



SERVING our area since 1925  
*"There's no place like home."*

**2011 SECOND QUARTER REPORT**  
 June 30, 2011

## To Our Shareholders

Our expectations as disclosed in the December 31, 2010 quarterly letter to you are being met as we have completed the first half of the year. These expectations dealt with improved Net Interest Income, Asset Quality, Balance Sheet Structure and Net Income.

We continue to improve our Net Interest Income and Net Interest Margin. Quarterly Net Interest Income of \$1.1 million continues to track very closely to our budget.

Our Asset Quality Ratios continue to improve as a result of reducing Non-Performing Loans and Real Estate Owned properties. Non-Performing Loans have reduced from \$2.6 million as of 12/31/2010 to \$1.8 million as of 6/30/2011. Real Estate Owned has decreased from \$714,000 to \$346,000. Gross loans charged off for the first half of the year were \$114,000 with loan recoveries of \$42,000.

We continue to change our asset/liability mix on the balance sheet. During the latter part of the second quarter, we purchased approximately \$9 million in investments while reducing our Overnight Investments, which were only yielding a quarter of a percent. This change will continue to improve our Net Interest Income. During the first half of the year, we paid off \$13 million of high costing Federal Home Loan Bank Advances.

Net Income for the quarter was \$164,000 (20¢ per share) and \$327,000 (41¢ per share) year-to-date as compared to \$255,000 (32¢ per share) for the same

period last year. Our increased earnings were the result of our improved Net Interest Income as opposed to decreasing our Provision for Loan Losses. Provision for Loan Loss of \$270,000 was equivalent to the prior year.

During the second quarter, Home City entered into contracts to acquire a new loan processing system and to sell the remaining balances of our credit card portfolio, which is less than \$150,000. These transactions will occur in the fourth quarter and will ultimately translate to improved staff efficiencies.

**Our core and risk based capital continue to meet the levels required to be designated well capitalized under Office of Thrift Supervision regulations. Effective July 2011, Home City will transition to our new regulator, the Office of the Comptroller of Currency.**

I am encouraged by the increase in deposits, new loan originations and number of new customers being introduced to our bank. Have a safe summer and thank you for your investment in Home City Financial Corporation.

Sincerely,

J. William Stapleton  
 President & CEO

**Internet Banking is Available at our Website:**  
[www.homecityfederal.com](http://www.homecityfederal.com)

# Home City

FINANCIAL CORPORATION

## Directors

Glenn W. Collier  
 John D. Conroy, *Chairman*  
 James M. Foreman  
 Terry A. Hoppes  
 J. William Stapleton

## Officers

Patti S. Ark	Debra S. Moore
Peter E. Duffey	Gary D. Smart
Cynthia J. Gorby	* J. William Stapleton
* Don E. Lynam	* Donna M. Williams

\* *Executive Officer*

## Shareholders' Information

Stock Listing: OTCBB Symbol – HCFL  
 CUSIP # 43706C209

Shareholder Inquiries:

J. William Stapleton  
*President, CEO*  
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 Donna M. Williams  
*Executive VP of Operations, CFO*  
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 Home City Financial Corporation  
 2454 North Limestone Street  
 Springfield, Ohio 45503  
 (937) 390-0470

Transfer Agent: Illinois Stock Transfer Company  
 209 West Jackson Blvd., Suite 903  
 Chicago, Illinois 60606  
 (312) 427-2953

## Locations



2454 North Limestone Street  
 Springfield, Ohio 45503  
 (937) 390-0470  
 ATM available

63 West Main Street  
 Springfield, Ohio 45502  
 (937) 322-5844



## Home City Financial Corporation

### Consolidated Statement of Condition

#### ASSETS

	June 30, 2011	March 31, 2011	December 31, 2010	June 30, 2010
		(Unaudited)		
		(Dollars in thousands)		
Cash and due from banks	\$ 444	\$ 355	\$ 449	\$ 7,425
Interest-bearing demand deposits	7,047	17,414	22,863	10,943
Federal funds sold	55	67	16	26
Cash and cash equivalents	<u>7,546</u>	<u>17,836</u>	<u>23,328</u>	<u>18,394</u>
Available-for-sale securities	9,285	171	133	1,141
Loans	111,927	111,604	111,655	113,918
Allowance for loan losses	(1,702)	(1,603)	(1,503)	(1,694)
Loans, net	<u>110,225</u>	<u>110,001</u>	<u>110,152</u>	<u>112,224</u>
Premises and equipment	2,707	2,722	2,752	2,774
Federal Home Loan Bank stock	2,734	2,734	2,734	2,734
Interest receivable	493	469	460	505
Cash surrender value of life insurance	4,158	4,122	4,086	4,012
Deferred taxes	859	780	870	824
Prepaid FDIC Insurance	332	381	429	513
Other	469	892	915	1,269
Total assets	<u>\$ 138,808</u>	<u>\$ 140,108</u>	<u>\$ 145,859</u>	<u>\$ 144,390</u>

#### LIABILITIES

Deposits				
Demand	\$ 8,632	\$ 7,194	\$ 5,890	\$ 4,959
Savings, NOW and money market	34,363	31,871	29,754	26,424
Time	68,750	70,990	72,000	69,872
Total deposits	<u>111,745</u>	<u>110,055</u>	<u>107,644</u>	<u>101,255</u>
Federal Home Loan Bank advances	12,654	15,782	23,899	29,369
Interest payable and other liabilities	1,769	1,806	1,996	1,647
Total liabilities	<u>126,168</u>	<u>127,643</u>	<u>133,539</u>	<u>132,271</u>

#### SHAREHOLDERS' EQUITY

Preferred shares, no par value, authorized 1,000,000 shares; none issued	0	0	0	0
Common shares, no par value, authorized 5,000,000 shares; issued 950,659 shares	0	0	0	0
Additional paid-in capital	5,861	5,846	5,845	5,844
Retained earnings	8,690	8,574	8,459	8,260
Accumulated other comprehensive gain (loss)	79	35	6	5
Treasury shares, at cost, 146,223 shares	(1,990)	(1,990)	(1,990)	(1,990)
Total shareholders' equity	<u>12,640</u>	<u>12,465</u>	<u>12,320</u>	<u>12,119</u>
Total liabilities and shareholders' equity	<u>\$ 138,808</u>	<u>\$ 140,108</u>	<u>\$ 145,859</u>	<u>\$ 144,390</u>

Columns may not add due to rounding

## Home City Financial Corporation

### Consolidated Statement of Income

	Three months ended			Six months ended	
	June 30, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
		(Unaudited)			
		(Dollars in thousands except per share data)			
<b>Interest and dividend income</b>					
Loans	\$ 1,629	\$ 1,658	\$ 1,716	\$ 3,287	\$ 3,494
Securities	17	1	4	18	8
Federal funds sold	0	0	1	0	1
Dividends on Federal Home Loan Bank stock	30	31	31	61	62
Deposits with financial institutions	9	12	22	21	55
Total interest and dividend income	<u>1,685</u>	<u>1,702</u>	<u>1,774</u>	<u>3,387</u>	<u>3,620</u>
<b>Interest expense</b>					
Deposits	466	474	539	940	1,094
Borrowings	85	142	258	227	514
Total interest expense	<u>551</u>	<u>616</u>	<u>797</u>	<u>1,167</u>	<u>1,608</u>
<b>Net interest income</b>	<u>1,134</u>	<u>1,086</u>	<u>977</u>	<u>2,220</u>	<u>2,012</u>
<b>Provision for loan losses</b>	<u>145</u>	<u>125</u>	<u>125</u>	<u>270</u>	<u>270</u>
<b>Net interest income after provision for loan losses</b>	<u>989</u>	<u>961</u>	<u>852</u>	<u>1,950</u>	<u>1,742</u>
<b>Noninterest income</b>					
Service charges on deposits	28	23	18	51	38
Life insurance	47	47	47	94	94
Gain on sale of real estate owned	15	22	0	37	0
Other	29	38	76	67	102
Total noninterest income	<u>119</u>	<u>130</u>	<u>141</u>	<u>249</u>	<u>234</u>
<b>Noninterest expense</b>					
Salaries and employee benefits	443	417	422	860	826
Net occupancy expense	79	73	59	152	118
Equipment expense	49	55	37	105	73
Data processing fees	64	61	60	125	134
Professional fees	60	57	64	117	122
Franchise taxes	36	36	30	72	60
FDIC insurance	49	54	44	103	90
Other real estate owned	23	29	38	51	42
Other	63	69	64	132	132
Total noninterest expense	<u>866</u>	<u>851</u>	<u>818</u>	<u>1,717</u>	<u>1,597</u>
<b>Income before income tax</b>	<u>242</u>	<u>240</u>	<u>175</u>	<u>482</u>	<u>379</u>
<b>Provision for income taxes</b>	<u>78</u>	<u>77</u>	<u>52</u>	<u>155</u>	<u>124</u>
<b>Net income</b>	<u>\$ 164</u>	<u>\$ 163</u>	<u>\$ 123</u>	<u>\$ 327</u>	<u>\$ 255</u>
<b>Per share data</b>					
Basic earnings per share	\$ 0.20	\$ 0.20	\$ 0.16	\$ 0.41	\$ 0.32
Diluted earnings per share	\$ 0.20	\$ 0.20	\$ 0.16	\$ 0.41	\$ 0.32
Cash dividend per share	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12
Market value per share	\$ 8.79	\$ 8.56	\$ 6.50	\$ 8.79	\$ 6.50
Book value per share	\$ 15.71	\$ 15.50	\$ 15.06	\$ 15.71	\$ 15.06
Weighted-average shares outstanding-basic	803,917	803,917	803,562	803,917	803,460
<b>Asset quality ratios</b>					
Non-performing loans to total loans				1.61%	3.08%
Allowance for loan losses to total loans				1.54%	1.49%
Net charge-offs to average loans				0.06%	0.42%