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

Filed Pursuant to Rule 424(b)3
File No. 333-146289

PROSPECTUS

(Proposed Holding Company for Home Federal Bank)
Up to 13,800,000 Shares of Common Stock
(Subject to increase to up to 15,870,000 shares)

New Home Federal Bancorp, Inc., is a newly formed Maryland corporation, that is offering up to 13,800,000 shares of its common stock to the public in connection with the conversion of Home Federal MHC from the mutual to the stock form of organization. As part of the conversion, Home Federal Bank will become our wholly-owned subsidiary. We may increase the maximum number of shares that we sell in the offering by up to 15%, to 15,870,000 shares, as a result of the demand for shares or changes in market and financial conditions. The shares being offered represent the 58.9% ownership interest in Home Federal Bancorp, Inc. now owned by Home Federal MHC, its mutual holding company parent. Home Federal Bancorp, a Federal corporation, currently is the mid-tier holding company of Home Federal Bank and will cease to exist upon completion of the conversion. The remaining 41.1% ownership interest in Home Federal Bancorp is owned by the public and will be exchanged for shares of new Home Federal Bancorp common stock upon the completion of the conversion . If you are now a stockholder of Home Federal Bancorp, your shares will be canceled and exchanged for shares of new Home Federal Bancorp. The number of shares you will receive will be based on an exchange ratio that will depend upon the number of new shares we sell in this offering. All shares of common stock being offered for sale will be sold at a price of $10.00 per share.

If you are a current or former depositor of Home Federal Bank as of the eligibility record dates, you may have priority rights to purchase shares in the subscription offering. if (1) you had at least $50.00 on deposit at Home Federal Bank at the close of business on March 31, 2006; (2) you had at least $50.00 on deposit at Home Federal Bank at the closed of business on September 30, 2007; or (3) you were a depositor or borrower of Home Federal Bank on October 31, 2007 and March 15, 2004, respectively.

If you are a current stockholder of Home Federal Bancorp, your shares will be exchanged automatically for between 7,103,110 and 9,610,090 new shares of new Home Federal Bancorp, or up to 11,051,604 shares in the event the maximum of the offering range is increased by 15%.

If you are not a depositor, but are interested in purchasing shares of our common stock, you may be able to purchase shares of our common stock in the community offering and/or a syndicated community offering (collectively referred to as the offering) to the extent shares remain available after priority orders are filled.

In order to complete the offering, we must sell, in the aggregate, at least 10,200,000 shares. The minimum purchase is 25 shares. The subscription offering is scheduled to end at 12:00 Noon, Mountain time, on December 11, 2007, unless extended for the full 45 day period from the date of this prospectus until December 24, 2007, or thereafter to February 7, 2008 without the approval of the Office of Thrift Supervision. Any further extensions of the subscription offering must be approved by the Office of Thrift Supervision. The subscription offering may not be extended beyond December 17, 2009. Once submitted, orders are irrevocable unless the offering is terminated or extended beyond February 7, 2008. If the offering is extended beyond February 7, 2008, subscribers will have the right to modify or rescind their purchase orders. In the event this occurs, or there is a change in the offering range, we will resolicit purchasers and you will have the opportunity to maintain, change or cancel your order. If you do not provide us with a written indication of your intent after you receive the resolicitation materials, your order will be cancelled and your funds will be returned to you, with interest. New Home Federal Bancorp will hold all subscribers funds received before the completion of the conversion in a segregated account at Home Federal Bank or, at our discretion, at an independent insured depository institution until the conversion is completed or terminated. We will pay interest on all funds received at a rate equal to Home Federal Bank s passbook/statement savings rate, which is currently 0.20% per annum. Funds will be returned promptly with interest if the conversion is terminated.

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. For the first 20 trading days after the conversion and offering is completed, we expect new Home Federal Bancorp common stock to trade under the symbol HOMED, thereafter it will revert to the HOME trading symbol. We cannot assure you that our common stock will be approved for listing on the Nasdaq Global Select Market.

Investing in our common stock involves risks. See Risk Factors beginning on page 1.

OFFERING SUMMARY

Price Per Share: $10.00; Minimum Subscription: 25 shares or $250

	Minimum	Maximum	Maximum, as adjusted (1)
Number of Shares	10,200,000	13,800,000	15,870,000
Gross Offering Proceeds	$102,000,000	$138,000,000	$158,700,000
Underwriting Commission	3,228,000	4,370,000	5,026,000
Other Expenses	1,243,000	1,243,000	1,243,000
Net Proceeds to Home Federal Bancorp, Inc.	97,529,000	132,387,000	152,431,000
Net Proceeds Per Share	9.56	9.59	9.61

(1) For information regarding underwriting compensation to be paid to Keefe, Bruyette & Woods, including the assumptions regarding the number of shares sold in the offering that we used to determine the estimated offering expenses, see Pro Forma Data and The Conversion and Stock Offering Marketing Arrangements.

Keefe, Bruyette & Woods will use its best efforts to assist us in our selling efforts, but is not required to purchase any of the common stock that is being offered for sale. Subscribers will not pay any commissions to purchase shares of common stock in the offering.

These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Neither the Securities and Exchange Commission, the Office of Thrift Supervision, nor any other federal agency or state securities regulator has approved or disapproved these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

For information on how to subscribe, call the stock information center at (208) 468-5151.

KEEFE, BRUYETTE & WOODS

November 9, 2007

TABLE OF CONTENTS

SUMMARY

This summary provides an overview of the key aspects of the stock offering as described in more detail elsewhere in this prospectus and may not contain all the information that is important to you. To completely understand the stock offering, you should read the entire prospectus 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 beginning on page F-1, before making a decision to invest in our common stock.

Overview

New Home Federal Bancorp, is a newly formed Maryland corporation. New Home Federal Bancorp is conducting this offering of between 10,200,000 and 13,800,000 shares of common stock in connection with the conversion of Home Federal MHC from the mutual to the stock form of organization. The shares of new Home Federal Bancorp to be sold represent the 58.9% ownership interest in the mid-tier holding company, Home Federal Bancorp now owned by Home Federal MHC. This ownership interest is being sold to raise additional capital to support the operational growth of Home Federal Bank. The remaining 41.1% ownership interest in Home Federal Bancorp is owned by the public and will be exchanged for shares of new Home Federal Bancorp common stock upon the completion of the conversion . In this exchange, 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 an exchange ratio. The current 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 actual number of shares a current stockholder of Home Federal Bancorp receives pursuant to the exchange ratio will therefore depend on the number of shares we sell in our offering, which in turn will depend on the final appraised value of new Home Federal Bancorp. We may increase the maximum number of shares that we sell in the offering by up to 15% to 15,870,000 shares, as a result of the demand for shares or changes in market and financial conditions. The offering includes a subscription offering in which certain persons, including depositors of Home Federal Bank, have prioritized subscription rights. There are limitations on how many shares of common stock a person may purchase in the offering. The amount of capital being raised is based on an appraisal of Home Federal Bancorp. Most of the terms and requirements of this offering are required by regulations of the Office of Thrift Supervision. The same directors and certain officers who manage Home Federal Bancorp will manage new Home Federal Bancorp.

The following tables show how many shares of common stock that may be issued in the offering, and subsequently issued if our new proposed stock benefit plans are adopted.

	Shares to be sold to the public in this offering		Shares to be sold to the employee stock ownership plan (2)		Shares proposed to be sold to directors and officers		Exchange shares		Total shares of common stock to be outstanding after the conversion	
	Amount	%(1)	Amount	%(1)	Amount	%(1)	Amount	%(1)	Amount	%(1)
Minimum	9,321,500	53.9%	816,000	4.7%	62,500	0.3%	7,103,110	41.1%	17,303,110	100.0%
Midpoint	10,977,500	53.9	960,000	4.7	62,500	0.3	8,356,600	41.1	20,356,600	100.0
Maximum	12,633,500	53.9	1,104,000	4.7	62,500	0.3	9,610,090	41.1	23,410,090	100.0
Maximum, as adjusted	14,537,900	54.0	1,269,600	4.7	62,500	0.2	11,051,604	41.1	26,921,604	100.0

	Shares that may be awarded under a restricted stock plan		Shares that may be issued under a stock option plan	
	Amount	%(1)	Amount	%(1)
Minimum	353,510	2.0%	883,776	5.1%
Midpoint	415,894	2.0	1,039,736	5.1
Maximum	478,278	2.0	1,195,696	5.1
Maximum, as adjusted	550,020	2.0	1,375,051	5.1

(1) As a percentage of total shares outstanding after the offering.

(2) Assumes 8% of the shares sold in the conversion are sold to the employee stock ownership plan in the offering.

Dollar amounts in this prospectus are consolidated and refer to Home Federal Bancorp and subsidiary unless otherwise indicated.

The Companies:

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

New Home Federal Bancorp is a newly formed Maryland corporation that will hold all of the outstanding shares of Home Federal Bank following the conversion to stock ownership. New Home Federal Bancorp is conducting the stock offering in connection with the conversion of Home Federal MHC from the mutual to the stock form of organization. Following the completion of the offering, new Home Federal Bancorp will be the savings and loan holding company of Home Federal Bank and its primary regulator will be the Office of Thrift Supervision.

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

Home Federal MHC is a federally chartered mutual holding company that owns 58.9% of the outstanding common stock of Home Federal Bancorp. Home Federal MHC was formed in 2004 in connection with the reorganization of Home Federal Bank into the mutual holding company form of organization. Home Federal MHC is a savings and loan holding company and its business is to own at least a majority of Home Federal Bancorp s outstanding shares of common stock. Following the conversion, Home Federal MHC will cease to exist as a separate entity; it will be replaced by new Home Federal Bancorp.

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

Home Federal Bancorp, Inc. is a federal corporation and a mid-tier 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 58.9% 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.

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

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 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 to become Chief Executive Officer of Home Federal Bank in October 2008. See Business of Home Federal Bancorp, Inc. and Home Federal Bank Lending Activities.

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 prospectus.

Operating Lines

The following reflects our management structure and responsibilities of each of our operating lines before and after the conversion: The information on our website is not part of this prospectus.

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. We do not originate subprime mortgage loans and currently hold no such loans in our portfolio or service any of these loans. 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 (September 30) 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, 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.

The Conversion and Stock Offering

Home Federal MHC is currently in the mutual form of ownership. Our depositors and certain borrowers as members have the right to vote on certain matters, such as the conversion. The conversion is a series of transactions by which we are reorganizing from a mutual holding company structure, where the mid-tier holding company, Home Federal Bancorp, is 58.9% owned by a mutual holding company, Home Federal MHC, and 41.1% owned by other stockholders (who are sometimes referred to as the public stockholders), to a stock holding company which will be 100% owned by public stockholders. As part of the conversion, Home Federal Bancorp and Home Federal MHC will cease to exist as separate entities, and Home Federal Bank will be owned directly by new Home Federal Bancorp. Voting rights in new Home Federal Bancorp will be vested solely in the public stockholders following the conversion.

As a result of the conversion of Home Federal MHC into new Home Federal Bancorp, the shares of common stock of the mid-tier holding company, Home Federal Bancorp, owned by Home Federal MHC will be cancelled. New shares of common stock, representing the 58.9% ownership interest of Home Federal MHC in the mid-tier holding company, Home Federal Bancorp, are being offered for sale by new Home Federal Bancorp in this offering. The remaining 41.1% ownership interest in Home Federal Bancorp is currently owned by 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 that are sold in the offering.

Terms of the Offering

We are offering between 10,200,000 and 13,800,000 shares of common stock, to those with subscription rights in the following order of priority:

(1) Depositors who held at least $50 with us on March 31, 2006.

(2) The Home Federal Bancorp employee stock ownership plan.

(3) Depositors who held at least $50 with us on September 30, 2007.

(4) Depositors and borrowers with us as of October 31, 2007 and March 16, 2004, respectively, to the extent not already included in a prior category.

We may increase the maximum number of shares that we sell in the offering by up to 15% to 15,870,000 shares as a result of market demand, regulatory considerations or changes in financial conditions with the approval of the Office of Thrift Supervision and without any notice to you. If we increase the number of shares in the offering, you will not have the opportunity to change or cancel your stock order. The offering price is $10.00 per share. All purchasers will pay the same purchase price per share. No commission will be charged to purchasers in the offering.

If we receive subscriptions for more shares than are to be sold in the subscription offering, shares will be allocated in order of the priorities described above under a formula outlined in the plan of conversion and reorganization. If we increase the number of shares to be sold above 13,800,000, the employee stock ownership plan will have the first priority right to purchase any shares exceeding that amount to the extent that its subscription has not previously been filled. Any shares remaining will be allocated in the order of priorities described above. Shares of common stock not subscribed for in the subscription offering will be offered to the general public in a direct community offering with a preference to natural persons residing in Ada, Canyon, Elmore and Gem counties, Idaho and, if necessary, a syndicated community offering. The direct community offering, if any, shall begin at the same time as, during or promptly after the subscription offering. See The Conversion and Stock Offering Subscription Offering and Subscription Rights, Direct Community Offering and Syndicated Community Offering.

Keefe, Bruyette & Woods, our financial advisor and selling agent in connection with the offering, will use its best efforts to assist us in selling our common stock in the offering. Keefe, Bruyette & Woods is not obligated to purchase any shares of common stock in the offering. For further information about the role of Keefe, Bruyette & Woods in the offering, see The Conversion and Stock Offering Marketing Arrangements.

Reasons for the Conversion and Offering

We believe that this is the right time for Home Federal MHC to convert to the stock form. Generally, the conversion and stock offering will give us the financial strength to continue to grow our bank, better enable us to serve our customers in our market area, help us retain and attract qualified management through stock-based compensation plans, and provide us with easier access to the capital markets through possible future equity and debt offerings.

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 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.

The Exchange of Home Federal Bancorp Common Stock

If you are now a stockholder of Home Federal Bancorp, the existing publicly traded mid-tier holding company, your shares will be cancelled and exchanged for new shares of new Home Federal Bancorp common stock. The exchange of shares is subject to the completion of the conversion inculding the approval of the members of Home Federal MHC, the stockholders of Home Federal Bancorp, Inc. and the approval of the appraisal update by the Office of Thrift Supervision. The number of shares you receive will be based on an exchange ratio determined as of the closing of the conversion. 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 following table shows how the exchange ratio will adjust, based on the number of shares sold in our offering. The table also shows how many shares a hypothetical owner of Home Federal Bancorp common stock would receive in the exchange, based on 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%.

How We Determined the Offering Range and the $10.00 Price Per Share

The offering range is based on an independent appraisal of the market value of the common stock to be issued in the offering. RP Financial, LC., an appraisal firm experienced in appraisals of financial institutions, has advised us that, as of September 14, 2007, the estimated pro forma market value of our common stock, including exchange shares, ranges from a minimum of $173.0 million to a maximum of $234.1 million, with a midpoint of $203.6 million. Based on this valuation range, the percentage of Home Federal Bancorp s common stock owned by Home Federal MHC, and the $10.00 price per share, the respective boards of directors of Home Federal Bank, Home Federal MHC and Home Federal Bancorp determined to offer shares of new Home Federal Bancorp s common stock ranging from a minimum of 10,200,000 shares to a maximum of 13,800,000 shares, with a midpoint of 12,000,000 shares. The pro forma market value can be adjusted upward by us subsequent to the expiration date of the offering and prior to closing to reflect the demand for shares in the offering or changes in market and financial conditions without the resolicitation of subscribers if supported by an appropriate change in our independent appraisal and the approval of the Office of Thrift Supervision. At the adjusted maximum, the estimated pro forma market value of new Home Federal Bancorp s common stock would be $269.2 million and the number of shares offered would equal 15,870,000 shares.

The independent appraisal was based in part on our financial condition and results of operations, the pro forma impact of the additional capital raised by the sale of common stock in the offering, and an analysis of a peer group of companies that RP Financial considered comparable to us. The peer group, which consists of 10 publicly traded thrift institutions, includes companies that range in asset size from $531 million to $1.2 billion, have market capitalizations that range from $53.2 million to $174.6 million, and have been in fully converted form for more than one year. A majority of the peer group companies are located in the Western states.

The independent valuation was prepared by RP Financial in reliance upon the information contained in this prospectus, including the consolidated financial statements of Home Federal Bancorp. RP Financial also considered the following factors, among others:

- the present results and financial condition of Home Federal Bank, and the projected results and financial condition of new Home Federal Bancorp, a Maryland corporation;
- the economic and demographic conditions in Home Federal Bank s existing market area;
- certain historical, financial and other information relating to Home Federal Bank;
- a comparative evaluation of the operating and financial characteristics of Home Federal Bank with those of other similarly situated publicly traded savings institutions located in the United States;
- the impact of the conversion and the offering on Home Federal Bancorp s stockholders equity and earnings potential;
- the proposed dividend policy of new Home Federal Bancorp; and
- the trading market for securities of comparable institutions and general conditions in the market for such securities.

The following table presents a summary of selected pricing ratios for the companies comprising the peer group used by RP Financial in its independent appraisal report dated September 14, 2007 and the pro forma pricing ratios for us, as calculated in the table on page 21 in the section of this prospectus entitled Pro Forma Data. Compared to the median pricing of the peer group, our pro forma pricing ratios at the midpoint of the offering range indicated a premium of 86.9% on a price-to-earnings basis and discounts of 25.0% on a price-to-book value basis and 27.9% on a price-to-tangible book value basis. The estimated appraised value and the resulting premiums and discounts took into consideration the potential financial impact of the conversion and offering and RP Financial s analysis of the results of operations and financial condition of Home Federal Bancorp compared to the peer group.

	Price-to-earnings multiple(1)	Price-to-book value ratio	Price-to-tangible book value ratio
New Home Federal Bancorp			
Minimum of offering range	24.34x	88.26%	88.26%
Midpoint of offering range	27.66	96.34	96.34
Maximum of offering range	33.77	103.20	103.20
Maximum of offering range, as adjusted	34.10	110.13	110.13
Valuation of peer group companies as of September 14, 2007(2)			
Average	18.90x	129.19%	145.75%
Median	14.80	128.49	133.67

(1) Reflects our pro forma price-to-earnings multiples based on pro forma net income for the 12 months ended June 30, 2007.
(2) Reflects earnings for the most recent twelve month period for which data was publicly available.

The independent appraisal is not necessarily indicative of post-offering trading value. You should not assume or expect that the valuation of new Home Federal Bancorp as indicated above means that the common stock will trade at or above the $10.00 purchase price after the offering is completed.

The independent appraisal will be updated before we complete the conversion. Any changes in the appraisal would be subject to the approval of the Office of Thrift Supervision The estimated pro forma market value of new Home Federal Bancorp may be increased by up to 15%, or up to $269.2 million. See Pro Forma Data.

After-Market Performance Information Provided by the Independent Appraiser

The following table, prepared by our independent appraiser, presents for all second step conversions that began trading from January 1, 2006 to September 14, 2007, the percentage change in the trading price from the initial trading date of the offering to the dates shown in the table. The table also presents the average and median trading prices and percentage change in trading prices for the same dates. This information relates to stock performance experienced by other companies that may have no similarities to us with regard to market capitalization, offering size, earnings quality and growth potential, among other factors.

The table is not intended to indicate how our common stock may perform. Data represented in the table reflects a small number of transactions and is not indicative of general stock market performance trends or of price performance trends of companies that undergo conversions. Furthermore, this table presents only short-term price performance and may not be indicative of the longer-term stock price performance of these companies. There can be no assurance that our stock price will appreciate or that our stock price will not trade below $10.00 per share. The movement of any particular company s stock price is subject to various factors, including, but not limited to, the amount of proceeds a company raises, the company s historical and anticipated operating results, the nature and quality of the company s assets, the company s market area and the quality of management and management s ability to deploy proceeds (such as through loans and investments, the acquisition of other financial institutions or other businesses, the payment of dividends and common stock repurchases). In addition, stock prices may be affected by general market and economic conditions, the interest rate environment, the market for financial institutions and merger or takeover transactions and the presence of professional and other investors who purchase stock on speculation, as well as other unforeseeable events not in the control of management. Before you make an investment decision, please carefully read this prospectus, including Risk Factors.

After Market Trading Activity
Second Step Offerings
Completed Closing Dates between January 1, 2006 and September 14, 2007

Transaction	Conversion Date	Appreciation from Initial Trading Date(1) 1 Day	1 Week	1 Month	Through September 14, 2007
Abington Bancorp, Inc. (NASDAQ: ABBC)	6/28/07	(4.0)%	(1.6)%	(7.5)%	(4.2)%
Peoples United Financial, Inc. (NASDAQ: PBCT)	4/16/07	3.8	2.0	(0.3)	(14.9)
Osage Bancshares, Inc. (NASDAQ: OSBK)	1/18/07	(0.5)	(0.5)	(6.8)	(9.1)
Westfield Financial, Inc. (AMEX: WFD)	1/4/07	7.0	7.5	9.0	(0.1)
Citizens Community Bancorp, Inc. (NASDAQ: CZ WI)	11/1/06	(2.5)	(1.0)	(3.3)	(7.7)
Liberty Bancorp, Inc. (NASDAQ: LBCP)	7/24/06	2.5	1.0	1.5	7.2
First Clover Leaf Fin. Corp. (NASDAQ: FCLF)	7/11/06	3.9	6.0	11.2	15.0
Monadnock Bancorp, Inc. (OTCBB : MN KB)	6/29/06		(5.0)	(13.8)	(17.5)
Average		1.3	1.1	(1.2)	(3.9)
Median		1.3	0.3	(1.8)	(6.0)

(1) The offering price for each transaction was $10.00 per share.

Termination of the Offering

The subscription offering will end at 12:00 Noon, Mountain time, on December 11, 2007, unless extended. The direct community offering and syndicated community offering, if any, will also end at 12:00 Noon, Mountain time, on December 11, 2007. If fewer than the minimum number of shares are subscribed for in the subscription offering and we do not get orders for at least the minimum number of shares by February 7, 2008, we will either:

(1) promptly return any payment you made to us, with interest, or cancel any withdrawal authorization you gave us; or

(2) extend the offering, if allowed, and give you notice of the extension and of your rights to cancel, change or confirm your order. If we extend the offering and you do not respond to the notice, then we will cancel your order and return your payment, with interest, or cancel any withdrawal authorization you gave us. We must complete or terminate the offering by December 17, 2009.

How We Will Use the Proceeds Raised From the Sale of Common Stock

We intend to use the net proceeds 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 commissions	4,471	5,613	6,269
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

We expect to expand our branch network and 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 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.

Except as described above, neither new Home Bancorp, Inc. and Home Federal has any specific plans for the investment of the proceeds of this offering and has not allocated a specific portion of the proceeds to any particular use. 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. Initially, a substantial portion of the net proceeds will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities.

See Risk Factors and How We Intend to Use the Proceeds From This Offering.

Our Dividend Policy

Home Federal Bancorp has paid quarterly cash dividends since the quarter ended June 30, 2005. During the quarter ended June 30, 2007, the cash dividend was $0.055 per share. We intend to continue to pay cash dividends on a quarterly basis after we complete the conversion and the offering. 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 $.035 per share. However, the dividend rate and the continued payment of dividends will depend on a number of factors, including our capital requirements, our financial condition and results 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. Additionally, we can not guarantee that the amount of dividends that we pay after the conversion will be equal to the per share dividend amount that Home Bancorp s stockholders currently receive, as adjusted to reflect the exchange ratio.

Market for Common Stock

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. For the first 20 trading days after the conversion and offering is completed, we expect new Home Federal Bancorp common stock to trade under the symbol HOMED, thereafter it will revert to the HOME" trading symbol.

Limitations on the Purchase of Common Stock in the Conversion

The minimum purchase is 25 shares.

The maximum purchase in the subscription offering and community offering by any person or group of persons through a single deposit account is 5% of the common stock sold in the offering. For example, if 12,000,000 shares are sold at the midpoint of the offering range, any person or group of persons through a single deposit account may purchase up to 600,000 shares. If 13,800,000 shares are sold at the maximum of the offering range, any person or group of persons through a single deposit account may purchase up to 690,000 shares. Finally, if 10,200,000 shares are sold at the minimum of the offering range, any person or group of persons through a single deposit account may purchase up to 510,000 shares.

The maximum purchase in the subscription offering and community offering combined by any person, related persons or persons acting together is 5% of the common stock sold in the offering. This means that the same limitations that are described in the preceding paragraph are applicable to purchases combined by any person, related persons or persons acting together.

If any of the following persons purchase common stock, their purchases when combined with your purchases cannot exceed 5% of the common stock sold in the offering:

(1) your spouse, or your relatives or your spouse s relatives living in your house;

(2) companies or other entities in which you have a 10% or greater equity or substantial beneficial interest or in which you serve as a senior officer or partner;

(3) a trust or other estate if you have a substantial beneficial interest in the trust or estate or you are a trustee or fiduciary for the trust or other estate; or

(4) other persons who may be acting together with you (including, but not limited to, persons who file jointly a Schedule 13G or Schedule 13D Beneficial Ownership Report with the Securities and Exchange Commission, persons living at the same address or persons exercising subscription rights through qualifying deposits registered at the same address, whether or not related).

In addition to the above purchase limitations, there is an ownership limitation for stockholders other than our employee stock ownership plan. Shares of common stock that you purchase in the offering individually and together with persons described above, *plus* any shares you and they receive in exchange for existing shares of Home Federal Bancorp common stock, may not exceed 5% of the total shares of common stock to be issued and outstanding after the completion of the conversion.

Subject to Office of Thrift Supervision approval, we may increase or decrease the purchase limitations in the offering at any time. Our tax-qualified benefit plans, including our employee stock ownership plan, are authorized to purchase up to 10% of the shares sold in the offering without regard to these purchase limitations. See The Conversion and Stock Offering Limitations on Stock Purchases.

Steps We May Take if We Do Not Receive Orders for the Minimum Number of Shares

If we do not receive orders for at least 10,200,000 shares of common stock in the subscription, community and/or syndicated community offering, we may take several steps in order to issue the minimum number of shares of common stock in the offering range. Specifically, we may:

- increase the purchase and ownership limitations; and/or
- seek regulatory approval to extend the offering beyond the February 7, 2008 expiration date, provided that any such extension will require us to resolicit subscriptions received in the offering.

Alternatively, we may terminate the offering, return funds with interest and cancel deposit account withdrawal authorizations.

How to Purchase Common Stock

Note: Once we receive your order, you cannot cancel or change it without our consent. If new Home Federal Bancorp intends to sell fewer than 10,200,000 shares or more than 15,870,000 shares, all subscribers will be notified and given the opportunity to change or cancel their orders. If you do not respond to this notice, we will return your funds promptly with interest or cancel your withdrawal authorization.

If you want to subscribe for shares, you must complete an original stock order form and drop it off at any Home Federal Bank branch or send it, together with full payment or withdrawal authorization, to Home Federal Bank in the postage-paid envelope provided. You must sign the certification that is part of the stock order form. We must receive your stock order form before the end of the offering period.

You may pay for shares in any of the following ways:

- ***By check or money order*** made payable to Home Federal Bancorp, Inc.
- ***By authorizing a withdrawal from an account at Home Federal Bank, including certificates of deposit, designated o n the stock order form.*** To use funds in an individual retirement account (IRA) at Home Federal, you must transfer your account to an unaffiliated institution or broker. Please contact the stock information center as soon as possible for assistance.
- ***In cash,*** if delivered in person to any full-service banking office of Home Federal Bank, although we request that you exchange cash for a check with any of our tellers.

We will pay interest on your subscription funds at the rate Home Federal Bank pays on passbook/statement savings accounts from the date it receives your funds until the conversion is completed or terminated. All funds received before the completion of the conversion will be held in a segregated account at Home Federal Bank or, at our discretion, at an independent insured depository institution. All funds authorized for withdrawal from deposit accounts with Home Federal Bank will earn interest at the applicable account rate until the conversion is completed. There will be no early withdrawal penalty for withdrawals from certificates of deposit at Home Federal Bank used to pay for stock.

You may subscribe for shares of common stock using funds in your IRA at Home Federal Bank or elsewhere. However, common stock must be held in a self-directed retirement account. Home Federal Bank s IRAs are not self-directed, so they cannot be invested in common stock. If you wish to use some or all of the funds in your Home Federal Bank IRA, the applicable funds must be transferred to a self-directed account reinvested by an independent trustee, such as a brokerage firm. If you do not have such an account, you will need to establish one before placing your stock order. An annual administrative fee may be payable to the independent trustee. **Because individual circumstances differ and processing of retirement fund orders takes additional time, we recommend that you contact the stock information center promptly, preferably at least two weeks before the**

end of the offering period, for assistance with purchases using your IRA or other retirement account that you may have. Whether you may use such funds for the purchase of shares in the stock offering may depend on timing constraints and possible limitations imposed by the institution where the funds are held.

Purchases of Common Stock by Our Officers and Directors

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 shall be exchanged for new Home Federal Bancorp common stock. Collectively, our directors and executive officers intend to subscribe for 62,500 shares regardless of the number of shares sold in the offering. This number equals 0.2% of the 23,410,090 shares that would be issued at the maximum of the offering range. If fewer shares are issued in the conversion, then officers and directors will own a greater percentage of new Home Federal Bancorp. These shares do not include any shares that may be awarded or issued in the future under any stock option plan or recognition and retention plan we intend to adopt. Directors and executive officers will pay the same $10.00 per share price for these shares as everyone else who purchases shares in the conversion.

These proposed purchases of common stock by our directors and executive officers, together with shares exchanged, the purchase by the employee stock ownership plan of 8% of the aggregate shares sold in the offering, as well as the potential acquisition of common stock through the proposed stock option plan and recognition and retention plan will result in ownership by insiders of new Home Federal Bancorp in excess of 13.9% of the total shares outstanding after the offering at the maximum of the offering range. As a result, it could be more difficult to obtain majority support for stockholder proposals opposed by the Board and management. See Risk Factors Risks Related to This 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 new Home Federal Bancorp.

Tax Consequences of the Conversion

We have received the opinion of Silver Freedman & Taff, L.L.P. and Munther Goodrum Sperry, Chartered, Boise, Idaho, respectively, that, under federal and Idaho income tax law and regulation, there will be no taxable gain or loss and no change in tax basis upon the receipt of exchange shares and that the conversion will not be a taxable event for us. This opinion, however, is not binding on the Internal Revenue Service. See The Conversion and Stock Offering Effects of the Conversion Tax Effects of the Conversion.

Benefits to Management from the Offering

Our employees, officers and directors will benefit from the offering as a result of various stock-based benefit plans. Full-time employees, including officers, are participants in our existing employee stock ownership plan, which will purchase additional shares of common stock in the offering. The employee stock ownership plan intends to purchase in the offering 8% of the aggregate shares sold in the offering, or if shares are not available, in the open market after the conversion. Our employee stock ownership plan expects to purchase up to 8.0% of the shares of common stock we sell in the offering, or 1,104,000 shares of common stock, assuming we sell the maximum number of the shares proposed to be sold which when combined with the existing shares held by the employee stock ownership plan will be less than 8.0% of the shares outstanding following the conversion as required by Office of Thrift Supervision regulations. A loan from new Home Federal Bancorp to the employee stock ownership plan, funded by a portion of the proceeds from this offering, will be used to purchase these shares. The loan will accrue interest at an appropriate interest rate in effect at the time the employee stock ownership loan is entered into. The employee stock ownership plan provides a retirement benefit to all employees eligible to participate in the plan.

Subsequent to completion of the offering, we intend to implement new stock option and stock recognition and retention plans which will benefit our employees and directors no earlier than six months after the conversion. Under these plans, we may award stock options and shares of restricted stock to employees and directors. Stock options will be granted at an exercise price equal to 100% of the fair market value of our common stock on the option grant date. Under the new stock option plan, we may grant stock options in an amount up to 10% of new

Home Federal Bancorp s common stock sold in the offering. Under the stock recognition and retention plan, we may award restricted stock in an amount equal to 3.5% of new Home Federal Bancorp s common stock sold in the offering. Shares of restricted stock will be awarded at no cost to the recipient. All the stock benefit plans will comply with all applicable Office of Thrift Supervision regulations. The new stock option and stock recognition and retention plans will supplement our existing 2005 Stock Option and Incentive Plan and 2005 Recognition and Retention Plan, which will continue as plans of new Home Federal Bancorp. Both the employee stock ownership plan and the recognition and retention plan will increase the voting control of management without a cash outlay by the recipient.

The number of options granted or shares awarded under the proposed and existing stock option plans and stock recognition and retention plans may not in the aggregate, pursuant to Federal regulations, exceed 10% and 4%, respectively, of our total outstanding shares (including shares sold to our employee stock ownership plan).

The additional shares purchased by the employee stock ownership plan and our new stock-based incentive plans will increase our future compensation costs, thereby reducing our earnings. 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. Additionally, stockholders will experience a reduction in their ownership interest if newly issued shares of common stock are used to fund stock options and restricted stock awards. In the event newly issued shares of our common stock are used to fund stock options and restricted stock option awards in an amount equal to 8.7% and 3.5% , respectively, of the shares sold in the offering, stockholders would experience dilution in their ownership interest of 4.9% and 2.0%, respectively, or 6.7% in the aggregate. See Risk Factors Risks Related to this Offering 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. and Management Benefits to Be Considered Following Completion of the Conversion and Reorganization.

The following table summarizes the new stock benefits that our officers, directors and employees may receive following the offering at the maximum of the offering range. It assumes that the proposed new stock option plan is approved by stockholders within one year after completion of the offering to permit the granting of options to purchase a number of shares equal to 8.7% of the shares sold in the offering and the proposed new stock recognition and retention plan is approved by stockholders within one year after completion of the offering to permit the awarding of a number of shares of common stock equal to 3.5% of the shares sold in the offering. It further assumes that, at the maximum of the offering range, a total of 13,800,000 shares will be sold to the public and that our tangible regulatory capital is 10% or more following the proposed stock issuance.

Number of Shares Based on Minimum of Offering	Number of Shares Based on Maximum of Offering	Plan	As a % of Shares Issued in the Conversion	Individuals Eligible to Receive Awards	As a % of Total Shares Sold in the Offering	Value of Benefits Based on Minimum of Offering Range (1)	Value of Benefits Based on Maximum of Offering Range (1)
						(In Thousands)	
816,000	1,104,000	Employee stock ownership plan	4.7 %	Employees	8.0 %	$ 8,160	$ 11,040
353,510	478,278	Restricted stock plan	2.0	Directors/ Employees	3.5	3,535	4,783
883,776	1,195,696	Stock option plan	5.1	Directors/ Employees	8.7	2,395	3,240
			11.9%				

(1) The actual value of the restricted stock awards will be determined based on their fair value as of the date the grants are made. For purposes of this table, fair value is assumed to be the offering price of $10.00 per share. The fair value of stock options has been estimated at $2.71 per option using the Black-Scholes option pricing model with the following assumptions: a grant-date share price and option exercise price of $10.00; dividend yield of 1.6%; expected option life of 10 years; risk free interest rate of 5.03% (based on the ten-year Treasury Note rate); and a volatility rate of 11.31% based on an index of publicly traded mutual holding company institutions. 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 option pricing model ultimately adopted.

The value of the restricted stock awards will be based on the price of Home Federal Bancorp s common stock at the time those shares are granted, which, subject to stockholder approval, cannot occur until at least six months after the offering is completed. The following table presents the total value of all restricted shares to be available for award and issuance under the new stock recognition and retention plan, assuming the shares for the plan are issued in a range of market prices from $8.00 per share to $14.00 per share.

Share Price	353,510 Shares Awarded at Minimum of Range	415,894 Shares Awarded at Midpoint of Range	478,278 Shares Awarded at Maximum of Range	550,020 Shares Awarded at Maximum of Range, as adjusted
	(In Thousands, Except Per Share Amounts)			
$ 8.00	$2,828	$3,327	$3,826	$ 4,400
$10.00	3,535	4,159	4,783	5,500
$12.00	4,242	4,991	5,739	6,600
$14.00	4,949	5,823	6,696	7,700

The grant-date fair value of the options granted under the stock-based incentive plan will be based in part on the price of new Home Federal Bancorp s common stock at the time the options are granted, which, subject to stockholder approval, cannot occur until at least six months after the offering is completed. The value also will depend on the various assumptions utilized in estimating the value using the Black-Scholes option pricing model. The following table presents the total estimated value of the options to be available for grant under the new stock option plan, assuming the market price and exercise price for the stock options are equal, with a range of market prices for the shares from $8.00 per share to $14.00 per share.

Market/Exercise Price	Grant-Date Fair Value Per Option	883,776 Options at Minimum of Range	1,039,736 Options at Midpoint of Range	1,195,696 Options at Maximum of Range	1,375,051 Options at Maximum of Range, as adjusted
	(In Thousands, Except Per Share Amounts)				
$ 8.00	$2.17	$1,918	$2,256	$2,595	$2,984
$10.00	2.71	2,395	2,818	3,240	3,726
$12.00	3.26	2,881	3,390	3,898	4,483
$14.00	3.80	3,358	3,951	4,544	5,225

The following table presents information regarding our existing employee stock ownership plan, options and restricted stock previously awarded under our 2005 Stock Option and Incentive Plan and our 2005 Recognition and Retention Plan, our employee stock ownership plan, and our proposed new stock option plan and new stock recognition and retention plan. The table below assumes that 23,410,090 shares are outstanding after the offering, which includes the sale of 13,800,000 shares in the offering at the maximum of the offering range and the issuance of 9,610,090 shares in exchange for shares of Home Federal Bancorp common stock using an exchange ratio of 1.5369. It is also assumed that the value of the stock is $10.00 per share and that the exchange of existing shares is in accordance with the exchange ratio at the maximum of the offering range.

Existing and New Stock Benefit Plans	Participants	Shares (1)	Estimated Value	Percentage of Shares Outstanding After the Conversion
			(In Thousands)	
Employee Stock Ownership Plan:	All Employees			
Shares purchased in 2004 mutual holding company reorganization		765,929(2)	$ 7,659	3.3%
Shares to be purchased in this offering		1,104,000	11,040	4.7
Total Employee Stock Ownership Plan		1,869,929	$ 18,699	8.0%
Recognition and Retention Plans:	Directors and Officers			
2005 Recognition and Retention Plan		458,138(3)	$ 4,581	2.0%
Proposed New Recognition and Retention Plan		478,278(4)	4,783	2.0
Total recognition and Retention Plan		936,416	$ 9,364	4.0%
Stock Option Plans:	Directors and Officers			
2005 Stock Option and Incentive Plan		1,145,342(5)	$ 2,978	4.9%
Proposed New Stock Option Plan		1,195,696	3,240	5.1%
Total Stock Option Plans		2,341,038	$ 6,218	10.0%
Total stock benefits plans		5,147,383	$ 34,281	22.0%

(1) Shares purchased or awarded and options granted prior to the conversion have been adjusted for the 1.5369 exchange ratio at the maximum of the offering range.
(2) Approximately 153,186 (99,672 shares prior to adjustment for the exchange ratio) of these shares have been allocated to the accounts of participants.
(3) A total of 74,836 shares (48,693 shares prior to adjustment for the exchange ratio) of the indicated 2005 Recognition and Retention Plan awards have vested, and the shares of Home Federal Bancorp common stock subject to these awards have been distributed.
(4) The actual value of new recognition and retention plan awards will be determined based on their fair value as of the date grants are made. For purposes of this table, fair value is assumed to be the same as the offering price of $10.00 per share.
(5) A total of 107,664 options (70,053 options prior to adjustment for the exchange ratio) of the indicated 2005 Stock Option Plan options have been exercised.
(6) The weighted-average fair value of stock options granted under the 2005 Stock Option and Incentive Plan is $2.60 using the Black-Scholes option pricing model. Prior to the adjustments for exchange ratio, the 2005 Stock Option Plan covered 745,229 shares (i.e., the total number of options that could be granted), before exercises of options. The assumptions used for the options were the following: exercise price, $12.20 to $17.43; dividend yield, 2.0%; expected life, five to eight years; expected volatility, 14.96% to 17.43% and risk-free interest rate, 3.98% to 4.72%. The fair value of stock options to be granted under the new stock option plan has been estimated at $2.71 per option using the Black-Scholes option pricing model with the following assumptions: exercise price, $10.00; trading price on date of grant, $10.00; dividend yield, 1.6%; expected life, ten years: expected volatility, 11.31%; and risk-free interest rate, 5.03%.

For a further discussion of benefits to management, see Management.

Conditions to Completing the Conversion and Offering

We are conducting the conversion and offering and the exchange of shares under the terms of our plan of conversion and reorganization. We cannot complete the conversion , offering and exchange of shares unless:

our plan of conversion and reorganization is approved by at least a majority of votes eligible to be cast by depositors and borrowers of Home Federal Bank;

our plan of conversion and reorganization is approved by at least two-thirds of the outstanding shares of our common stock entitled to vote at a meeting of stockholders of Home Federal Bancorp including the shares held by Home Federal MHC (because Home Federal MHC owns more than 50% of the outstanding shares of Home Federal Bancorp common stock, we expect that Home Federal MHC will control the outcome of this vote);

our plan of conversion and reorganization is approved by a majority of the outstanding shares of Home Federal Bancorp, excluding shares held by Home Federal MHC;

we sell at least the minimum number of shares of common stock offered; and

we receive approval from the Office of Thrift Supervision to complete the conversion and offering.

Home Federal MHC intends to vote its ownership interest in favor of the plan of conversion and reorganization. At June 30, 2007, Home Federal MHC owned 58.9% of the outstanding shares of common stock of Home Federal Bancorp. The directors and executive officers of Home Federal Bancorp and their affiliates beneficially owned 673,945 shares of Home Federal Bancorp, or 4.42% of the outstanding shares of common stock as of June 30, 2007. They have indicated their intention to vote those shares in favor of the plan of conversion and reorganization.

Delivery of Stock Certificates

Certificates representing shares of common stock issued in the offering and the exchange shares will be mailed to the persons entitled to receive these certificates at the certificate registration address noted on the order form, as soon as practicable following completion of the offering and receipt of all necessary regulatory approvals**. Until certificates for the shares of common stock are available and delivered to purchasers, purchasers may not be able to sell the shares of common stock which they ordered or received in the exchange, even though the common stock will have begun trading.**

Subscription Rights

Subscription rights are not allowed to be transferred, and we will act to ensure that you do not do so. We will not accept any stock orders that we believe involve the transfer of subscription rights.

Restrictions on the Acquisition of New Home Federal Bancorp

Federal regulations, as well as provisions contained in our articles of incorporation and bylaws, restrict the ability of any person, firm or entity to acquire new Home Federal Bancorp or its capital stock. These restrictions include the requirement that a potential acquirer of common stock obtain the prior approval of the Office of Thrift Supervision before acquiring in excess of 10% of the voting stock of new Home Federal Bancorp. Additionally, Office of Thrift Supervision regulations prohibit anyone from acquiring new Home Federal Bancorp for a period of three years following the offering, unless this prohibition is waived by the Office of Thrift Supervision. See Risk Factors Risks Related to the 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 new Home Federal Bancorp.

Important Risks in Owning New Home Federal Bancorp s Common Stock

Before you decide to purchase stock, you should read the Risk Factors section on pages 1 to 9 of this prospectus.

Stock Information Center

If you have any questions regarding the offering or our conversion to stock form, please call the stock information center at (208) 468-5151 from 9:00 a.m. to 5:00 p.m., Mountain time, Monday through Friday. The Stock Information Center is closed on weekends and bank holidays. The Stock Information Center is located at our main office, 500 12th Avenue South, Nampa, Idaho. The banking operations portion of our main office is separate and apart from the Stock Information Center and will not have offering materials and cannot accept completed order forms or proxy cards.

To ensure that you receive a prospectus at least 48 hours before the offering deadline, we may not mail a prospectus any later than five days prior to the offering deadline date or hand-deliver any prospectus later than two days prior to this date. Stock order forms may only be distributed with or preceded by a prospectus.

By signing the stock order form, you are acknowledging your receipt of a prospectus and your understanding that the shares are not a deposit account and are not insured or guaranteed by Home Federal MHC, Home Federal Bancorp, Home Federal Bank, new Home Federal Bancorp, the Federal Deposit Insurance Corporation or any other federal or state governmental agency.

We will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights. The subscription offering and all subscription rights is scheduled to expire at 12:00 Noon, Mountain time, on December 11, 2007, whether or not we have been able to locate each person entitled to subscription rights.

RISK FACTORS

You should consider these risk factors, in addition to the other information in this prospectus, 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 has 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 had been 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 this Offering

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.

Your subscription funds could be held for an extended time period and will be unavailable to you for other investments if completion of the conversion is delayed.

Your subscription funds could be held for an extended time period if the conversion is not completed by February 7, 2008, and the regulators give new Home Federal Bancorp more time to complete the conversion. If this occurs, your funds would not be available to use for other purposes. If the regulators give new Home Federal Bancorp more time to complete the conversion, new Home Federal Bancorp will contact everyone who subscribed for shares to see if they still want to purchase stock. A material change in the independent appraisal of new Home Federal Bancorp would be the most likely, but not necessarily the only, reason for a delay in completing the conversion. The conversion requirements permit the Office of Thrift Supervision to grant one or more time extensions, none of which may exceed 90 days. Extensions may not go beyond December 17, 2009.

Management and the board of directors have significant discretion over the investment of the offering proceeds and may not be able to achieve acceptable returns on the proceeds from the offering.

We expect that a significant amount of capital will be raised in this offering. The board of directors and management of new Home Federal Bancorp will have discretion in the investment of this additional capital. We will use a portion of the net proceeds retained to finance the purchase of common stock in the offering by the employee stock ownership plan and may use the remaining net proceeds to pay dividends to stockholders, repurchase shares of common stock, purchase securities, deposit funds in Home Federal Bank or other financial institutions, acquire other financial services companies or for other general corporate purposes. Home Federal Bank may use the proceeds it receives to fund new loans, establish or acquire new branches or loan production offices, acquire other financial service providers, purchase securities, or for general corporate purposes. We have not, however, identified specific amounts of proceeds for any of these purposes and we will have significant flexibility in determining the amount of net proceeds we apply to different uses and the timing of these applications. Our failure to utilize these funds effectively could reduce our profitability. We have not established a timetable for the effective deployment of the proceeds, and we cannot predict how long we will require to effectively deploy the proceeds. Initially, a substantial portion of the net proceeds will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities. Investing the offering proceeds in securities until we are able to deploy the proceeds will provide lower margins than we generally earn on loans, potentially adversely affecting stockholder returns, including earnings per share, return on assets and return on equity.

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, our 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.

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

OPERATING DATA:	Nine Months Ended June 30, 2007	2006	Year Ended September 30, 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

	At or For the Nine Months Ended June 30, (1)		At or For the Year Ended September 30,				
KEY FINANCIAL RATIOS:	2007	2006	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 THIS OFFERING

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 Per Share
	High	Low	
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.

	Home Federal Bancorp Capitalization at June 30, 2007	New Home Federal Bancorp Pro Forma Based Upon Sale at $10.00 Per Share			
		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 25)*

	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 25)

	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 25)*

	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:

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

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		2006		Increase/ (Decrease) in Interest Expense from 2006
	Average Balance	Cost	Average Balance	Cost	
	(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

34

increase during the period was primarily attributable to the $14.0 million, or 2.0%, increase in the average balance of 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	Increase (Decrease) 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 Average Balance	Yield	2006 Average Balance	Yield	Increase/ (Decrease) in Interest and Dividend Income from 2006
	(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 Average Balance	Cost	2006 Average Balance	Cost	Increase/ (Decrease) in Interest Expense from 2006
	(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

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:

			Increase/(Decrease)	
	Balance at September 30, 2006	Balance at September 30, 2005	Amount	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 Average Balance	2005 Yield	2004 Average Balance	2004 Yield	Increase/ (Decrease) in Interest and Dividend Income from 2004
	(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,
Multi-family residential	2,009	0.40	2,055	0.41	2,119	0.48	2,136	0.54	2,137	0.57	2,
Commercial	22,214	4.48	19,236	3.79	16,303	3.74	12,428	3.13	8,461	2.25	8,
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,
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,
Total consumer	16,999	3.43	14,268	2.82	11,009	2.53	10,180	2.57	7,672	2.04	6,
Commercial business	1,427	0.29	622	0.12	1,091	0.25	642	0.16	775	0.21	1,4