

Home Federal Bancorp, Inc.
Form 8-K
October 31, 2008

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

FORM 8-K

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

Date of Report: October 31, 2008

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

Maryland
(State or other jurisdiction
of incorporation)

000-52995
(Commission File
Number)

26-0886727
(I.R.S. Employer
Identification No.)

500 12th Avenue South
Nampa, Idaho 83651
(Address of principal executive offices and zip code)

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

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

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

Item 2.02 Results of Operations and Financial Condition.

On October 31, 2008 Home Federal Bancorp, Inc. issued its earnings release for the fourth quarter of its fiscal year ended September 30, 2008. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press release of Home Federal Bancorp, Inc. dated October 31, 2008

SIGNATURES

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

HOME FEDERAL BANCORP, INC.

Date: October 31, 2008

By: /s/Eric S. Nadeau
Eric S. Nadeau
Executive Vice President and Chief Financial Officer

Exhibit 99.1

Press release of Home Federal Bancorp, Inc. dated October 31, 2008

500 12th Ave. South * Nampa, ID 83651

Contact:
Home Federal Bancorp, Inc.
Len E. Williams, President & CEO
Eric S. Nadeau, EVP, Treasurer & CFO
208-466-4634
www.myhomefed.com

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

Nampa, ID (October 31, 2008) – Home Federal Bancorp, Inc. (the “Company”) (Nasdaq GSM: HOME), the parent company of Home Federal Bank (the “Bank”), today announced fourth quarter earnings for the fiscal year ending September 30, 2008. For the quarter ended September 30, 2008, the Company reported net income of \$1.0 million, or \$0.06 per diluted share compared to \$1.2 million, or \$0.07 per diluted share, for the same period a year ago. Net income for the fiscal year ended September 30, 2008, was \$4.0 million, or \$0.25 per diluted share, compared to \$5.3 million, or \$0.31 per diluted share, for the fiscal year ended September 30, 2007. Earnings per share for the prior periods have been adjusted to reflect the impact of the second-step conversion and reorganization of the Company, which was completed on December 19, 2007.

Operating Results

Revenues for the quarter ended September 30, 2008, which consisted of net interest income before the provision for loan losses plus noninterest income, increased 11% to \$8.6 million, compared to \$7.7 million for the quarter ended September 30, 2007. Net interest income before the provision for loan losses increased 15% to \$5.9 million for the quarter ended September 30, 2008 compared to \$5.1 million for the same quarter of the prior year. The increase in net interest income is primarily attributable to a decrease in interest expense. Balances of Federal Home Loan Bank borrowings were lower for the quarter ended September 30, 2008 than in the same period of the prior year as maturing advances were repaid with excess liquidity.

Revenues for the fiscal year ended September 30, 2008, increased 2% to \$33.1 million, compared to \$32.6 million for the same period of last year. Net interest income before the provision for loan losses increased 6% to \$22.6 million compared to \$21.3 million for the same period of the prior year.

The Company’s net interest margin increased 37 basis points to 3.41% for the quarter ended September 30, 2008, from 3.04% for the same quarter last year. The net interest margin for the fiscal year ended September 30, 2008 increased 18 basis points to 3.21% from 3.03% for the same period a year earlier. The improvement in the net interest margin is primarily attributable to the increase in interest-earning assets during fiscal 2008 that resulted from the proceeds of the Company’s second step conversion and stock offering completed on December 19, 2007. In addition, decreases in interest expense and a shift in the loan portfolio toward higher yielding commercial real estate loans from residential mortgage loans also contributed to the increase in the margin in 2008.

A provision for loan losses of \$1.1 million was established by management in connection with its analysis of the loan portfolio for the quarter ended September 30, 2008, compared to \$338,000 for the same quarter of the prior year. The provision for loan losses was \$2.4 million for the fiscal year ended September 30, 2008, compared to \$409,000 for the prior fiscal year. Asset quality performance is discussed further below in this release.

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Noninterest income was basically flat year over year at \$2.6 million for both the quarters ended September 30, 2008 and 2007. Fee income from deposit accounts increased \$51,000 during the fourth quarter of 2008 compared to the fourth quarter of 2007. For the fiscal year ended September 30, 2008, noninterest income decreased 7% to \$10.5 million, compared to \$11.3 million for the prior fiscal year. A decrease in gain on sale of loans of \$655,000 was the primary reason for the decline.

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Noninterest expense for the quarter ended September 30, 2008, increased \$515,000, or 9%, to \$6.0 million, from \$5.4 million for the comparable period a year earlier. The Company's efficiency ratio was 69.7% for the quarter ended September 30, 2008 compared to 70.5% for the same quarter a year ago. Compensation and benefit expenses increased \$733,000, or 25%, to \$3.6 million for the quarter ended September 30, 2008, compared to \$2.9 million for the same quarter a year ago. The majority of the increase in compensation expense in 2008 is attributable to higher costs associated with the Bank's employee stock ownership plan, the reversal of incentive accruals in the prior year, and an upward adjustment in accrued vacation in 2008. The efficiency ratio was 73.8% for the fiscal year ended September 30, 2008 compared to 72.5% for the prior fiscal year.

Balance Sheet

Total assets increased 2% to \$725.1 million at September 30, 2008, compared to \$710.0 million a year earlier. The \$15.1 million increase in total assets was primarily attributable to \$88.3 million in net proceeds raised from the Company's second-step conversion and stock offering completed on December 19, 2007. This increase was partially offset by decreases in deposits and borrowings during this same period of \$31.7 million and \$43.8 million, respectively.

Securities. Mortgage-backed securities increased \$26.5 million to \$188.8 million at September 30, 2008, compared to \$162.3 million at September 30, 2007. The increase is attributable to purchases made with proceeds from the Company's second step conversion and stock offering. Approximately 98% of the Company's mortgage-backed securities were issued by U.S. government sponsored enterprises. The Company does not own subordinated debt or preferred or common equity securities issued by Freddie Mac or Fannie Mae. At September 30, 2008, the Company held \$9.6 million of stock in the Federal Home Loan Bank of Seattle.

Loans. Net loans (excluding loans held for sale) at September 30, 2008, decreased 4% to \$459.8 million, compared to \$480.1 million at September 30, 2007. One- to four-family residential loans represented 45% of the Bank's loan portfolio at September 30, 2008, compared to 52% at September 30, 2007. The Company currently originates conventional one- to four-family residential loans for sale in the secondary market. As a result, the residential loan portfolio will likely continue to decline as new loans are not added to the portfolio. The Company plans to continue its increased emphasis on commercial and small business banking products. Commercial loans, including commercial real estate, multi-family, construction and acquisition and development loans, totaled \$198.6 million at September 30, 2008, compared to \$187.7 million at September 30, 2007.

Asset Quality. Loans delinquent 30 to 89 days totaled \$6.5 million at September 30, 2008, compared to \$2.0 million at June 30, 2008, and \$2.8 million at September 30, 2007. Non-performing assets and impaired loans totaled \$10.6 million or 2% of gross loans at September 30, 2008, compared to \$3.5 million at June 30, 2008, and \$2.1 million at September 30, 2007. The allowance for loan losses was \$4.6 million, or 0.98% of gross loans, at September 30, 2008, compared to \$3.0 million, or 0.62% of gross loans, at September 30, 2007. The increase in non-performing and impaired loans is a result of the rapid deterioration of the residential construction market in the Treasure Valley.

The following table summarizes the change in nonperforming and impaired loans from June 30, 2008:

| (in thousands) | September 30, 2008 | | June 30, 2008 | |
|----------------------------------|--------------------|--------------|---------------|--------------|
| | Balance | Loss Reserve | Balance | Loss Reserve |
| Land acquisition and development | \$ 3,975 | \$ 916 | \$ 906 | \$ 277 |
| One- to four-family construction | 4,239 | 596 | 458 | 55 |
| One- to four-family residential | 1,701 | 219 | 1,381 | 324 |

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| | | | | | | | | |
|--|----|-------|----|-------|----|-------|----|-----|
| Other | | 30 | | 2 | | 10 | | -- |
| Total nonperforming and impaired loans | \$ | 9,945 | \$ | 1,733 | \$ | 2,755 | \$ | 656 |

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Commenting on asset quality, President and Chief Executive Officer Len E. Williams stated, "Clearly we are disappointed with the deterioration in our construction and land development loan portfolios. However, we recognized last year that these portfolios were about to undergo stress, so we increased the monitoring of the performance of all of our construction and land development loans. At September 30, 2008, construction and land development loans comprised 7% of our loan portfolio."

Deposits. Deposits decreased 8% to \$372.9 million at September 30, 2008, compared to \$404.6 million at September 30, 2007. Demand deposits and savings accounts increased \$6.1 million, or 3%, to \$195.5 million at September 30, 2008. The increase was a result of growth in money market and non-interest bearing commercial demand deposit accounts. Certificates of deposit decreased \$37.8 million, or 18%, to \$177.4 million at September 30, 2008, compared to \$215.2 million at September 30, 2007. The decrease in certificates of deposit was primarily the result of the Bank choosing not to match rates offered by local competitors that in some instances exceeded the Bank's cost of alternative funding sources. Advances from the Federal Home Loan Bank of Seattle decreased 24% to \$137.0 million at September 30, 2008 compared to \$180.7 million at September 30, 2007. The decrease resulted from maturing advances being repaid with excess liquidity.

Equity. Stockholders' equity increased \$92.6 million, or 82%, to \$205.2 million at September 30, 2008, compared to \$112.6 million at September 30, 2007. The increase was primarily a result of the \$88.3 million in net proceeds received from the second-step conversion and stock offering. The Company sold approximately 9.4 million shares of common stock in its subscription, community and syndicated community offerings and issued approximately 7.1 million shares of common stock in exchange for the previously outstanding shares of the Bank's former mid-tier holding company. A portion of the offering proceeds was used to fund a loan to the Company's employee stock ownership plan ("ESOP"), which purchased approximately 816,000 shares of the Company's common stock for an aggregate of \$8.2 million.

Other significant activity among equity accounts over the past twelve months included \$4.0 million in net income, the allocation of earned ESOP shares, equity compensation and the exercise of stock options totaling \$2.4 million, and an \$826,000 decrease in unrealized losses on securities available for sale, offset by \$3.0 million in cash dividends paid to stockholders. The Company's book value per share as of September 30, 2008 was \$11.81 per share based upon 17,374,161 outstanding shares of common stock.

Commentary on the Troubled Asset Relief Program (TARP)

On October 24, 2008, the Company's Board of Directors passed a resolution that stated the Company will not participate in the U.S. Treasury Department's Capital Purchase Program under the TARP. Mr. Williams commented, "In December 2007, we raised \$88.3 million of common stock for Home Federal Bancorp, Inc., through our second step conversion. At September 30, 2008, Home Federal Bank's risk based capital ratio was 32.8%. We do not intend to apply for government assistance through the TARP Capital Purchase Program. We believe our high capital level and liquid balance sheet provides us flexibility in today's environment to execute our organic growth and acquisition plans without TARP capital."

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About the Company

Home Federal Bancorp, Inc. is a Maryland corporation headquartered in Nampa, Idaho, and is the savings and loan holding company of Home Federal Bank, a federal savings bank that was originally organized as a building and loan association in 1920. The Company serves the Treasure Valley region of southwestern Idaho that includes Ada, Canyon, Elmore and Gem Counties, through 15 full-service banking offices and one loan center. The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "HOME." The Company's stock is also included in the America's Community Bankers NASDAQ Index. For more information, visit the Company's web site at www.myhomefed.com.

Forward-Looking Statements:

Statements in this news release regarding future events, performance or results are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA") and are made pursuant to the safe harbors of the PSLRA. These forward-looking statements relate to, among other things, expectations of the business environment in which the Company operates, projections of future performance, perceived opportunities in the market, potential future credit experience, and statements regarding the Company's mission and vision. These forward-looking statements are based upon current management expectations and may, therefore, involve risks and uncertainties. Actual results could be materially different from those expressed or implied by the forward-looking statements. Factors that could cause results to differ include but are not limited to: general economic and banking business conditions, competitive conditions between banks and non-bank financial service providers, interest rate fluctuations, the credit risk of lending activities, including changes in the level and trend of loan delinquencies and write-offs; results of examinations by our banking regulators, regulatory and accounting changes, the value of mortgage servicing rights, risks related to construction and development lending, commercial and small business banking and other risks. Additional factors that could cause actual results to differ materially are disclosed in Home Federal Bancorp, Inc.'s recent filings with the Securities and Exchange Commission, including but not limited to its Annual Report on Form 10-K for the year ended September 30, 2007, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Forward-looking statements are accurate only as of the date released, and we do not undertake any responsibility to update or revise any forward-looking statements to reflect subsequent events or circumstances.

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HOME FEDERAL BANCORP, INC. AND SUBSIDIARY
 CONSOLIDATED BALANCE SHEETS
 (In thousands, except share data) (Unaudited)

| | September 30, 2008 | September 30, 2007 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and amounts due from depository institutions | \$ 23,270 | \$ 20,588 |
| Certificates of deposit in correspondent bank | 5,000 | - |
| Mortgage-backed securities available for sale, at fair value | 188,787 | 162,258 |
| Federal Home Loan Bank ("FHLB") stock, at cost | 9,591 | 9,591 |
| Loans receivable, net of allowance for loan losses of \$4,579 and \$2,988 | 459,813 | 480,118 |
| Loans held for sale | 2,831 | 4,904 |
| Accrued interest receivable | 2,681 | 2,804 |
| Property and equipment, net | 15,246 | 12,364 |
| Mortgage servicing rights, net | 1,707 | 2,047 |
| Bank owned life insurance | 11,590 | 11,168 |
| Real estate and other property owned | 650 | 549 |
| Deferred income tax asset | 1,770 | 1,245 |
| Other assets | 2,134 | 2,318 |
| TOTAL ASSETS | \$ 725,070 | \$ 709,954 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Deposit accounts: | | |
| Noninterest-bearing demand deposits | \$ 41,398 | \$ 38,643 |
| Interest-bearing demand deposits | 127,714 | 127,659 |
| Savings deposits | 26,409 | 23,116 |
| Certificates of deposit | 177,404 | 215,191 |
| Total deposit accounts | 372,925 | 404,609 |
| Advances by borrowers for taxes and insurance | 1,386 | 1,605 |
| Interest payable | 552 | 731 |
| Deferred compensation | 5,191 | 4,515 |
| FHLB advances | 136,972 | 180,730 |
| Other liabilities | 2,857 | 5,127 |
| Total liabilities | 519,883 | 597,317 |
| STOCKHOLDERS' EQUITY | | |
| Serial preferred stock, \$.01 par value; 10,000,000 authorized, issued and outstanding, none | - | - |
| Common stock, \$.01 par value; 90,000,000 authorized, issued and outstanding: | | |
| Sept. 30, 2008 - 17,412,449 issued, 17,374,161 outstanding | 174 | 152 |
| Sept. 30, 2007 - 15,278,803 issued, 15,232,243 outstanding | | |
| Additional paid-in capital | 157,205 | 59,613 |

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| | | |
|--|------------|------------|
| Retained earnings | 59,814 | 58,795 |
| Unearned shares issued to ESOP | (10,606) | (3,698) |
| Accumulated other comprehensive loss | (1,400) | (2,225) |
| Total stockholders' equity | 205,187 | 112,637 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 725,070 | \$ 709,954 |

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HOME FEDERAL
 BANCORP, INC. AND
 SUBSIDIARY
 CONSOLIDATED
 STATEMENTS OF INCOME

(In thousands, except share
 data) (Unaudited)

| | Three Months Ended September 30, | | Year Ended September 30, | |
|---|-------------------------------------|----------|-----------------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| Interest and dividend income: | | | | |
| Loan interest | \$ 7,296 | \$ 8,222 | \$ 30,686 | \$ 33,553 |
| Investment interest | 121 | 122 | 1,012 | 345 |
| Mortgage-backed security interest | 2,279 | 2,019 | 8,742 | 8,692 |
| FHLB dividends | 33 | 15 | 143 | 48 |
| Total interest and dividend income | 9,729 | 10,378 | 40,583 | 42,638 |
| Interest expense: | | | | |
| Deposits | 2,170 | 3,133 | 10,685 | 12,279 |
| FHLB advances | 1,656 | 2,115 | 7,250 | 9,057 |
| Total interest expense | 3,826 | 5,248 | 17,935 | 21,336 |
| Net interest income | 5,903 | 5,130 | 22,648 | 21,302 |
| Provision for loan losses | 1,114 | 338 | 2,431 | 409 |
| Net interest income after provision for loan losses | 4,789 | 4,792 | 20,217 | 20,893 |
| Noninterest income: | | | | |
| Service charges and fees | 2,346 | 2,329 | 9,077 | 9,308 |
| Gain on sale of loans | 204 | 251 | 764 | 1,419 |
| Increase in cash surrender value of bank owned life insurance | 107 | 104 | 421 | 405 |
| Loan servicing fees | 115 | 129 | 484 | 549 |
| Mortgage servicing rights, net | (134) | (222) | (340) | (445) |
| Other | 9 | 5 | 84 | 45 |
| Total noninterest income | 2,647 | 2,596 | 10,490 | 11,281 |
| Noninterest expense: | | | | |
| Compensation and benefits | 3,619 | 2,886 | 15,211 | 14,249 |
| Occupancy and equipment | 765 | 726 | 3,007 | 2,871 |
| Data processing | 530 | 548 | 2,198 | 2,097 |
| Advertising | 257 | 487 | 1,043 | 1,427 |
| Postage and supplies | 149 | 163 | 617 | 650 |
| Professional services | 255 | 236 | 788 | 856 |
| Insurance and taxes | 150 | 106 | 533 | 429 |
| Other | 233 | 291 | 1,042 | 1,057 |
| Total noninterest expense | 5,958 | 5,443 | 24,439 | 23,636 |
| Income before income taxes | 1,478 | 1,945 | 6,268 | 8,538 |

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| | | | | |
|--|------------|---------------|---------------|---------------|
| Income tax expense | 484 | 750 | 2,263 | 3,267 |
| NET INCOME | \$ 994 | \$ 1,195 | \$ 4,005 | \$ 5,271 |
| Earnings per common share: | | | | |
| Basic | \$0.06 | \$0.07(1) | \$0.25(1) | \$0.32(1) |
| Diluted | 0.06 | 0.07(1) | 0.25(1) | 0.31(1) |
| Weighted average number of shares outstanding: | | | | |
| Basic | 16,042,720 | 16,665,710(1) | 16,233,200(1) | 16,602,082(1) |
| Diluted | 16,078,302 | 16,737,825(1) | 16,252,747(1) | 16,767,219(1) |
| Dividends declared per share: | \$0.055 | \$0.048(1) | \$0.213(1) | \$0.194(1) |

(1) Earnings per share, dividends per share and average common shares outstanding have been adjusted to reflect the impact of the second-step conversion and reorganization of the Company, which occurred on December 19, 2007.

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| HOME FEDERAL BANCORP, INC. AND SUBSIDIARY ADDITIONAL FINANCIAL INFORMATION (Dollars in thousands, except share data) (Unaudited) | At Or For The Year Ended Sept. 30, 2008 | At Or For The Year Ended Sept. 30, 2007 | | |
|--|---|---|---|---------------|
| FINANCIAL CONDITION DATA | | | | |
| Average interest-earning assets | \$705,794 | \$703,675 | | |
| Average interest-bearing liabilities | 512,061 | 582,936 | | |
| Net average earning assets | 193,733 | 120,739 | | |
| Average interest-earning assets to average interest-bearing liabilities | 137.83% | 120.71% | | |
| Stockholders' equity to assets | 28.30 | 15.87 | | |
| ASSET QUALITY | | | | |
| Allowance for loan losses | \$4,579 | \$2,988 | | |
| Non-performing loans | 9,945 | 1,531 | | |
| Non-performing assets | 10,596 | 2,080 | | |
| Allowance for loan losses to non-performing loans | 46.04% | 195.17% | | |
| Allowance for loan losses to gross loans | 0.98 | 0.62 | | |
| Non-performing loans to gross loans | 2.14 | 0.32 | | |
| Non-performing assets to total assets | 1.46 | 0.29 | | |
| | At Or For The Three Months Ended Sept. 30, 2008 | 2007 | At Or For The Year Ended Sept. 30, 2008 | 2007 |
| SELECTED PERFORMANCE RATIOS | | | | |
| Return on average assets (1) | 0.54% | 0.67% | 0.54% | 0.71% |
| Return on average equity (1) | 1.94 | 4.27 | 2.16 | 4.75 |
| Pre-tax, pre-provision return on average assets (5) | 1.42 | 1.28 | 1.17 | 1.21 |
| Net interest margin (1) | 3.41 | 3.04 | 3.21 | 3.03 |
| Efficiency ratio (2) | 69.68 | 70.46 | 73.75 | 72.54 |
| PER SHARE DATA | | | | |
| Basic earnings per share | \$0.06 | \$0.07(4) | \$0.25(4) | \$0.32(4) |
| Diluted earnings per share | 0.06 | 0.07(4) | 0.25(4) | 0.31(4) |
| Book value per share | 11.81 | 6.51(4) | 11.81 | 6.51(4) |
| Cash dividends declared per share | 0.055 | 0.048(4) | 0.213(4) | 0.194(4) |
| Average number of shares outstanding: | | | | |
| Basic (3) | 16,042,720 | 16,665,710(4) | 16,233,200(4) | 16,602,082(4) |
| Diluted (3) | 16,078,302 | 16,737,825(4) | 16,252,747(4) | 16,767,219(4) |

(1) Amounts are annualized.

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- (2) Noninterest expense divided by net interest income plus noninterest income.
 - (3) Amounts calculated exclude ESOP shares not committed to be released and unvested restricted shares granted under the 2005 Recognition and Retention Plan.
 - (4) Earnings per share, book value per share, dividends per share and average common shares outstanding have been adjusted to reflect the impact of the second-step conversion and reorganization of the Company, which occurred on December 19, 2007.
 - (5) Income before income taxes plus provision for loan losses divided by average assets for the period presented.
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