our one- to four-family residential mortgages consisted of loans for non-owner occupied properties. Loans secured by one to two units are generally made with loan-to-value ratios of up to 90% and loans secured by three units or more are generally made with loan-to-value ratios of up to 75%.

In an effort to provide financing for moderate income and first-time buyers, we participate in the Idaho Housing and Finance Association s Single Family Mortgage Program. The Idaho Housing and Finance Association is a non-profit organization that provides housing resources to low-to-moderate-income families through various below market housing programs. The program is designed to meet the needs of qualified borrowers in the low-to moderate-income brackets. The program has established income limits based on family size and sales price limits for both existing and new construction. We offer residential mortgage loans through this program to qualified individuals and originate the loans using modified underwriting guidelines. All of these loans have private mortgage insurance on the portion of the principal amount that exceeds 80% of the appraised value of the property. We sold loans of $9.6 million and $9.5 million to the Idaho Housing and Finance Association in the year ended September 30, 2006 and nine months ended June 30, 2007, respectively.

The Idaho Housing and Finance Association has designed two programs to provide down payment and/or closing cost assistance to qualified low-to-moderate income borrowers in Idaho. The assistance consists of grant programs and a second mortgage for a maximum combined loan-to-value (CLTV) of 102%. The grant program is open to first time homebuyers whose total household income is equal to or less than eighty percent (80%) of the Area Median Income based on the property location and the total number of household members. The subsidy assistance can range up to a maximum of $10,000, based on need.

Real Estate Construction. We have been an active originator of real estate construction loans in our market area for many years. At June 30, 2007, our construction and land development loans amounted to $46.2 million, or 9.3%, of the total loan portfolio.

The following table shows the composition of the construction loan portfolio at the dates indicated:

	At June 30, 2007	At September 30, 2006	At September 30, 2005
	(In Thousands)		
One- to four-family residential:			
Speculative	$ 17,624	$ 15,646	$ 6,080
Permanent	2,110	5,903	5,045
Custom	1,562	2,129	3,296
Multi-family residential:	997		1,427
Commercial real estate:			
Construction	15,157	6,402	6,078
Land development loans	8,738	9,942	1,392
Total construction and land development	$ 46,188	$ 40,022	$ 23,318

Our construction loans to individuals to build their personal residences typically are structured as construction/permanent loans whereby there is one closing for both the construction loan and the permanent financing. During the construction phase, which typically lasts for six months, our staff appraiser or an approved fee inspector makes periodic inspections of the construction site and loan proceeds are disbursed directly to the contractors or borrowers as construction progresses. Typically, disbursements are made in five draws during the construction period. Construction loans require payment of interest only during the construction phase and are structured to be converted to fixed or adjustable rate permanent loans at the end of the construction phase. Prior to making a commitment to fund a construction loan, we require an appraisal of the property by an independent fee appraiser or our in-house appraiser. Our staff appraiser or an approved fee inspector also reviews and inspects each project prior to each disbursement of funds during the term of the construction loan. Loan proceeds are disbursed based on a percentage of completion.

During the year ended September 30, 2006 and the nine months ended June 30, 2007, we originated $42.5 million and $18.7 million, respectively, of short-term builder construction loans to fund the construction of one- to four-family residential properties. Most loans are written with maturities of one year, have interest rates that are tied to the prime rate plus a margin, and are subject to monthly rate adjustments tied to the movement of the prime rate. All builder/borrowers are underwritten to the same standards as other commercial loan credits, requiring minimum debt service coverage ratios and established cash reserves to carry projects through construction completion and sale of the project. The maximum loan-to-value ratio on both pre-sold and speculative projects is 80%. There was one foreclosure action involving builder construction loans during the nine months ended June 30, 2007, with all other loans performing according to their repayment terms.

We originate construction and site development loans to contractors and builders primarily to finance the construction of single-family homes and subdivisions, which homes typically have an average price ranging from $150,000 to $300,000. Loans to finance the construction of single-family homes and subdivisions are generally offered to experienced builders and builders in our primary market areas. The maximum loan-to-value limit applicable to these loans is generally up to 80% of the appraised market value upon completion of the project. We generally do not require any cash equity from the borrower if there is sufficient equity in the land being used as collateral. Development plans are required from builders prior to making the loan. Our loan officers are required to personally visit the proposed site of the development and the sites of competing developments. We require that builders maintain adequate insurance coverage. Maturity dates for residential construction loans are largely a function of the estimated construction period of the project, and generally do not exceed 36 months for residential subdivision development loans. Substantially all of our residential construction loans have adjustable rates of interest based on *The Wall Street Journal* prime rate and during the term of construction, the accumulated interest is added to the principal of the loan through an interest reserve. Construction loan proceeds are disbursed periodically in increments as construction progresses and as inspection by our approved inspectors warrant. At June 30, 2007, our largest subdivision development loan had a commitment for $1.2 million and an outstanding principal balance of $1.2 million. This loan was secured by a first mortgage lien and was performing according to its original terms at June 30, 2007. At June 30, 2007, the average outstanding principal balance of subdivision loans to contractors and developers was $542,000.

We also make construction loans for commercial development projects. These projects include multi-family, apartment, retail, office/warehouse and office buildings. These loans generally have an interest-only phase during construction, and generally convert to permanent financing when construction is completed. Disbursement of funds is at our sole discretion and is based on the progress of construction. The maximum loan-to-value limit applicable to these loans is 80% of the appraised post-construction value.

We originate land loans to local contractors and developers for the purpose of holding the land for future development. These loans are secured by a first lien on the property, are limited to 65% of the lower of the acquisition price or the appraised value of the land, and generally have a term of up to two years with a fixed interest rate based on prime rate. Our land loans are generally secured by property in our primary market area. We require title insurance and, if applicable, a hazardous waste survey reporting that the land is free of hazardous or toxic waste.

Our construction and land development loans are based upon estimates of costs and value associated with the completed project. These estimates may be inaccurate. Construction and land development lending involves additional risks when compared with permanent residential lending because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. This type of lending also typically involves higher loan principal amounts and is often concentrated with a small number of builders. These loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction, of the project and may incur a loss. Further, our ability to continue to originate a significant amount of construction loans is dependent on the continued strength of the housing market in Ada, Canyon, Elmore and Gem counties, Idaho. If we lost our relationship with one or more of our larger borrowers building in these counties or there is a decline in the demand for new housing in these counties, it is expected that the demand for construction loans would decline, our liquidity would substantially increase and our net income would be adversely affected. We have attempted to minimize these risks by generally concentrating on residential construction loans in our market area to contractors with whom we have established relationships. At June 30, 2007, no construction loans were delinquent in excess of 90 days or in nonaccrual status. No construction loans were charged-off during the years ended September 30, 2006 and 2005, or during the nine months ended June 30, 2007.

Commercial and Multi-Family Real Estate Lending. As of June 30, 2007, $134.7 million, or 27.2% and $6.9 million, or 1.4% of our total loan portfolio was secured by commercial and multi-family real estate property, respectively. These loans generally are priced at a higher rate of interest than one- to four-family residential loans. Typically, these loans have higher loan balances, are more difficult to evaluate and monitor, and involve a greater degree of risk than one- to four-family residential loans. Often payments on loans secured by commercial or multi-family properties are dependent on the successful operation and management of the property; therefore, repayment of these loans may be affected by adverse conditions in the real estate market or the economy. We generally require and obtain loan guarantees from financially capable parties based upon the review of personal financial statements. If the borrower is a corporation, we generally require and obtain personal guarantees from the corporate principals based upon a review of their personal financial statements and individual credit reports.

The average size loan in our commercial and multi-family real estate loan portfolio was $616,000 as of June 30, 2007. We target individual commercial and multi-family real estate loans to small- and mid-size owner occupants and investors in our market area between $500,000 and $2.0 million; however, we can, by policy, originate loans to one borrower up to 80% of our regulatory limit. As of June 30, 2007, the maximum we could lend to any one borrower based on this limit was $11.4 million. The largest multi-family loan as of June 30, 2007 was a 44-unit residential apartment complex with an outstanding principal balance of $1.6 million located in Canyon County. This loan was performing according to its repayment terms as of June 30, 2007.

We offer both fixed and adjustable rate loans on commercial and multi-family real estate loans. Loans originated on a fixed rate basis generally are originated at fixed terms up to ten years, with amortization terms up to 25 years. As of June 30, 2007, we had $2.0 million in fixed rate multi-family residential loans and $22.2 million in fixed rate commercial real estate loans.

Commercial and multi-family real estate loans are originated with rates that generally adjust after an initial period ranging from three to ten years. Adjustable rate multi-family residential and commercial real estate loans are generally priced utilizing the applicable Federal Home Loan Bank Term Borrowing Rate plus an acceptable margin. These loans are generally amortized for up to 25 years with prepayment penalty structures applied for each rate lock period. As of June 30, 2007, we had $4.9 million in adjustable rate multi-family residential loans and $112.5 million in adjustable rate commercial real estate loans. The maximum loan-to-value ratio for commercial and multi-family real estate loans is generally 80% on purchases and refinances. We require appraisals of all properties securing commercial and multi-family real estate loans. Appraisals are performed by independent appraisers designated by us or by our staff appraiser. We require our commercial and multi-family real estate loan borrowers with outstanding balances in excess of $500,000 to submit annual financial statements and rent rolls on the subject property. We also inspect the subject property at least every three to five years if the loan balance exceeds $250,000. We generally require a minimum pro forma debt coverage ratio of 1.2 times for loans secured by commercial and multi-family properties.

We originate commercial real estate loans, including loans secured by hotels, office space, office/warehouse, retail strip centers, recreational vehicle dealerships, mini-storage facilities, medical and professional buildings, retail sites and churches located in our Idaho market area. Commercial real estate loans totaled $134.7 million, or 27.2%, of our total loan portfolio as of June 30, 2007.

Commercial and multi-family real estate loans up to $750,000 can be approved by the Senior Vice President and Chief Credit Officer, the Executive Vice President and Chief Lending Officer, and the President or Chief Executive Officer. Loans up to $3.5 million can be approved by the combined authority of these four individuals. Our Management Loan Committee, which presently consists of the President, the Chief Executive Officer, the Executive Vice President and Chief Lending Officer and the Senior Vice President and Chief Credit Officer, is authorized to approve loans to one borrower or a group of related borrowers of up to $7.0 million in the aggregate, with no single loan over $3.5 million. Loans over these amounts or outside our general underwriting guidelines must be approved by the Board of Directors Loan Committee.

Consumer Lending. We offer a variety of consumer loans to our customers, including home equity loans and lines of credit, savings account loans, automobile loans, recreational vehicle loans and personal unsecured loans. Generally, consumer loans have shorter terms to maturity and higher interest rates than mortgage loans. The maximum term we offer on automobile loans is 72 months and is applicable to new and one year old cars and light trucks. In addition, we offer loan terms of up to 120 months on motor homes and qualifying travel trailers and boats. All automobile loans are risk priced based on the percentage of cost, or established value, being financed. Consumer loans are made with both fixed and variable interest rates and with varying terms. At June 30, 2007, consumer loans amounted to $44.2 million, or 8.9%, of the total loan portfolio.

At June 30, 2007, the largest component of the consumer loan portfolio consisted of home equity loans and lines of credit, which totaled $40.3 million, or 8.1%, of the total loan portfolio. Home equity loans are made for, among other purposes, the improvement of residential properties, debt consolidation and education expenses. The majority of these loans are secured by a first or second mortgage on residential property. The maximum loan-to-value ratio is generally 89.9% or less, when taking into account both the balance of the home equity loan and the first mortgage loan. Home equity lines of credit allow for a ten-year draw period, plus an additional ten year repayment period, and the interest rate is tied to the prime rate as published in *The Wall Street Journal*, and may include a margin.

Consumer loans entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by rapidly depreciating assets such as automobiles. In these cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections are dependent on the borrower s continuing financial stability, and are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount that can be recovered on these loans. These risks are not as prevalent with respect to our consumer loan portfolio because a large percentage of the portfolio consists of home equity loans and lines of credit that are underwritten in a manner such that they result in credit risk that is substantially similar to one- to four-family residential mortgage loans. Nevertheless, home equity loans and lines of credit have greater credit risk than one- to four-family residential mortgage loans because they are secured by mortgages subordinated to the existing first mortgage on the property, which we may or may not hold. In addition, we do not have private mortgage insurance coverage for these loans. At June 30, 2007, there were no consumer loans in nonaccrual status. During the years ended September 30, 2006 and 2005 and the nine months ended June 30, 2007, we charged off $39,000, $92,000 and $25,000, respectively, in consumer loans.

Commercial Business Lending. As part of our strategic plan, we are focusing on increasing the commercial business loans that we originate, including lines of credit, term loans and letters of credit. These loans are typically secured by collateral and are used for general business purposes, including working capital financing, equipment financing, capital investment and general investment. Loan terms vary from one to seven years. The interest rates on such loans are generally floating rates indexed to the Wall Street Journal Prime Rate plus a margin.

Commercial business loans typically have shorter maturity terms and higher interest spreads than real estate loans, but generally involve more credit risk because of the type and nature of the collateral. We are focusing our efforts on small- to medium-sized, privately-held companies with local or regional businesses that operate in our market area. At June 30, 2007, commercial business loans totaled $4.1 million, or 0.8%, of our loan portfolio. Our commercial business lending policy includes credit file documentation and analysis of the borrower s background, capacity to repay the loan, the adequacy of the borrower s capital and collateral, as well as an evaluation of other conditions affecting the borrower. Analysis of the borrower s past, present and future cash flows is also an important aspect of our credit analysis. We generally obtain personal guarantees on our commercial business loans.

Repayment of our commercial business loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may fluctuate in value. Our commercial business loans are originated primarily based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral consists of accounts receivable, inventory or equipment. Cred it support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any. As a result, in the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The collateral securing other loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

Loan Maturity and Repricing. The following table sets forth certain information at June 30, 2007 regarding the dollar amount of loans maturing or repricing in our portfolio based on their contractual terms to maturity or next repricing date, but does not include scheduled payments or potential prepayments. Demand loans, loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less. Loan balances do not include undisbursed loan proceeds, unearned discounts, unearned income and allowance for loan losses.

	Within 1 Year	After 1 Year Through 3 Years	After 3 Years Through 5 Years	After 5 Years Through 10 Years	Beyond 10 Years	Total
			(In Thousands)			
Real estate:						
One- to four-family residential	$10,800	$ 21,805	$ 54,729	$ 30,751	$141,515	$259,600
Multi-family residential	1,174	431	2,830	466	2,009	6,910
Commercial	10,321	26,898	59,994	35,835	1,686	134,734
Total real estate	22,295	49,134	117,553	67,052	145,210	401,244
Real estate construction:						
One- to four-family residential	19,186	589	333	573	615	21,296
Multi-family residential		147		850		997
Commercial and land development	9,051	3,282	783	6,349	4,430	23,895
Total real estate construction	28,237	4,018	1,116	7,772	5,045	46,188
Consumer:						
Home equity	27,458	46	186	803	11,835	40,328
Automobile	21	830	1,273	281	28	2,433
Other consumer	978	374	31		10	1,393
Total consumer	28,457	1,250	1,490	1,084	11,873	44,154
Commercial/Business	2,965	680	272	147		4,064
Total loans receivable	$81,954	$ 55,082	$120,431	$ 76,055	$162,128	$495,650

The following table sets forth the dollar amount of all loans due more than one year after June 30, 2007, which have fixed interest rates and have floating or adjustable interest rates.

	Floating or Adjustable Rate	Fixed Rates	Total
	(In Thousands)		
Real estate:			
One- to four-family residential	$ 84,419	$ 164,381	$248,800
Multi-family residential	3,727	2,009	5,736
Commercial	103,639	20,774	124,413
Total real estate	191,785	187,164	378,949
Real estate construction:			
One- to four-family residential	1,495	615	2,110
Multi-family residential	997		997
Commercial and land development	9,414	5,430	14,844
Total real estate construction	11,906	6,045	17,951
Consumer:			
Home equity		12,870	12,870
Automobile		2,412	2,412
Other consumer		415	415
Total consumer		15,697	15,697
Commercial business		1,099	1,099
Total	$ 203,691	$ 210,005	$413,696

Loan Solicitation and Processing. Loan originations are obtained from a variety of sources, including walk-in customers, loan brokers for primarily commercial and multi-family real estate loans, and referrals from builders and realtors. As part of our commercial banking strategy, we are focusing our efforts in increasing the amount of our direct originations of commercial and multi-family real estate loans, construction loans to builders and commercial business loans. Residential real estate loans are solicited through media advertising, direct mail to existing customers and by realtor referrals. Loan originations are further supported by lending services offered through our internet website, advertising, cross-selling and through our employees community service.

Upon receipt of a loan application from a prospective borrower, we obtain a credit report and other data to verify specific information relating to the applicant s employment, income and credit standing. An appraisal of the real estate offered as collateral generally is undertaken by an appraiser we have retained and approved, and who is licensed in the State of Idaho.

Mortgage loan applications are initiated by loan officers and are required to be approved by our underwriting staff who have Board-approved lending authority. Loans that exceed the underwriter s lending authority must be approved by one or more members of the Management Loan Committee. All loans up to and including $3.5 million may be approved by the Management Loan Committee without Board approval; loans in excess of $3.5 million must be approved by the Board of Directors Loan Committee.

We require title insurance on all real estate loans, fire and casualty insurance on all secured loans and on home equity loans and lines of credit where the property serves as collateral.

Loan Originations, Servicing, Purchases and Sales. During the year ended September 30, 2006 and the nine months ended June 30, 2007, our total loan originations were $271.2 million and $175.0 million, respectively.

One- to four-family home loans are generally originated in accordance with the guidelines established by Freddie Mac and Fannie Mae, with the exception of our special community development loans under the Community Reinvestment Act. We utilize the Freddie Mac Loan Prospector and Fannie Mae Desktop Underwriter automated loan systems to underwrite the majority of our residential first mortgage loans (excluding community development loans). The remaining loans are underwritten by designated real estate loan underwriters internally in accordance with standards as provided by our Board-approved loan policy.

We actively sell residential first mortgage loans to the secondary market. The majority of all residential mortgages are sold to the secondary market at the time of origination. During the year ended September 30, 2006 and the nine months ended June 30, 2007 , we sold $81.6 million and $78.1 million, respectively, to the secondary market. Our primary secondary market relationships have been with Freddie Mac, Fannie Mae and major correspondent banks. In the past, we generally retained the servicing on the majority of loans sold into the secondary market. Recently, the majority of loans have been sold into the secondary market with servicing released. Loans are generally sold on a non-recourse basis. As of June 30, 2007, our residential loan servicing portfolio was $195.9 million.

Multi-family and commercial real estate loans are underwritten by designated lending staff or our Management Loan Committee depending on the size of the loan and are serviced by the commercial loan department.

The following table shows total loans originated, purchased, sold and repaid during the periods indicated.

	Nine Months Ended June 30,		Year Ended September 30,		
	2007	2006	2006	2005	2004
			(In Thousands)		
Loans originated:					
Real estate:					
One- to four-family residential (1)	$ 76,892	$ 96,860	$ 124,670	$ 111,652	$ 98,473
Multi-family residential	2,000	345	345	47	74
Commercial	17,451	19,976	26,152	32,033	28,055
Total real estate	96,343	117,181	151,167	143,732	126,602
Real estate construction:					
One- to four-family residential	31,699	41,925	58,233	44,125	27,484
Multi-family residential	998	9	9	593	838
Commercial and land development	16,657	15,790	19,623	23,805	13,094
Total real estate construction	49,354	57,724	77,865	68,523	41,416
Consumer:					
Home equity	22,350	22,882	33,454	12,745	17,017
Automobile	481	542	667	2,500	3,187
Other consumer	2,434	2,105	2,876	1,763	1,048
Total consumer	25,265	25,529	36,997	17,008	21,252
Commercial/Business	4,030	4,579	5,164	2,501	1,106
Total loans originated	174,992	205,013	271,193	231,764	190,376
Loans purchased:					
One- to four-family residential		38,782	38,782		
Loans sold:					
One- to four-family residential	(78,060)	(58,596)	(81,575)	(57,597)	(67,627)
Participation loans				(1,377)	(2,800)
Total loans sold	(78,060)	(58,596)	(81,575)	(58,974)	(70,427)
Principal repayments	(108,130)	(122,312)	(157,581)	(131,638)	(100,453)
Transfer to real estate owned	(153)			(777)	(485)
Increase (decrease) in other items (net)	298	(299)	(128)	(92)	(495)
Net increase in loans receivable and loans held for sale	$ (11,053)	$ 62,588	$ 70,691	$ 40,283	$ 18,516

(1) Includes originations of loans held for sale of $80.1 million, $60.9 million, $68.9 million, $78.3 and $58.1 million for the years ended September 30, 2006, 2005 and 2004, and the nine months ended June 30, 2007 and 2006, respectively.

Loan Origination and Other Fees. In some instances, we receive loan origination fees on real estate related products. Loan fees generally represent a percentage of the principal amount of the loan, and is paid by the borrower. Accounting standards require that certain fees received, net of certain origination costs, be deferred and amortized over the contractual life of the loan. Net deferred fees or costs associated with loans that are prepaid or sold are recognized as income at the time of prepayment. We had $1.1 million of net deferred loan fees and costs as of June 30, 2007.

Asset Quality

The objective of our loan review process is to determine risk levels and exposure to loss. The depth of review varies by asset types, depending on the nature of those assets. While certain assets may represent a substantial investment and warrant individual reviews, other assets may have less risk because the asset size is small, the risk is spread over a large number of obligors or the obligations are well collateralized and further analysis of individual assets would expand the review process without measurable advantage to risk assessment. Asset types with these characteristics may be reviewed as a total portfolio on the basis of risk indicators such as delinquency (consumer and residential real estate loans) or credit rating. A formal review process is conducted on individual assets that represent greater potential risk. A formal review process is a total reevaluation of the risks associated with the asset and is documented by completing an asset review report. Certain real estate-related assets must be evaluated in terms of their fair market value or net realizable value in order to determine the likelihood of loss exposure and, consequently, the adequacy of valuation allowances.

We define a loan as being impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due under the contractual terms of the loan agreement. Large groups of smaller balance homogenous loans such as consumer secured loans, residential mortgage loans and consumer unsecured loans are collectively evaluated for potential loss. All other loans are evaluated for impairment on an individual basis.

We generally assess late fees or penalty charges on delinquent loans of five percent of the monthly principal and interest amount. Substantially all fixed rate and adjustable rate mortgage loan payments are due on the first day of the month, however, the borrower is given a 10-day grace period to make the loan payment. When a mortgage loan borrower fails to make a required payment when it is due, we institute collection procedures. The first notice is mailed to the borrower on the 16th day requesting payment and assessing a late charge. Attempts to contact the borrower by telephone generally begin upon the 30th day of delinquency. If a satisfactory response is not obtained, continual follow-up contacts are attempted until the loan has been brought current. Before the 90th day of delinquency, attempts to interview the borrower are made to establish the cause of the delinquency, whether the cause is temporary, the attitude of the borrower toward the debt and a mutually satisfactory arrangement for curing the default.

When a consumer loan borrower fails to make a required payment on a consumer loan by the payment due date, we institute the same collection procedures as for our mortgage loan borrowers.

The Board of Directors is informed monthly as to the number and dollar amount of mortgage and consumer loans that are delinquent by more than 30 days, and is given information regarding classified assets.

If a borrower is chronically delinquent and all reasonable means of obtaining payments have been exercised, we will seek to recover any collateral securing the loan according to the terms of the security instrument and applicable law. In the event of an unsecured loan, we will either seek legal action against the borrower or refer the loan to an outside collection agency.

The following table shows our delinquent loans by the type of loan and number of days delinquent as of June 30, 2007:

	Loans Delinquent For:				Total Delinquent Loans	
	60-89 Days		90 Days or More			
	Number of Loans	Principal Balance Loans	Number of Loans	Principal Balance Loans	Number of Loans	Principal Balance Loans
	(Dollars in Thousands)					
Real estate:						
One- to four-family residential	2	$ 522	2	$ 367	4	$ 889
Multi-family residential						
Commercial	1	153			1	153
Total real estate	3	675	2	367	5	1,042
Real estate construction:						
One- to four-family residential						
Multi-family residential						
Commercial and land development						
Total real estate construction						
Consumer:						
Home equity	3	70			3	70
Automotive						
Other consumer	1	5			1	5
Total consumer	4	75			4	75
Commercial business						
Total	7	$ 750	2	$ 367	9	$ 1,117

When a loan becomes 90 days delinquent, we place the loan on nonaccrual status; accordingly, we have no accruing loans that are contractually past due 90 days or more. As of June 30, 2007, nonaccrual loans as a percentage of total loans was 0.07%, and as a percentage of total assets it was 0.05%.

Nonperforming Assets. The following table sets forth information with respect to our nonperforming assets and restructured loans within the meaning of Statement of Financial Accounting Standards No. 15 for the periods indicated. During the periods presented, there were no accruing loans that were contractually past due 90 days or more.

	At June 30,	At September 30,				
	2007	2006	2005	2004	2003	2002
	(Dollars in Thousands)					
Loans accounted for on a non-accrual basis:						
Real estate:						
One- to four-family residential	$ 367	$ 358	$ 388	$	$ 69	$ 70
Multi-family residential						
Commercial				560		
Total real estate	367	358	388	560	69	70
Real estate construction:						
One- to four-family residential						326
Multi-family residential						
Commercial and land development						
Total real estate construction						326
Consumer:						
Home equity		30	79	30	41	52
Automotive			5	7	9	5
Other consumer			6	13	14	15
Total consumer		30	90	50	64	72
Commercial business						
Total loans	367	388	478	610	133	468
Accruing loans which are contractually past due 90 days or more						
Total of nonaccrual and 90 days past due loans	367	388	478	610	133	468
Repossessed assets						6
Real estate owned	153		534	113		248
Total nonperforming assets	$ 520	$ 388	$ 1,012	$ 723	$ 133	$ 722
Restructured loans	$ 10	$ 11	$ 322	$	$	$
Allowance for loan loss on nonperforming loans	1		7	92	9	42
Classified assets included in nonperforming assets	520	388	1,000	704	133	722
Allowance for loan losses on classified assets	50	46	64	225	9	42
Nonaccrual and 90 days or more past due loans as a percentage of loans receivable	0.07%	0.08%	0.11%	0.16%	0.04%	0.14%
Nonaccrual and 90 days or more past due loans as a percentage of total assets	0.05%	0.05%	0.07%	0.08%	0.03%	0.11%
Nonperforming assets as a percentage of total assets	0.07%	0.05%	0.15%	0.10%	0.03%	0.17%
Loans receivable, net	$ 491,768	$ 503,065	$ 430,944	$ 392,634	$ 372,629	$ 318,297
Nonaccrued interest (1)	$ 12	$ 11	$ 5	$ 12	$ 1	$ 3
Total assets	$ 728,315	$ 761,292	$ 689,577	$ 743,867	$ 450,196	$ 416,543

(1) If interest on the loans classified as nonaccrual had been accrued, interest income in these amounts would have been recorded on nonaccrual loans.

Real Estate Owned and Other Repossessed Assets. Real estate we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until it is sold. When the property is acquired, it is recorded at the lower of its cost, which is the unpaid principal balance of the related loan plus foreclosure costs, or the fair market value of the property less selling costs. Other repossessed collateral, including autos, are also recorded at the lower of cost (i.e., the unpaid principal balance plus repossession costs) or fair market value. As of June 30, 2007, we had four town homes under construction with a cumulative fair market value of $153,000.

Restructured Loans. According to generally accepted accounting principles, we are required to account for certain loan modifications or restructuring as a troubled debt restructuring. In general, the modification or restructuring of a debt is considered a troubled debt restructuring if we, for economic or legal reasons related to a borrower s financial difficulties, grant a concession to the borrower that we would not otherwise consider. As of June 30, 2007, we had one restructured loan with a loan balance of $10,000.

Classified Assets. Federal regulations provide for the classification of lower quality loans and other assets, such as debt and equity securities, as substandard, doubtful or loss. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the borrower or any collateral pledged. Substandard assets include those characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable on the basis of currently existing facts, conditions and values. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

When we classify problem assets as either substandard or doubtful, we may establish a specific allowance in an amount we deem prudent and approved by the Classified Asset Committee to address the risk specifically or we may allow the loss to be addressed in the general allowance. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been specifically allocated to particular problem assets. When an insured institution classifies problem assets as a loss, it is required to charge off such assets in the period in which they are deemed uncollectible. Assets that do not currently expose us to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated as special mention. Our determination as to the classification of our assets and the amount of our valuation allowances is subject to review by the Office of Thrift Supervision, which can order the establishment of additional loss allowances.

In connection with the filing of periodic reports with the Office of Thrift Supervision and in accordance with our classification of assets policy, we regularly review the problem assets in our portfolio to determine whether any assets require classification in accordance with applicable regulations. On the basis of our review of our assets, as of June 30, 2007, we had classified assets of $3.5 million. The total amount classified represented 3.2% of equity capital and 0.48% of total assets as of June 30, 2007.

The aggregate amounts of classified assets and special mention loans at the dates indicated were as follows:

	At June 30, 2007	At September 30, 2006	At September 30, 2005
	(In Thousands)		
Classified assets:			
Loss	$	$	$
Doubtful	10	10	11
Substandard	1,484	911	2,693
Special mention	2,023		
Total	$ 3,517	$ 921	$ 2,704
Classified assets included in nonperforming loans	$ 367	$ 388	$ 467
Allowance for loan loss on classified assets	50	46	64

Classified assets, including special mention loans, increased $2.6 million to $3.5 million at June 30, 2007 from $921,000 at September 30, 2006. The increase in classified assets and special mention loans was primarily due to one commercial real estate loan that was classified as special mention. We currently believe the loan is fully secured and no loss is anticipated. As of June 30, 2007, we did not have any impaired loans included in classified assets.

Potential Problem Loans. Potential problem loans are loans that do not yet meet the criteria for placement on non-accrual status, but where known information about possible credit problems of the borrowers causes management to have serious doubts as to the ability of the borrowers to comply with present loan repayment terms. This may result in the future inclusion of such loans in the non-accrual loan category. As of June 30, 2007, the aggregate amount of potential problem loans was $3.8 million.

The following table summarizes the distribution of the allowance for loan losses by loan category.

	At June 30, 2007			At September 30,					
				2006			2005		
	Loan Balance	Amount by Loan Category	Percent of Loans in Loan Category to Total Loans	Loan Balance	Amount by Loan Category	Percent of Loans in Loan Category to Total Loans	Loan Balance	Amount by Loan Category	Percent of Loans in Loan Category to Total Loans
	(Dollars in Thousands)								
Real estate:									
One- to four-family residential	$259,600	$ 706	52.38%	$293,640	$ 873	57.88%	$252,126	$ 784	58.00%
Multi-family residential	6,910	58	1.39	7,049	61	1.39	5,454	61	1.25
Commercial	134,734	1,139	27.18	125,401	1,087	24.72	116,432	1,297	26.78
Total real estate	401,244	1,903	80.95	426,090	2,021	83.99	374,012	2,142	86.03
Real estate construction:									
One- to four-family residential	21,296	168	4.30	23,678	290	4.67	14,421	241	3.32
Multi-family residential	997	12	0.20				1,427	18	0.33
Commercial and land development	23,895	260	4.82	16,344	294	3.22	7,470	132	1.72
Total real estate	46,188	440	9.32	40,022	584	7.89	23,318	391	5.37
Consumer:									
Home equity	40,328	273	8.14	34,143	243	6.73	28,558	192	6.57
Automotive	2,433	43	0.49	3,245	58	0.64	4,576	79	1.05
Other consumer	1,393	32	0.28	1,300	32	0.26	1,530	39	0.35
Total consumer	44,154	348	8.91	38,688	333	7.63	34,664	310	7.97
Commercial/business	4,064	57	0.82	2,480	36	0.49	2,759	39	0.63
Total loans	$495,650	$2,748	100.00%	$507,280	$2,974	100.00%	$434,753	$2,882	100.00%

	At September 30,								
	2004			2003			2002		
			Percent of Loans in Loan			Percent of Loans in Loan			Percent of Loans in Loan

	Loan Balance	Amount by Loan Category	Category to Total Loans	Loan Balance	Amount by Loan Category	Category to Total Loans	Loan Balance	Amount by Loan Category	Category to Total Loans
	(Dollars in Thousands)								
Real estate:									
One- to four-family residential	$242,818	$ 704	61.27%	$247,309	$ 635	65.81%	$194,088	$ 348	60.27%
Multi-family residential	6,265	75	1.58	7,750	20	2.06	7,512	14	2.33
Commercial	93,575	1,281	23.61	79,020	697	21.02	79,197	714	24.59
Total real estate	342,658	2,060	86.46	334,079	1,352	88.89	280,797	1,076	87.19
Real estate construction:									
One- to four-family residential	7,207	69	1.82	5,225	13	1.39	6,505	12	2.02
Multi-family residential	834	11	0.21	352	1	0.09	1,486	3	0.46
Commercial and land development	11,151	148	2.81	9,128	70	2.43	6,579	58	2.04
Total real estate	19,192	228	4.84	14,705	84	3.91	14,570	73	4.52
Consumer:									
Home equity	27,351	204	6.90	20,640	99	5.49	18,069	86	5.61
Automotive	3,838	79	0.97	1,939	40	0.52	2,297	30	0.71
Other consumer	1,949	45	0.49	2,827	244	0.75	3,666	79	1.14
Total consumer	33,138	328	8.36	25,406	383	6.76	24,032	195	7.46
Commercial/business	1,363	21	0.34	1,662	34	0.44	2,641	41	0.83
Total loans	$396,351	$2,637	100.00%	$375,852	$1,853	100.00%	$322,040	$1,385	100.00%

The following table sets forth an analysis of our allowance for loan losses at the dates and for the periods indicated.

	Nine Months Ended June 30,		Year Ended September 30,				
	2007	2006	2006	2005	2004	2003	2002
	(Dollars In Thousands)						
Allowance at beginning of period	$2,974	$2,882	$2,882	$2,637	$1,853	$1,385	$1,431
Provisions for loan losses	71	320	138	456	900	615	277
Transfer to specific allowance	(192)						
Recoveries:							
Real estate:							
One- to four-family residential					1		
Multi-family residential							
Commercial				2			
Total real estate				2	1		
Real estate construction:							
One- to four-family residential							2
Multi-family residential							
Commercial and land development							
Total real estate construction							2
Consumer:							
Home equity				12			
Automobile	3	11	12		12		1
Other consumer	7	10	12	9	7	7	3
Total consumer	10	21	24	21	19	7	4
Commercial/business							2
Total recoveries	10	21	24	23	20	7	8
Charge-offs:							
Real estate:							
One- to four-family residential					60	7	145
Multi-family residential	90						
Commercial				56			
Total real estate	90			56	60	7	145
Real estate construction:							
One- to four-family residential							72
Multi-family residential							
Commercial and land development							
Total real estate construction							72
Consumer:							
Home equity		3	3	19		37	39
Automobile		3	3	22	23	40	6
Other consumer	25	26	33	51	53	70	69
Total consumer	25	32	39	92	76	147	114

Commercial/business		31	31	86			
Total charge-offs	115	64	70	234	136	154	331
Net charge-offs	105	42	46	211	116	147	323
Balance at end of period	$2,748	$3,160	$2,974	$2,882	$2,637	$1,853	$1,385

(table continues on the following page)

	Nine Months Ended June 30,		Year Ended September 30,				
	2007	2006	2006	2005	2004	2003	2002
			(Dollars In Thousands)				
Allowance for loan losses as a percentage of total loans outstanding at the end of the period	0.56%	0.64%	0.59%	0.67%	0.67%	0.49%	0.41%
Net charge-offs as a percentage of average loans outstanding during the period	0.02%	0.01%	0.01%	0.05%	0.03%	0.04%	0.10%
Allowance for loan losses as a percentage of nonaccrual and 90 days or more past due loans loans at end of period	748.77%	10,533.33%	766.49%	602.97%	432.30%	1,393.23%	295.94%

Our Asset Liability Management Committee reviews the appropriate level of the allowance for loan losses on a quarterly basis and establishes the provision for loan losses based on the risk composition of our loan portfolio, delinquency levels, loss experience, economic conditions, bank regulatory examination results, seasoning of the loan portfolios and other factors related to the collectibility of the loan portfolio as detailed further under Management s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Allowance for Loan Losses. The allowance is increased by the provision for loan losses, which is charged against current period operating results and decreased by the amount of actual loan charge-offs, net of recoveries.

Management believes that our allowance for loan losses as of June 30, 2007 was adequate to absorb the known and inherent risks of loss in the loan portfolio at that date. While management believes the estimates and assumptions used in its determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provision that may be required will not adversely impact our financial condition and results of operations. In addition, the determination of the amount of Home Federal Bank s allowance for loan losses is subject to review by bank regulators, as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

The following table provides certain information with respect to our allowance for loan losses, including charge-offs, recoveries and selected ratios for the periods indicated.

	Nine Months Ended June 30,		Year Ended September 30,				
	2007	2006	2006	2005	2004	2003	2002
	(Dollars in Thousands)						
Provisions for loan losses	$ 71	$ 320	$ 138	$ 456	$ 900	$ 615	$ 277
Allowance for loan losses	2,748	3,160	2,974	2,882	2,637	1,853	1,385
Allowance for loan losses as a percentage of total loans outstanding at the end of the period	0.56%	0.64%	0.59%	0.67%	0.67%	0.49%	0.41%
Net charge-offs	$ 105	$ 42	$ 46	$ 211	$ 116	$ 147	$ 323
Total of nonaccrual and 90 days past due loans	367	30	388	478	610	133	468
Nonaccrual and 90 days or or more past due loans as a percentage of loans receivable	0.07%	0.01%	0.08%	0.11%	0.16%	0.04%	0.14%
Loans receivable, net	$491,768	$494,016	$503,065	$430,944	$392,634	$372,629	$318,297

Investment Activities

General. Office of Thrift Supervision regulations permit Home Federal Bank to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various federal agencies, certain certificates of deposit of federally insured banks and savings institutions, banker s acceptances, repurchase agreements and federal funds. Subject to various restrictions, we also m ay invest a portion of our assets in commercial paper and corporate debt securities.

Our investment policies are designed to provide and maintain adequate liquidity and to generate favorable rates of return without incurring undue interest rate or credit risk. The investment policies generally limit investments to mortgage-backed securities, U.S. Government and agency securities, municipal bonds, certificates of deposit and marketable corporate debt obligations. Investment in mortgage-backed securities includes those issued or guaranteed by Fannie Mae, Freddie Mac and Ginnie M ae. W e may purchase mortgage-backed securities to supplement loan originations for portfolio during periods when we are not able to originate the desired level of portfolio loans.

At June 30, 2007, our consolidated investment portfolio totaled $176.3 million and consisted principally of mortgage-backed securities and Federal Home Loan Bank stock. From time to time, investment levels may be increased or decreased depending upon yields available on investment alternatives and management s projections as to the demand for funds to be used in loan originations, deposits and other activities.

Mortgage-Backed Securities. Our mortgage-backed securities had a fair value of $166.8 million and a $172.6 million amortized cost at June 30, 2007. The mortgage-backed securities were primarily comprised of Fannie Mae and Freddie Mac mortgage-backed securities. At June 30, 2007, the portfolio had a weighted-average coupon rate of 4.77% and an estimated weighted-average yield of 4.99%. These securities had an estimated average maturity of 19.5 years and an estimated average life of 4.4 years at June 30, 2007.

The following table sets forth the composition of our investment securities portfolios at the dates indicated. The amortized cost of the available for sale investments and mortgage backed-securities is their net book value before the mark-to-market fair value adjustment.

	At June 30 2007		At September 30,					
			2006		2005		2004	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)							
Available for sale:								
Mortgage-backed securities:								
Fannie Mae	$ 70,556	$ 68,144	$ 12,476	$ 12,182	$ 15,105	$ 14,830	$ 874	$ 871
Freddie Mac	98,520	95,261						
Non-Agency	3,475	3,350						
Total availab le for sale	$172,551	$166,755	$ 12,476	$ 12,182	$ 15,105	$ 14,830	$ 874	$ 871
Held to maturity:								
Mortgage-backed securities:								
Fannie Mae	$	$	$ 65,234	$ 63,452	$ 72,028	$ 71,067	$53,336	$53,708
Freddie Mac			114,505	111,954	105,308	103,985	43,259	43,818
Non-Agency			3,540	3,436	3,638	3,561		
Total held to maturity	$	$	$183,279	$178,842	$180,974	$178,613	$96,595	$97,526

The table below sets forth information regarding the amortized cost, weighted average yields and maturities or periods to repricing of our investment portfolio at June 30, 2007.

	Amount Due or Repricing within:									
	1 Year or Less		Over 1 to 5 Years		Over 5 to 10 Years		Over 10 Years		Totals	
	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)
	(Dollars in Thousands)									
Available for sale:										
Mortgage-backed securities:										
Fannie Mae	$ 4,529	5.44%	$19,631	5.21%	$6,298	4.07%	$ 40,098	4.93%	$ 70,556	4.96%
Freddie Mac	3,297	5.52	29,884	5.32	626	7.07	64,713	4.85	98,520	5.03
Non-Agency	3,475	4.61							3,475	4.61
Total available for sale	11,301	5.21	49,515	5.28	6,924	4.34	104,811	4.88	172,551	4.99
Held to maturity:										
Mortgage-backed securities:										
Fannie Mae										
Freddie Mac										
Non-Agency										
Total held to maturity										
Total investment securities	$11,301	5.21%	$49,515	5.28%	$6,924	4.34%	$104,811	4.88%	$172,551	4.99%

(1) Interest and dividends are reported on a tax-equivalent basis. During the time period presented, we did not own any tax exempt investment securities. For available for sale securities carried at fair value, the weighted average yield is computed using amortized cost.

The following table sets forth certain information with respect to each category which had an aggregate book value in excess of 10% of our total equity at the date indicated.

	At June 30, 2007	
	Amortized Cost	Market Value
	(In Thousands)	
Available for sale:		
Mortgage-backed securities:		
Fannie Mae	$ 70,556	$ 68,144
Freddie Mac	98,520	95,261
Total availab le for sale	169,076	163,405
Held to maturity:		
Mortgage-backed securities:		
Fannie Mae	$	$
Freddie Mac		
Total held to maturity	$	$

Federal Home Loan Bank Stock. As a member of the Federal Home Loan Bank of Seattle, Home Federal Bank is required to own its capital stock. The amount of stock Home Federal Bank holds is based on percentages specified by the Federal Home Loan Bank of Seattle on outstanding advances. The redemption of any excess stock Home Federal Bank holds is at the discretion of the Federal Home Loan Bank of Seattle. At June 30, 2007, the carrying value of Federal Home Loan Bank stock totaled $9.6 million.

Bank-Owned Life Insurance. We purchased bank-owned life insurance policies to offset future employee benefit costs. At June 30, 2007, we had a $11.1 million investment in life insurance contracts. The purchase of BOLI policies, and its increase in cash surrender value, is classified as Bank owned life insurance in the Consolidated Balance Sheet. The income related to the bank owned life insurance, which is generated by the increase in the cash surrender value of the policy, is classified in Increase in cash surrender value of bank owned life insurance in the Consolidated Statements of Income. The potential death benefits as of June 30, 2007 were $22.7 million.

Deposit Activities and Other Sources of Funds

General. Deposits and loan repayments are the major sources of our funds for lending and other investment purposes. Scheduled loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are influenced significantly by general interest rates and market conditions. Borrowings from the Federal Home Loan Bank of Seattle are used to supplement the availability of funds from other sources and also as a source of term funds to assist in the management of interest rate risk.

Our deposit composition reflects a mixture with certificates of deposit accounting for approximately one-half of the total deposits while interest and noninterest-bearing checking, savings and money market accounts comprise the balance of total deposits. We rely on marketing activities, convenience, customer service and the availability of a broad range of competitively priced deposit products and services to attract and retain customer deposits.

Deposits. With the exception of our Health Savings Accounts, substantially all of our depositors are residents of the State of Idaho. We occasionally supplement our deposits through brokered certificates of deposit and, to a lesser extent, municipal deposits. Deposits are attracted from within our market area through the offering of a broad selection of deposit instruments, including checking accounts, money market deposit accounts, savings accounts and certificates of deposit with a variety of rates and terms to maturity. Deposit account terms vary according to the minimum balance required, the time periods the funds must remain on deposit and the interest rate, among other factors. We offer a number of different deposit programs including our High Performance Checking, Wall Street Select Checking, Money Market Accounts, Health Savings Accounts and Escalator Certificates of Deposit. Our High Performance Checking program is comprised of several different transaction account products with varying minimum balance requirements, number of checks permitted and interest rate options. Our Wall Street Select Checking and Money Market Account products offer significantly higher rates of interest on larger deposit balances while maintaining the availability of the customer s funds. Our Health Savings Accounts are offered directly or through unaffiliated third parties including insurance agents and third-party benefits administrators to qualified individuals and employers. The program is offered on a nationwide basis and participants in the plan receive a debit card to facilitate account access. Our Escalator Certificate of Deposit has a guaranteed blended rate for its four-year term with fixed rate increases occurring every six months from the date of the original deposit, and also offers the customer the opportunity to withdraw the entire balance at any six-month anniversary without a pre-payment penalty. In determining the terms of our deposit accounts, we consider the development of long term profitable customer relationships, current market interest rates, current maturity structure and deposit mix, our customer preferences and the profitability of acquiring customer deposits compared to alternative sources.

At June 30, 2007, we had $67.5 million of jumbo ($100,000 or more) certificates of deposit, which are primarily from local customers, representing 16.1% of total deposits at that date.

Deposit Activities. The following table sets forth our total deposit activities for the periods indicated.

	Nine Months Ended June 30,		Year Ended September 30,		
	2007	2006	2006	2005	2004
	(In Thousands)				
Beginning balance	$430,281	$396,325	$396,325	$343,087	$301,273
Net deposits before interest credited	(20,789)	36,195	24,203	47,690	37,731
Interest credited	9,206	6,950	9,753	5,548	4,083
Net increase (decrease) in deposits	(11,583)	43,145	33,956	53,238	41,814
Ending balance	$418,698	$439,470	$430,281	$396,325	$343,087

Time Deposits by Rates. The following table sets forth our time deposits classified by rates as of the dates indicated.

	At June 30, 2007	At September 30, 2006	2005	2004
	(In Thousands)			
0.00 - 0.99%	$ 385	$ 268	$ 1,803	$ 19,880
1.00 - 1.99%	30	341	10,286	28,083
2.00 - 2.99%	3,096	17,924	56,344	47,906
3.00 - 3.99%	40,003	57,055	89,955	48,835
4.00 - 4.99%	56,398	75,300	20,437	17,247
5.00 - 5.99%	126,443	74,728	18,412	1,184
6.00 - 6.99%	740	8,108	228	1,090
Total	$ 227,095	$ 233,724	$ 197,465	$ 164,225

Time Deposits by Maturities. The following table sets forth the amount and maturities of our time deposits at June 30, 2007.

	Amounts Due					
	Less Than 1 Year	1-2 Years	2-3 Years	3-4 Years	After 4 Years	Total
	(In Thousands)					
0.00 - 0.99%	$ 371	$	$	$ 14	$	$ 385
1.00 - 1.99%	30					30
2.00 - 2.99%	2,864	149	50	33		3,096
3.00 - 3.99%	30,860	7,501	1,433	167	42	40,003
4.00 - 4.99%	37,572	9,096	4,722	4,127	881	56,398
5.00 - 5.99%	115,510	4,570	2,239	3,293	831	126,443
6.00 - 6.99%	465		2	273		740
Total	$ 187,672	$ 21,316	$ 8,446	$ 7,907	$ 1,754	$ 227,095

The following table sets forth information concerning our time deposits and other deposits at June 30, 2007.

Weighted Average Interest Rate	Original Term	Category	Amount	Minimum Balance	Percentage of Total Deposits
			(Dollars in Thousands)		
0.58%	N/A	Savings deposits	$ 23,465	$ 10	5.60%
0.86	N/A	Interest-bearing demand deposits	60,923	50	14.55
	N/A	Noninterest-bearing demand deposits	34,368	50	8.21
3.26	N/A	Money market accounts	42,729	1,000	10.21
0.70	N/A	Health savings accounts	30,118	25	7.19
		Certificates of Deposit			
4.82	1-12 months	Fixed term, fixed rate	97,227	500	23.22
4.72	13-24 months	Fixed term, fixed rate	95,299	500	22.76
3.81	25-36 months	Fixed term, fixed rate	11,905	500	2.84
4.69	37-60 months	Fixed term, fixed rate	22,463	500	5.37
4.68	Over 60 months	Fixed term, fixed rate	201	500	0.05
		Total	$ 418,698		100.00%

The following table indicates the amount of our jumbo certificates of deposit by time remaining until maturity as of June 30, 2007. Jumbo certificates of deposit are certificates in amounts of $100,000 or more.

Maturity Period	Certificates of Deposit of $100,000 or More

	(In Thousands)
Three months or less	$ 23,342
Over three through six months	14,996
Over six through twelve months	18,227
Over twelve months	10,888
Total	$ 67,453

Deposit Flow. The following table sets forth the balances of deposits in the various types of accounts offered by us at the dates indicated.

	At June 30, 2007			At September 30,							
				2006			2005			2004	
	Amount	Percent of Total	Increase/ (Decrease)	Amount	Percent of Total	Increase/ (Decrease)	Amount	Percent of Total	Increase/ (Decrease)	Amount	Percent of Total
	(Dollars in Thousands)										
Savings deposits	$ 23,465	5.60%	$ (190)	$ 23,655	5.50%	$ (1,564)	$ 25,219	6.36%	$ (234)	$ 25,453	7.42
Demand deposits	95,291	22.76	(13,251)	108,542	25.22	(247)	108,789	27.46	23,002	85,787	25.01
Money market accounts	42,729	10.21	9,306	33,423	7.77	1,902	31,521	7.95	(3,871)	35,392	10.32
Health savings accounts	30,118	7.19	(819)	30,937	7.19	(2,394)	33,331	8.41	1,101	32,230	9.39
Fixed rate certificates that mature in the year ending:											
Within 1 year	187,672		(789)	188,461	43.80	81,444	107,017	27.00	38,821	68,196	19.88
After 1 year, but within 2 years	21,316	44.82	(7,091)	28,407	6.60	(34,295)	62,702	15.82	3,784	58,918	17.17
After 2 years, but within 5 years	17,913	5.09	1,316	16,597	3.86	(10,346)	26,943	6.80	(9,472)	36,415	10.61
After 5 years	194	4.28	(65)	259	0.06	5	254	0.06	191	63	0.02
Other certificates of deposit		0.05				(549)	549	0.14	(84)	633	0.18
Total	$ 418,698	100.00%	$ (11,583)	$ 430,281	100.00%	$ 33,956	$ 396,325	100.00%	$ 53,238	$ 343,087	100.00

Borrowings. Customer deposits are the primary source of funds for our lending and investment activities. We use advances from the Federal Home Loan Bank of Seattle to supplement our supply of lendable funds to meet short-term deposit withdrawal requirements and also to provide longer term funding to better match the duration of selected loan and investment maturities. As one of our capital management strategies, we also use borrowings from the Federal Home Loan Bank of Seattle to fund the purchase of investment securities and origination of loans in order to increase our net interest income when attractive opportunities exist.

As a member of the Federal Home Loan Bank of Seattle, we are required to own its capital stock and are authorized to apply for advances on the security of the stock and certain of our mortgage loans and mortgage-backed securities provided certain creditworthiness standards have been met. Advances are made individually under various terms pursuant to several different credit programs, each with its own interest rate and range of maturities. We maintain a committed credit facility with the Federal Home Loan Bank of Seattle that provides for immediately available advances up to an aggregate of 40% of Home Federal Bank s total assets, or $283.2 million as of June 30, 2007. At June 30, 2007, our outstanding advances from the Federal Home Loan Bank of Seattle totaled $189.3 million.

The following table sets forth information regarding our borrowings at the end of and during the periods indicated. The table includes both long- and short-term borrowings.

	Nine Months Ended June 30,		Year Ended September 30,		
	2007	2006	2006	2005	2004
	(Dollars in Thousands)				
Maximum amount of borrowing outstanding at any month end:					
Federal Home Loan Bank advances	$223,000	$198,000	$214,000	$182,000	$136,000
Approximate average borrowings outstanding:					
Federal Home Loan Bank advances	208,000	184,000	191,000	153,000	115,000
Approximate weighted average rate paid on:					
Federal Home Loan Bank advances	4.46%	4.12%	4.20%	3.87%	4.08%

	At June 30,	At September 30,		
	2007	2006	2005	2004
	(Dollars in Thousands)			
Balance outstanding at end of period:				
Federal Home Loan Bank advances	$189,264	$210,759	$175,932	$122,797
Weighted average rate paid on:				
Federal Home Loan Bank advances	4.50%	4.36%	3.96%	3.96%

Competition

We face intense competition in originating loans and in attracting deposits within our targeted geographic market. We compete by leveraging our full service delivery capability comprised of convenient branch locations, including six branches located inside Wal-Mart Superstores offering extended banking hours, call center and Internet banking, and consistently delivering high-quality, individualized service to our customers that result in a high level of customer satisfaction. According to data published by the Federal Deposit Insurance Corporation, as of June 30, 2006, we ranked fifth in terms of deposits, among the 20 federally-insured depository institutions in Ada and Canyon counties, our primary market area. Our key competitors are U.S. Bank, Wells Fargo, Washington Mutual, Bank of America, Key Bank, Washington Federal and Farmers & Merchants. According to data from the Federal Deposit Insurance Corporation, these competitors controlled approximately 74% of the deposit market with $5.4 billion of the $7.3 billion total deposits in Ada and Canyon counties as of June 30, 2006. Aside from these traditional competitors, credit unions, insurance companies and brokerage firms are an increasingly competing challenge for consumer deposit relationships. We also compete for loans and deposits through our two branch offices in Gem and Elmore counties.

Our competition for loans comes principally from mortgage bankers, commercial banks, thrift institutions, credit unions and finance companies. Several other financial institutions, including those previously mentioned, have greater resources than we do and compete with us for lending business in our targeted market area. Among the advantages of some of these institutions are their ability to make larger loans, finance extensive advertising campaigns, access lower cost funding sources and allocate their investment assets to regions of highest yield and demand. This competition for the origination of loans may limit our future growth and earnings prospects.

Subsidiaries and Other Activities

Home Federal Bank has one wholly-owned subsidiary, Idaho Home Service Corporation, which was established in 1981 as Home Service Corporation for the purpose of facilitating various business activities. Since 2000, Idaho Home Service Corporation has been inactive.

Personnel

At June 30, 2007, we had 208 full-time employees and 17 part-time employees. Our employees are not represented by any collective bargaining group. We believe our relationship with our employees is good.

Properties

At June 30, 2007, we had 15 full service banking offices and two loan centers. Seven of the locations are owned, seven locations are leased and two locations are owned with the land being leased. At June 30, 2007, the net book value of our investment in premises, equipment and leaseholds was approximately $12.3 million. The net book value of the data processing and computer equipment utilized by us at June 30, 2007 was approximately $561,000.

The following table provides a list of our main and branch offices and indicates whether the properties are owned or leased:

Location	Leased or Owned	Lease Expiration Date	Square Footage
ADMINISTRATIVE OFFICE			
500 12th Avenue South Nampa, Idaho 83651 (1)(2)	Owned	N/A	34,014
BRANCH OFFICES:			
Downtown Boise (2) 800 West State Street Boise, Idaho 83702	Leased	August 2010	3,500

Location	Leased or Owned	Lease Expiration Date	Square Footage
Parkcenter (2) 871 East Parkcenter Boulevard Boise, Idaho 83706	Owned	N/A	4,500
Fairview (2) 10443 Fairview Avenue Boise, Idaho 83704	Building owned Land leased	June 2070	2,500
Meridian (2) 55 East Franklin Road Meridian, Idaho 83642	Owned	N/A	4,000
Caldwell (2) 923 Dearborn Caldwell, Idaho 83605	Owned	N/A	4,500
Mountain Home (2) 400 North 3rd East Mountain Home, Idaho 83647	Owned	N/A	2,600
Emmett (2) 250 South Washington Avenue Emmett, Idaho 83617	Owned	N/A	2,600
Boise (3) 8300 West Overland Road Boise, Idaho 83709	Leased	March 2011	695
Meridian (3) 4051 East Fairview Avenue Meridian, Idaho 83642	Leased	February 2011	695
Nampa (3) 2100 12th Avenue Road Nampa, Idaho 83651	Leased	August 2010	695
Caldwell (3) 5108 East Cleveland Boulevard Caldwell, Idaho 83605	Leased	August 2010	695
Garden City (3) 7319 West State Street Boise, Idaho 83714	Leased	August 2012	695
Idaho Center (3) 5785 E. Franklin Road Nampa, Idaho 83687	Leased	December 2011	710

Location	Leased or Owned	Lease Expiration Date	Square Footage
Eagle (2) 100 E. Riverside Drive Eagle, Idaho 83616	Owned	N/A	4,500
LOAN OFFICES:			
Blackeagle 1307 Maplegrove Boise, Idaho 83709	Leased	August 2010	4,310
Meridian 111 East 1st Street Meridian, Idaho 83642	Leased	December 2009	2,600

(1) Includes home branch.
(2) Drive-up ATM available.
(3) Wal-Mart locations.

Legal Proceedings

From time to time we are involved as plaintiff or defendant in various legal actions arising in the normal course of business. We do not anticipate incurring any material liability as a result of such litigation, nor do we expect any material impact on our financial position, results of operations or cash flows.

In April 2006, the State of Idaho Department of Finance issued a cease and desist order to a former investment representative of Home Federal Bank with respect to marketing and selling unregistered securities in 2005. The investment representative was subsequently indicted and a civil action was brought against him by the Department of Finance. In February 2007, the investment representative pleaded guilty as part of a plea agreement that requires repayment of $173,000 to the victims by August 30, 2007. Home Federal Bank was not named as a party in that action and no other actions have been filed against Home Federal Bank to date. Home Federal Bank s contract with its third-party broker-dealer includes an indemnity clause protecting Home Federal Bank against losses attributable to any non-deposit investment product transaction. The broker-dealer has been actively engaged in the investigation and in direct contact with the affected customers throughout the process. At this time, we do not believe the plea agreement will materially affect our financial position or results of operations.

MANAGEMENT

Board of Directors and Management of New Home Federal Bancorp

The board of directors of new Home Federal Bancorp initially will consist of the same individuals who currently serve as directors of Home Federal Bancorp and Home Federal Bank. Like the board of directors of Home Federal Bancorp, the board of directors of new Home Federal Bancorp will be divided into three classes, each containing approximately one-third of the directors. The directors will be elected by the stockholders of new Home Federal Bancorp, for three-year terms, or until their successors are elected.

The following individuals initially will be the executive officers of new Home Federal Bancorp and hold the offices set forth opposite their names.

Name	Position Held With Home Federal Bancorp
Daniel L. Stevens	Chairman of the Board, President and Chief Executive Officer
Robert A. Schoelkoph	Senior Vice President, Treasurer, Secretary and Chief Financial Officer

The executive officers of new Home Federal Bancorp will be elected annually and hold office until their respective successors have been elected or until death, resignation or removal by the Board of directors.

Information concerning the principal occupations, employment and compensation of the directors and executive officers of new Home Federal Bancorp is set forth under Executive Officers Who Are Not Directors. Like the directors of Home Federal Bancorp, the directors of new Home Federal Bancorp initially will not be compensated by new Home Federal Bancorp but will serve and be compensated by Home Federal Bank. It is not anticipated that separate directors fees will be paid to directors of new Home Federal Bancorp until such time as these persons devote significant time to the separate management of Home Federal Bancorp s affairs, which is not expected to occur until new Home Federal Bancorp becomes actively engaged in businesses other than holding the stock of Home Federal Bank. The board of directors of new Home Federal Bancorp may determine that such compensation is appropriate in the future.

The following table sets forth certain information regarding the board of directors of Home Federal Bancorp all of whom currently serve as directors of Home Federal Bancorp and Home Federal Bank.

Name	Age as of June 30, 2007	Position Held With Home Federal Bancorp	Director Since	Current Term of Office Expires
Daniel L. Stevens	63	Chairman of the Board, President and Chief Executive Officer	1996	2009
Fred H. Helpenstell, M.D.	76	Director	1991	2009
Thomas W. Malson	77	Director	1986	2008
N. Charles Hedemark	65	Director	1983	2008
James R. Stamey	63	Director	2001	2010
Robert A. Tinstman	61	Director	1999	2010
Richard J. Navarro	55	Director	2005	2009
Len E. Williams	48	Director	2007	2008

The business experience of each director for at least the past five years is set forth below.

Daniel L. Stevens is Chairman of the Board, President and Chief Executive Officer of Home Federal Bancorp, positions he has held since 2004, and Chairman of the Board and Chief Executive Officer of Home Federal Bank. He has served as Chief Executive Officer since 1995. Mr. Stevens served as President of Home Federal Bank until September 2006, when he announced his plans for retirement in 2008 and a successor, Len E. Williams, was appointed President of Home Federal Bank. Mr. Stevens became a director in 1996 and has served as Chairman of the Board of Home Federal Bank since 1999. He has been in the financial services industry for over 35 years and has served as an executive officer or chief executive officer for four other mutual and stock thrifts during his career. He is past Vice Chairman of the Board of Directors of the Federal Home Loan Bank of Seattle. He served as the Chairman of the Audit Committee and a member of the Financial Operations Committee of the Federal Home Loan Bank of Seattle. Mr. Stevens was a director of the Federal Home Loan Bank of Seattle from 1996 until 2004. He is a director of America s Community Bankers, serves on America s Community Bankers Federal Home Loan Bank System Committee, chairs the America s Community Bankers Credit Union Committee, and is First Vice Chair of America s Community Bankers COMPAC Board of Governors. He currently serves as Chairman of the Board of the Idaho Bankers Association, is a past Chairman of the Board of Directors and Executive Committee of the Boise Metro Chamber of Commerce, and is a director of the Midwest Conference of Community Bankers. He is the former director of the Boise State University Foundation, and past Chairman of the United Way of Treasure Valley and the Nampa Neighborhood Housing Services Board of Directors.

Fred H. Helpenstell, M.D. is a retired physician. Dr. Helpenstell earned his medical degree from the University of Illinois Medical School in 1956. He was certified by the American Board of Orthopaedic Surgery in 1966 and opened his practice in Nampa, Idaho. He served on the Idaho State Board of Medical Examiners from 1968 until 1975 and was President of the Board of Directors of Mercy Medical Center in Nampa. After volunteering his orthopedic skills in Nepal, he spent seven years as chair of the Nepal Program for Health Volunteers Overseas. Dr. Helpenstell is a director of MedNow, Inc., a medical equipment provider, Terry Reilly Health Services, the Boise Philharmonic Association and the Boise Philharmonic Foundation.

Thomas W. Malson has been the owner and Chief Executive Officer of Robertson Supply, Inc. since 1968. Robertson Supply, Inc. located in Nampa, Idaho since 1948, is a wholesale distributor of plumbing and related products with outlets in seven Southern Idaho and Eastern Oregon cities.

N. Charles Hedemark retired as Executive Vice President and Chief Operating Officer of Intermountain Gas Company, a natural gas utility company in July 2005, after serving as an employee since 1965. Mr. Hedemark is a graduate of The College of Idaho and the Executive Program at Stanford University. He is a director and past Chairman of Blue Cross of Idaho. Mr. Hedemark is also a director of the Capital City Development Corporation and is a past President of the Northwest Gas Association.

James R. Stamey is a retired banker, having been employed by U.S. Bank from 1985 until 2001, where he last served as President of U.S. Bank, Idaho and Executive Vice President and Manager of Corporate Banking of the Intermountain Region. Mr. Stamey is President of the Library Foundation. He also served as President of the Idaho Association of Commerce and Industry and served on the Board of Directors for the Boise Philharmonic, the Idaho Bankers Association and the Boise Rotary Club.

Robert A. Tinstman is a consultant for Tinstman and Associates, LLC, a construction consulting company. From May 2002 until May 2007, he was Executive Chairman of the James Construction Group, LLC, Baton Rouge, Louisiana, a construction company. Prior to that, Mr. Tinstman was the sole owner and a consultant of Tinstman & Associates, Boise, Idaho, a construction consulting company, from May 1999 until May 2002. He served as President and Chief Executive Officer of the Morrison-Knudsen Company, Boise, Idaho, an engineering, construction and mining company, from 1995 until February 1999, where he had been employed since May 1974. Mr. Tinstman is also a director of IDACORP, Inc., Boise, Idaho, and CNA Surety Corporation, a Chicago, Illinois insurance agency, both of which are public companies.

Richard J. Navarro is the Chief Financial Officer of Albertsons LLC, a retail food and drug company, and has over 29 years of experience in the industry. Mr. Navarro is a Certified Public Accountant and from 2004 until 2006, was a consultant providing financial management services to various business. Prior to that, Mr. Navarro was employed by Albertsons, Inc. and held several management positions including Senior Vice President and Controller from 1999 to 2003. He currently serves on the Board of Directors of TitleOne Corporation and the Boise State University Foundation. He is also the past Chairman of the Associated Taxpayers of Idaho. Mr. Navarro is a graduate of Boise State University and the Executive Financial Management Program at Stanford University, Graduate School of Business.

Len E. Williams joined Home Federal Bank as President in September 2006 and was appointed as a director of Home Federal Bank and Home Federal Bancorp in April, 2007. Mr. Williams has 30 years of commercial banking experience serving in many regional and national leadership roles. Prior to joining Home Federal Bank, Mr. Williams was Senior Vice President and Head of Business Banking with Fifth Third Bank. He was charged with creating and growing the business line and providing leadership over the company s business banking personnel, processes and products. Form 1987 to 2005, he held several management positions with Key Bank, including President of Business Banking from 2003 to 2005 and President of the Colorado District from 1999 to 2003. His prior experience includes regional corporate and commercial banking leadership responsibility. Mr. Williams is a member of the Board of Directors of the Boise Metro Chamber of Commerce and has served as chairman of Junior Achievement and Boys and Girsl Clubs. Mr. Williams holds an M.B.A. from the University of Washington and is a graduate of the Pacific Coast Banking School.

Executive Officers Who Are Not Directors

Each of the executive officers of Home Federal Bancorp will retain his or her office with new Home Federal Bancorp following the reorganization. Officers are elected annually by the board of directors of Home Federal Bancorp. The business experience for at least the past five years for each of the six executive officers of Home Federal Bancorp who do not serve as directors is set forth below.

Robert A. Schoelkoph is Senior Vice President, Treasurer, Secretary and Chief Financial Officer of Home Federal Bancorp and Home Federal Bank and is 54 years of age. Mr. Schoelkoph joined Home Federal Bank in 1980. Mr. Schoelkoph was controller of Home Federal Bank from 1980 until 1983, Vice President and Treasurer from 1983 to 1994, and has served as Senior Vice President, Chief Financial Officer and Treasurer since 1983. The title of Secretary was added in 2007. He is a past member and Chairman of the Idaho Employers Council and a member of the Board of Directors of the Nampa Shelter Foundation. Mr. Schoelkoph is a certified public accountant.

Lynn A. Sander is Executive Vice President/Consumer Banking of Home Federal Bank and is 54 years of age. Ms. Sander joined Home Federal Bank in May 2000 as Vice President/Sales Management. She was appointed to the position of Senior Vice President/Retail Banking in July 2001 and served in that position until she was appointed to her current position in April 2007. Immediately prior to joining Home Federal Bank, she was Senior Vice President, Account Manager for Fairmont/Aspen Performance Group, a sales and service consulting company, from June 1999 to May 2000. From 1987 until December 1998, Ms. Sander was employed by KeyBank of Idaho and its affiliate KeyCorp Management Company, where her last position was Vice President/Core Banking Territory Manager covering the states of Alaska, Idaho, Utah, and Colorado. She began her banking career in 1973 with Bank of Idaho. She currently serves on the Board of Directors of the Women and Children s Alliance, and is the Chair of the Board of the United Way of Treasure Valley. Ms. Sander served as Fundraising Chairman for the Idaho Anne Frank Human Rights Memorial and was chairman of the 2005 Treasure Valley United Way Campaign.

Denis J. Trom is Senior Vice President/Human Resources of Home Federal Bank and is 60 years of age. Mr. Trom joined Home Federal Bank in April 2002. Mr. Trom was previously employed by U.S. Bancorp, Minneapolis, Minnesota from 1978 until 2002. He held various human resource, training and organizational development positions with U.S. Bancorp during his 23 years of employment, most recently serving as Vice President/Senior Regional Human Resources Consulting Manager from 1999 until 2002. Mr. Trom is active in the

Society for Human Resource Management, American Society for Training & Development, the Professional Association for Compensation, Benefits and Total Rewards, and church activities.

Steven D. Emerson is Executive Vice President and Chief Lending Officer of Home Federal Bank and is 37 years of age. Mr. Emerson joined Home Federal Bank as Senior Vice President and Chief Lending Officer on December 1, 2006. Mr. Emerson has over 15 years of experience in commercial banking and previously served as Vice President and Senior Commercial Lender for Farmers and Merchants Bank, a local community bank, during 2006. Prior to his employment with Farmers and Merchants Bank, Mr. Emerson served in several positions with Key Bank from 2000 to 2006, including President of the Cincinnati, Ohio market. Mr. Emerson holds an M.B.A. from Northwest Nazarene University.

Cindy L. Bateman is Senior Vice President and Commercial Banking Team Lead of Home Federal Bank and is 46 years of age. Ms. Bateman joined Home Federal Bank in March 2007. Ms Bateman was previously employed by Key Bank from 2002 until 2007 having served as Senior Vice President and District Business Leader. Having started her career with First Security Bank of Idaho in 1983 in the Management Training program, she has held various positions in Credit Administration and Commercial and Business Banking. Ms. Bateman holds a B.B.A. in Finance from Idaho State University and an M.B.A. from the University of Washington. She currently serves on the Boards of Directors of Financial Women International and as Treasurer for the Idaho Shakespeare Festival.

Sean P. Watt is Senior Vice President and Retail Branch Administration Manager of Home Federal Bank and is 38 years of age. Mr. Watt joined Home Federal Bank in May 2000. Mr. Watt served as the Consumer Loan Manager from May 2000 until he was appointed to his current position in Branch Administration in August 2001. Mr. Watt was previously employed by Key Bank as a Senior Consumer Loan Officer. Mr. Watt serves on the Board of Directors for the Boys and Girls Club of Nampa and Junior Achievement of Idaho. Mr. Watt graduated with honors from Pacific Coast Banking School in 2005.

Meetings and Committees of the Board of Directors

In connection with the completion of the conversion, new Home Federal Bancorp will establish a nominating and corporate governance committee, a compensation committee and an audit committee that will be substantially the same as the committees of Home Federal Bancorp. All of the members of these committees will be independent directors as defined in the listing standards of The Nasdaq Stock Market. We plan to have written charters for each committee available on our website at www.myhomefed.com ..

The following is a summary of the current committees of the boards of directors of Home Federal Bancorp and Home Federal Bank.

Board of Directors

The boards of directors of Home Federal Bancorp and Home Federal Bank conduct their business through meetings of the boards and through board and committee meetings. For the year ended September 30, 2007, both boards generally met in person on a bi-monthly basis, holding additional special meetings as needed. During the 2007 fiscal year, the board of directors of Home Federal Bancorp held six regular meetings and one special meeting, and the board of directors of Home Federal Bank held six regular meetings and no special meetings. No director of Home Federal Bancorp or Home Federal Bank attended fewer than 75% of the total meetings of the boards and committees on which he served during this period.

Committees and Committee Charters

The board of directors of Home Federal Bancorp has standing Audit, Loan, Compensation, and Nominating Committees. The board has adopted written charters for its Audit, Compensation and Nominating Committees.

Audit Committee

The Audit Committee consists of Directors Tinstman (Chairman), Hedemark, Navarro and Stamey. The Committee meets quarterly and on an as needed basis to evaluate the effectiveness of Home Federal Bancorp s internal controls for safeguarding its assets and ensuring the integrity of the financial reporting. The Audit Committee also meets quarterly to review and approve the earnings releases and the quarterly reports on Form 10-Q and annual report on Form 10-K. The Committee also appoints the independent auditor and reviews the audit report prepared by the independent auditor. The Audit Committee met 12 times during the year ended September 30, 2007.

Each member of the Audit Committee is independent in accordance with the requirements for companies quoted on The Nasdaq Stock Market. Director Navarro has been designated by the board of directors as the audit committee financial expert, as defined by the Securities and Exchange Commission. Director Navarro is a certified public accountant and is the Chief Financial Officer of Albertsons LLC.

Nominating Committee

The Nominating Committee consists of Directors Helpenstell (Chairman), Malson, and Hedemark. The Nominating Committee and its Chair are appointed annually by the board of directors. Members of this Committee are selected from the pool of directors who are not up for election during the appointment year. The Nominating Committee meets annually and on an as needed basis, and is responsible for selecting qualified individuals to fill expiring director s terms and openings on the board of directors. Final approval of director nominees is determined by the full board, based on the recommendations of the Nominating Committee. This Committee met twice during the year ended September 30, 2007. Nominating Committee members receive no additional fees for serving on the Committee.

Compensation Committee

The Compensation Committee is comprised of Directors Hedemark (Chairman), Helpenstell, Malson and Navarro. The Compensation Committee meets annually and on an as needed basis regarding the personnel, compensation and benefits related matters of Home Federal Bancorp. The Committee also meets, outside of the presence of Mr. Stevens and Mr. Williams, to discuss their compensation and make its recommendations to the full board. Mr. Stevens and Mr. Williams make recommendations to the Compensation Committee regarding the compensation of the executive officers who report to them. The Committee considers these recommendations and makes its recommendation to the full board, which then votes on executive compensation. Mr. Stevens and Mr. Williams do not vote on their own compensation and only vote on the compensation of other executive officers in case of a tie. The Compensation Committee met four times during the year ended September 30, 2007.

Corporate Governance

Director Independence. The common stock of Home Federal Bancorp is listed on the Nasdaq Global Market. In accordance with Nasdaq requirements, at least a majority of Home Federal Bancorp s directors must be independent directors. The Board has determined that six of its eight directors are independent, as defined by Nasdaq. Directors Helpenstell, Hedemark, Malson, Stamey, Tinstman and Navarro are all independent. Only Daniel L. Stevens and Len E. Williams are not independent.

Stockholder Communication with the Board of Directors. The board of directors maintains a process for stockholders to communicate with the board of directors. Stockholders wishing to communicate with the board of directors should send any communication to Daniel L. Stevens, Chairman of the board, Home Federal Bancorp, Inc., 500 12th Avenue South, Nampa, Idaho 83651. Any such communication should state the number of shares beneficially owned by the stockholder making the communication.

Annual Meeting Attendance by Directors. We do not have a policy regarding board member attendance at annual meetings of stockholders. All of the members of the board of directors attended the 2007 Annual Meeting of Stockholders.

Directors Compensation

The following table shows the compensation paid to our non-employee directors for the fiscal year ended September 30, 2007. Compensation for Daniel L. Stevens, who is the Chairman, President and Chief Executive Officer of Home Federal Bancorp and the Chairman and Chief Executive Officer of Home Federal Bank, and Len E. Williams, who is the President of Home Federal Bank, is included in the section below entitled Executive Compensation.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)(2)	Option Awards ($)(1)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
Fred H. Helpenstell, M.D.	26,500	30,287	9,301	5,382	21,514	2,099	95,083
Thomas W. Malson	26,500	30,287	7,750	5,349	21,040	2,099	93,025
N. Charles Hedemark	27,950	30,287	9,301	5,671	3,827	2,099	79,135
James R. Stamey	26,750	30,287	9,301	16,316	10,097	2,099	94,850
Robert A. Tinstman	27,000	30,287	9,301	19,787	7,375	2,099	95,849
Richard J. Navarro							