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HOME FEDERAL BANCORP INC
Form 8-K
January 31, 2006

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

FORM 8-K

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

Date of Report: January 31, 2006

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

Federal (State or other jurisdiction of incorporation)	000-50901 (Commission File Number)	20-0945587 (I.R.S. Employer Identification No.)
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500 12th Avenue South
Nampa, Idaho 83651
(Address of principal executive offices and zip code)

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

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

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

Item 2.02 Results of Operations and Financial Condition

On January 31, 2006, Home Federal Bancorp, Inc. issued its earnings release for the first quarter of its fiscal year ending September 30, 2006. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

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(c) Exhibits

99.1 Press release of Home Federal Bancorp, Inc. dated January 31, 2006

SIGNATURES

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

HOME FEDERAL BANCORP, INC.

Date: January 31, 2006

By: /s/ Robert A. Schoelkoph

Robert A. Schoelkoph
Senior Vice President and
Chief Financial Officer

Exhibit 99.1

Contact:

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

[Home Federal Bancorp, Inc. Logo]
500 12th Ave. South *
Nampa, ID 83651

PRESS RELEASE For Immediate Release

HOME FEDERAL BANCORP, INC. ANNOUNCES FIRST QUARTER EARNINGS

Nampa, ID (January 31, 2006) - Home Federal Bancorp, Inc. (the "Company") (Nasdaq: HOME), the parent company of Home Federal Bank (the "Bank"), today announced earnings for the first quarter of its fiscal year ending September 30, 2006. For the quarter ended December 31, 2005, the Company reported net income of \$1.8 million, or \$0.12 per diluted share, compared to \$74,000, or less than \$.01 per diluted share, for the same period a year ago. The results for the quarter ended December 31, 2004 include a \$1.8 million pre-tax expense for establishing the Home Federal Foundation, Inc. (the "Foundation"). Excluding the expense for establishing the Foundation, the Company had net income of \$1.2 million, or \$0.08 per diluted share, for the quarter ended December 31, 2004.

"We have continued to successfully meet our goals and strategic business plan since our conversion to a publicly-traded company," said Daniel L. Stevens,

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Chairman and CEO. "We are also pleased to report the conversion of the Company's core processing system and redesign of our website this quarter. The new system and website will enable the Company to efficiently handle transactions as well as product and service expansion for our growing business."

The following table reconciles the Company's actual net income to pro forma net income for the quarter ended December 31, 2004, exclusive of the contribution to the Foundation, as adjusted for Federal and state taxes (in thousands, except per share data):

	Three Months Ended December 31,	
	2005	2004
	(unaudited)	
Pro forma disclosure		
Net income, as reported	\$1,760	\$ 74
Contribution to Foundation	-	1,825
Federal and state income tax expense	-	(712)
	\$1,760	\$1,187
	=====	=====
Earnings per share		
Diluted as reported	\$0.12	\$0.00
Pro forma diluted	\$0.12	\$0.08

First Quarter Highlights (at or for the periods ended December 31, 2005 compared to December 31, 2004):

- * Pro forma net income increased 48% to \$1.8 million
- * Net interest income increased 20% to \$6.0 million
- * Noninterest income increased 27% to \$2.8 million

Home Federal Bancorp, Inc.
January 31, 2006
Page 2 of 7

- * Total assets increased 13% to \$695.7 million
- * Net loans increased 9% to \$439.2 million
- * Deposits increased 14% to \$410.2 million
- * Non-performing assets decreased 74% to \$180,000 or 0.03% of total assets

Operating Results:

Revenues for the quarter ended December 31, 2005, which consisted of net interest income before the provision for loan losses plus noninterest income, increased 22% to \$8.8 million for the quarter, compared to \$7.2 million for the quarter ended December 31, 2004. Net interest income before the provision for loan losses increased 20% to \$6.0 million for the quarter ended December 31, 2005, compared to \$5.0 million for the same quarter of the prior year. On December 6, 2004, the Bank completed its mutual holding company

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reorganization, at which time the Bank converted to stock form and the Company was organized. In connection with the reorganization, the Company received \$53.6 million in net proceeds from a minority stock offering. The majority of the proceeds were invested in mortgage-backed securities. Revenues from mortgage-backed securities increased \$1.0 million to \$2.4 million for the quarter ended December 31, 2005, compared to \$1.4 million for the quarter ended December 31, 2004.

For the quarter ended December 31, 2005, net interest income after provision for loan losses increased 20% to \$5.9 million, compared to \$4.9 million for the same quarter a year ago. For the quarter ended December 31, 2005, a provision for loan losses of \$55,000 was established by management in connection with its analysis of the loan portfolio compared to a provision for loan losses of \$59,000 established for the same quarter of the prior year.

The Company's net interest margin increased 15 basis points to 3.66% for the quarter ended December 31, 2005, from 3.51% for the same quarter last year. The cost of deposits was 1.80% for the first quarter of fiscal 2006 compared to 1.56% for the first quarter of the prior year. During the current quarter, the Company revised its estimate of accrued interest on an escalator certificate of deposit product. The revision resulted in a \$310,000 reduction in interest expense for the quarter ended December 31, 2005. Excluding the revision, the net interest margin and cost of deposits for the first quarter were 3.47% and 2.15%, respectively. The decline in net interest margin to 3.47% 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 the Company believes the repricing of existing and new loans over time 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.

Noninterest income increased 27% to \$2.8 million for the quarter ended December 31, 2005, compared to \$2.2 million for the same quarter a year ago. The increase in noninterest income is primarily attributable to a \$427,000 increase in service charges as a result of enhancements to the retail checking program related to the core processing conversion in the current quarter.

Noninterest expense for the quarter ended December 31, 2005 decreased 17% to \$5.9 million, from \$7.1 million for the comparable period a year earlier. The \$1.2 million decrease was primarily a result of the \$1.8 million contribution to the Foundation during the quarter ended December 31, 2004. Compensation and benefits increased \$753,000 to \$3.8 million for the quarter ended December 31, 2005 as compared to \$3.1 million for the same quarter a year ago. The majority of the increase is attributable

Home Federal Bancorp, Inc.
January 31, 2006
Page 3 of 7

to the establishment of the equity compensation plans during the prior fiscal year, annual merit increases, and an increase in employee commissions and incentive plans. The equity compensation plans include the Company's employee stock option plan ("ESOP"), 2005 Recognition and Retention Plan ("RRP") and 2005 Stock Option and Incentive Plan. The efficiency ratio improved to 66.95% for the quarter ended December 31, 2005 compared to 97.93% for the same quarter a year ago. Excluding the non-recurring contribution to the Foundation, the efficiency ratio was 72.61% for the quarter ended December 31,

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2004. The efficiency ratio indicates how much is spent on non-interest expenses as a percentage of total revenue.

Balance Sheet Growth:

Total assets increased 13% to \$695.7 million at December 31, 2005 compared to \$618.3 million a year earlier. Total assets at December 31, 2005 increased \$6.1 million, or less than 1%, from \$689.6 million at September 30, 2005.

Net loans at December 31, 2005 increased 9% to \$439.2 million, compared to \$401.8 million at December 31, 2004. Single family lending represented 62% of the Bank's loan portfolio at December 31, 2005, compared to 63% at December 31, 2004. Commercial real estate loans accounted for 28% of the Bank's loan portfolio at December 31, 2005, compared to 27% at December 31, 2004.

Credit quality remains high, as non-performing assets were \$180,000, or 0.03% of total assets, at December 31, 2005, compared to \$685,000, or 0.11% of total assets, at December 31, 2004. The allowance for loan losses was \$2.9 million, or 0.66% of gross loans, including loans held for sale, at December 31, 2005 compared to \$2.7 million, or 0.66% of gross loans, at December 31, 2004. Despite a surge in bankruptcy filings prior to the October 17, 2005 effective date of the new bankruptcy laws, the Company does not anticipate material increases in the provision for loan losses as a result of charge-offs related to these additional filings.

Deposits increased 14% to \$410.2 million at December 31, 2005 compared to \$358.8 million at December 31, 2004. Noninterest-bearing demand deposits increased \$15.0 million to \$47.4 million at December 31, 2005, compared to \$32.4 million at December 31, 2004. Interest-bearing demand deposits decreased \$3.2 million to \$129.6 million at December 31, 2005, compared to \$132.8 million at December 31, 2004. Certificates of deposit increased \$39.4 million to \$208.1 million at December 31, 2005, compared to \$168.7 million at December 31, 2004. The majority of the increase in certificates of deposits was in 12 to 23 month terms. Advances from the Federal Home Loan Bank ("FHLB") increased 16% to \$171.8 million at December 31, 2005 compared to \$148.3 million at December 31, 2004. The Company utilizes advances from the FHLB as an alternative funding source to retail deposits in order to manage funding costs, reduce interest rate risk and to leverage the Balance Sheet.

Stockholders' equity increased \$3.0 million to \$103.2 million at December 31, 2005, compared to \$100.2 million at December 31, 2004. The increase was primarily the result of \$7.0 million in net income for the period and \$707,000 in earned ESOP shares, offset by \$1.1 million of cash dividends paid to stockholders and \$3.9 million for the repurchase of 298,092 shares of common stock for the RRP plan. The Company's book value per share as of December 31, 2005 was \$6.81 per share based upon 15,152,114 outstanding shares of common stock.

Home Federal Bancorp, Inc.
January 31, 2006
Page 4 of 7

About the Company:

Home Federal Bancorp, Inc. is a savings and loan holding company headquartered in Nampa, Idaho. It is the subsidiary of Home Federal MHC, a federally chartered mutual holding company, and the parent company of Home Federal Bank,

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a federal savings bank that was originally organized as a building and loan association in 1920. The Company serves the Treasure Valley region of southwestern Idaho, which includes Ada, Canyon, Elmore and Gem Counties, through 14 full-service banking offices and two mortgage loan centers. For more information, visit the Company's web site at www.myhomefed.com

Forward Looking Statements:

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

Home Federal Bancorp, Inc.

January 31, 2006

Page 5 of 7

HOME FEDERAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data) (Unaudited)

	December 31, 2005	September 30, 2005	December 2004
	-----	-----	-----
ASSETS			
Cash and amounts due from depository institutions	\$ 11,051	\$ 19,033	\$ 10,79
Mortgage-backed securities available for sale, at fair value	13,957	14,830	18,92
Mortgage-backed securities held to maturity, at cost	187,498	180,974	150,40
Federal Home Loan Bank stock, at cost	9,591	9,591	7,79
Loan receivable, net of allowance for loan losses of \$2,924, \$2,882 and \$2,675	439,241	430,944	401,75
Loans held for sale	3,567	5,549	1,58
Accrued interest receivable	2,683	2,458	2,18
Property and equipment, net	13,375	11,995	10,66
Mortgage servicing rights, net	2,576	2,671	3,05
Bank owned life insurance	10,181	10,099	10,12
Real estate and other property owned	175	534	4
Other assets	1,823	899	99
	-----	-----	-----

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TOTAL ASSETS	\$695,718	\$689,577	\$618,32
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposit accounts			
Noninterest-bearing demand deposits	\$ 47,437	\$ 46,311	\$ 32,38
Interest-bearing demand deposits	129,581	127,330	132,80
Savings deposits	25,128	25,219	24,97
Certificates of deposit	208,078	197,465	168,65
	-----	-----	-----
Total deposit accounts	410,224	396,325	358,82
Advances by borrowers for taxes and insurance	926	3,898	1,82
Interest payable	1,275	1,670	1,47
Deferred compensation	3,234	3,049	2,66
Federal Home Loan Bank advances	171,788	175,932	148,32
Deferred income tax liability	1,175	1,205	2,18
Other liabilities	3,939	6,131	2,83
	-----	-----	-----
Total liabilities	592,561	588,210	518,13
STOCKHOLDERS' EQUITY			
Serial preferred stock, \$.01 par value; 5,000,000 authorized issued and outstanding, none	-	-	-
Common stock, \$.01 par value; 50,000,000 authorized, issued and outstanding:			
Dec. 31, 2005 - 15,208,750 issued, 15,152,114 outstanding	152	149	15
Sept. 30, 2005 - 15,208,750 issued, 14,910,658 outstanding			
Dec. 31, 2004 - 15,208,750 issued, 15,208,750 outstanding			
Additional paid-in capital	56,373	56,115	59,89
Retained earnings	51,291	49,818	45,17
Unearned shares issued to employee stock ownership plan	(4,449)	(4,550)	(4,93
Accumulated other comprehensive loss	(210)	(165)	(10
	-----	-----	-----
Total stockholders' equity	103,157	101,367	100,18
	-----	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$695,718	\$689,577	\$618,32
	=====	=====	=====

Home Federal Bancorp, Inc.
 January 31, 2006
 Page 6 of 7

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

Three Months Ended
 December 31,

	2005	2004
	-----	-----
Interest and dividend income:		
Loan interest	\$6,934	\$6,069

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Investment interest	11	243
Mortgage-backed security interest	2,386	1,363
Federal Home Loan Bank dividends	-	-
Total interest and dividend income	9,331	7,675
	-----	-----
Interest expense:		
Deposits	1,597	1,425
Federal Home Loan Bank advances	1,752	1,261
	-----	-----
Total interest expense	3,349	2,686
	-----	-----
Net interest income	5,982	4,989
	-----	-----
Provision for loan losses	55	59
	-----	-----
Net interest income after provision for loan losses	5,927	4,930
	-----	-----
Noninterest income:		
Service charges and fees	2,386	1,959
Gain on sale of loans	311	68
Increase in cash surrender value of bank owned life insurance	82	75
Loan servicing fees	160	172
Mortgage servicing rights, net	(96)	(96)
Other	(42)	39
	-----	-----
Total noninterest income	2,801	2,217
	-----	-----
Noninterest expense:		
Compensation and benefits	3,806	3,053
Occupancy and equipment	728	719
Data processing	341	443
Advertising	214	340
Postage and supplies	231	210
Professional services	187	219
Insurance and taxes	103	66
Charitable contribution to Foundation	-	1,825
Other	270	182
	-----	-----
Total noninterest expense	5,880	7,057
	-----	-----
Income before income taxes	2,848	90
	-----	-----
Income tax expense	1,088	16
	-----	-----
NET INCOME	\$1,760	\$ 74
	=====	=====
Earnings per common share:		
Basic	\$0.12	\$0.00
Diluted	\$0.12	\$0.00
	-----	-----
Weighted average number of shares outstanding:		
Basic	14,466,288	14,710,589
Diluted	14,469,663	14,710,589

Home Federal Bancorp, Inc.

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January 31, 2006

Page 7 of 7

HOME FEDERAL BANCORP, INC. AND SUBSIDIARY ADDITIONAL FINANCIAL INFORMATION (Dollars in thousands, except share data) (Unaudited)	At Or For The Three Months Ended Dec. 31, 2005 -----	At Or For The Year Ended Sep. 30, 2005 -----
FINANCIAL CONDITION DATA		
Average interest-earning assets	\$653,178	\$606,690
Average interest-bearing liabilities	528,590	501,124
Net average earning assets	124,588	105,566
Average interest-earning assets to average interest-bearing liabilities	123.57%	121.07%
Stockholders' equity to assets	14.83%	14.70%
 ASSET QUALITY		
Allowance for loan losses	\$2,924	\$2,882
Non-performing loans	5	478
Non-performing assets	180	1,012
Allowance for loan losses to non-performing loans	58,480.00%	602.93%
Allowance for loan losses to gross loans and loans held for sale	0.66%	0.66%
Non-performing loans to gross loans and loans held for sale	0.00%	0.11%
Non-performing assets to total assets	0.03%	0.15%

	At Or For The Three Months Ended Dec. 31, -----	
	2005	2004
	-----	-----

SELECTED PERFORMANCE RATIOS

Return on average assets (1)	1.02%	0.05%
Return on average equity (1)	6.82%	0.48%
Net interest margin (1)	3.66%	3.51%
Efficiency ratio	66.95%	97.93%
Efficiency ratio, excluding non-recurring items (2)	66.95%	72.61%

PER SHARE DATA

Basic earnings per share	\$0.12	\$0.00
Diluted earnings per share	0.12	0.00
Book value per share	6.81	6.59
Cash dividends declared per share	0.05	0.00
Average number of shares outstanding:		
Basic (3)	14,466,288	14,710,589
Diluted (3)	14,469,663	14,710,589

(1) Amounts are annualized.

(2) Noninterest expense divided by net interest income plus noninterest income. The pro forma efficiency ratio for the three months ended December 31, 2004 excludes the effect of the \$1.8 million contribution to

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the Foundation.

- (3) Amounts calculated exclude ESOP shares not committed to be released and unvested restricted shares granted under the RRP.