

Dear Shareholder:

Please find enclosed the Annual Report and Proxy Statement as of December 31, 2010. The Annual Meeting is scheduled for Wednesday, April 27, 2011. Whether or not you expect to attend the Annual Meeting, we urge you to consider the accompanying Proxy Statement carefully and to sign, date and promptly return the enclosed proxy so that your shares may be voted in accordance with your wishes and the presence of a quorum may be assured at the annual meeting. This year marks the first year our Shareholders are given the opportunity to vote electronically. The giving of a proxy does not affect your right to vote in person in the event you attend the Annual Meeting.

Market value per common share has continually shown signs of improvement from the low of \$4.25 during the first quarter of 2009 to the current value of \$9.00 at the close of December 31, 2010. We were pleased with the fact that we have continually been able to pay a quarterly dividend of \$.06 per share. Home City is pleased to report net income of \$551,000. Our earnings were a direct result of improving net interest margins and implementing practices to reduce non-interest expenses. Our Net Interest Margin of 3.13% exceeded each of the prior three years. Non Interest Expenses of \$3,261,000 continually have been decreased when compared to the prior seven years.

Non Performing Loans (Asset Quality) continue to be our highest priority. Net Charge Offs to Average Loans was .83%, which decreased from the prior year, but are still above our desired levels. We continue to analyze our loan portfolio on a quarterly basis to ensure our Loan Loss Reserve is adequately funded.

Our strategic plan for 2011- 2013:

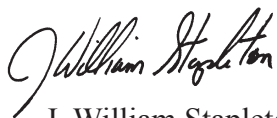
- Earnings improvement
- Reduce our cost of funds
- Reduce our Non Performing Loans

Our core and risk based capital continue to meet the levels required to be designated well capitalized under Office of Thrift Supervision regulations.

I will further communicate with each of you regarding our progress in the March 2011 quarterly report with an anticipated release date prior to our shareholder meeting.

Thank you for your investment in Home City Financial Corporation and I look forward to seeing you at the Annual Meeting.

Sincerely,



J. William Stapleton
President, CEO & COO



SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth certain information concerning the consolidated financial condition, earnings and other data regarding HCFC at the dates and for the periods indicated.

Selected financial data:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>At December 31,</u>		<u>2005</u>	<u>2004</u>	<u>2003</u>
				<u>2007</u>	<u>2006</u>			
	(Dollars in thousands)							
Assets	145,859	145,461	139,276	137,776	146,304	149,553	156,224	151,784
Cash and cash equivalents (1)	23,328	16,647	3,256	9,647	15,275	6,846	9,595	10,473
Available-for-sale securities	133	1,163	7,755	866	1,481	5,261	6,432	5,089
Federal Home Loan Bank Stock	2,734	2,734	2,734	2,627	2,627	2,480	2,360	2,265
Loans, net	110,152	115,318	116,304	116,907	119,357	127,409	130,067	126,512
Deposits	107,644	99,700	96,296	93,689	96,584	98,455	107,204	103,922
Federal Home Loan Bank advances	23,899	31,945	28,834	29,165	34,813	36,337	35,120	34,764
Shareholders' equity	12,320	11,965	11,775	13,355	13,419	13,406	12,735	11,907

(Footnotes on following page)

Summary of earnings and other data:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>At December 31,</u>		<u>2005</u>	<u>2004</u>	<u>2003</u>
				<u>2007</u>	<u>2006</u>			
	(Dollars in thousands)							
Total interest and dividend income	7,110	7,746	8,423	8,932	9,193	9,111	8,772	9,171
Total interest expense	<u>3,106</u>	<u>3,665</u>	<u>4,895</u>	<u>5,062</u>	<u>4,769</u>	<u>4,407</u>	<u>4,370</u>	<u>4,654</u>
Net interest income	4,004	4,081	3,528	3,870	4,424	4,704	4,402	4,517
Provision for loan losses	<u>545</u>	<u>1,000</u>	<u>1,330</u>	<u>200</u>	<u>118</u>	<u>705</u>	<u>200</u>	<u>500</u>
Net interest income after Provision for loan losses	3,459	3,081	2,198	3,670	4,306	3,999	4,202	4,017
Noninterest income (loss)	536	793	(323)	413	104	635	239	254
Noninterest expense	<u>3,261</u>	<u>3,395</u>	<u>4,337</u>	<u>3,330</u>	<u>3,573</u>	<u>3,416</u>	<u>3,452</u>	<u>3,358</u>
Income (loss) before income tax	734	479	(2,462)	753	837	1,218	989	913
Provision (benefit) for income tax	<u>183</u>	<u>65</u>	<u>(880)</u>	<u>215</u>	<u>242</u>	<u>381</u>	<u>307</u>	<u>264</u>
Net income (loss)	<u>551</u>	<u>414</u>	<u>(1,582)</u>	<u>538</u>	<u>595</u>	<u>837</u>	<u>682</u>	<u>649</u>

Selected financial ratios:

	At December 31,							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Return on assets (2)	0.38 %	0.30%	(1.12)%	0.39%	0.41%	0.55%	.44%	.43%
Return on equity (3)	4.52	3.42	(12.12)	3.97	4.53	6.41	5.52	5.55
Interest rate spread (4)	3.09	2.89	2.31	2.60	2.94	3.02	2.74	2.95
Net interest margin (5)	3.13	3.11	2.64	3.00	3.31	3.29	3.00	3.20
Noninterest expense to average assets (6)	2.25	2.42	3.05	2.42	2.49	2.25	2.23	2.24
Average equity to average assets	8.41	8.63	9.19	9.83	9.15	8.59	7.98	7.78
Equity to assets at year end	8.45	8.23	8.45	9.69	9.17	8.96	8.15	7.84
Non-performing loans to total loans	2.34	2.94	1.48	1.21	1.16	0.68	.15	.43
Non-performing assets to total assets (7)	2.28	2.76	1.68	1.14	1.02	0.59	.28	.38
Allowance for loan losses to total loans	1.35	1.63	1.75	1.00	1.23	1.07	.58	.78
Allowance for loan losses to Non-performing loans	57.58	55.48	118.06	83.89	107.16	158.46	389.74	183.24
Net charge-offs (recoveries) to average loans	.83	.98	.38	0.42	0.01	0.07	.34	.01
Dividend payout ratio (8)	34.78	46.15	(15.23)	74.63	61.11	43.14	51.16	50.57

- (1) Includes cash and amounts due from depository institutions and interest-earning deposits in other financial institutions.
- (2) Net income (loss) divided by average total assets.
- (3) Net income (loss) divided by average total equity.
- (4) Average yield on interest-earning assets less average cost of interest-bearing liabilities.
- (5) Net interest income as a percentage of average interest-earning assets.
- (6) Noninterest expense divided by average total assets.
- (7) Non-performing assets consist of nonaccruing loans, accruing loans 90 days or more past due and real estate acquired (or deemed acquired) in foreclosure proceedings or in lieu thereof.
- (8) Dividends declared per share divided by basic earnings (loss) per share.

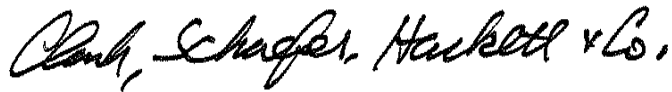
Independent Auditors' Report

Board of Directors
Home City Financial Corporation
Springfield, Ohio

We have audited the accompanying consolidated balance sheets of Home City Financial Corporation as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Home City Financial Corporation as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Cincinnati, Ohio
March 17, 2011

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Home City Financial Corporation - CONSOLIDATED BALANCE SHEETS

	(Dollars in thousands)	
	December 31,	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and due from banks	\$ 449	\$1,090
Interest-bearing deposits in other institutions	22,863	13,844
Federal funds sold	16	1,713
Cash and cash equivalents	<u>23,328</u>	<u>16,647</u>
Available-for-sale securities	133	1,163
Loans, net of allowance for loan losses of \$1,503 and \$1,910 at December 31, 2010 and 2009	110,152	115,318
Premises and equipment	2,752	2,852
Federal Home Loan Bank stock	2,734	2,734
Interest receivable	460	542
Cash surrender value of life insurance	4,086	3,939
Prepaid FDIC assessment	429	597
Refundable and deferred taxes	870	931
Other	<u>915</u>	<u>738</u>
TOTAL ASSETS	<u>\$145,859</u>	<u>\$145,461</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Demand	\$ 5,890	\$ 4,959
Savings, NOW and money market	29,754	25,000
Time	<u>72,000</u>	<u>69,741</u>
Total deposits	<u>107,644</u>	<u>99,700</u>
Federal Home Loan Bank advances	23,899	31,945
Interest payable and other liabilities	<u>1,996</u>	<u>1,851</u>
TOTAL LIABILITIES	<u>\$133,539</u>	<u>\$133,496</u>
Shareholders' Equity		
Preferred shares, no par value: authorized 1,000,000 shares; none issued		
Common shares, no par value: authorized 5,000,000 shares; issued 950,659 and outstanding 804,436		
Additional paid-in capital	5,845	5,841
Retained earnings	8,459	8,102
Accumulated other comprehensive income		
Unrealized holding gains on securities available for sale for sale, net of income taxes	6	12
Treasury shares, at cost: 146,223 shares	<u>(1,990)</u>	<u>(1,990)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>12,320</u>	<u>11,965</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$145,859</u>	<u>\$145,461</u>

See notes to consolidated financial statements.

Home City Financial Corporation - CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except
per share amounts)

Years ended December 31,

	<u>2010</u>	<u>2009</u>
INTEREST AND DIVIDEND INCOME		
Loans	\$ 6,889	\$ 7,461
Securities	13	88
Federal funds sold	1	7
Dividends on Federal Home Loan Bank stock	120	126
Deposits with financial institutions	<u>87</u>	<u>64</u>
TOTAL INTEREST AND DIVIDEND INCOME	<u>7,110</u>	<u>7,746</u>
INTEREST EXPENSE		
Deposits	2,118	2,629
Borrowings	<u>988</u>	<u>1,036</u>
TOTAL INTEREST EXPENSE	<u>3,106</u>	<u>3,665</u>
NET INTEREST INCOME	4,004	4,081
Provision for Loan Losses	<u>545</u>	<u>1,000</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>3,459</u>	<u>3,081</u>
NON INTEREST INCOME		
Service charges on deposits	79	73
Earnings on bank owned life insurance	190	183
Gain on sale of Real Estate Owned	33	341
Other	<u>234</u>	<u>196</u>
TOTAL NON INTEREST INCOME	<u>536</u>	<u>793</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	1,655	1,692
Net occupancy expense	229	231
Equipment expense	153	160
Data processing fees	251	229
Professional fees	268	239
Franchise taxes	120	159
FDIC Insurance	179	211
Other real estate owned expenses	130	201
Other	<u>276</u>	<u>273</u>
TOTAL NONINTEREST EXPENSE	<u>3,261</u>	<u>3,395</u>
Income before income tax	734	479
Provision for income taxes	<u>183</u>	<u>65</u>
NET INCOME	<u>\$ 551</u>	<u>\$ 414</u>
EARNINGS PER SHARE		
Basic	\$.69	\$.52
Diluted	\$.69	\$.52

See notes to consolidated financial statements.

Home City Financial Corporation — CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2009 and 2010

(Dollars in thousands)

	Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Total
Balance, January 1, 2009	950,659	\$5,846	\$7,880	\$39	\$(1,990)	\$11,775
Comprehensive income						
Net income			414			414
Change in unrealized gain (loss) on securities available for sale				(27)		(27)
Total comprehensive income						<u>387</u>
Purchase of RRP stock		(8)				(8)
Dividends on common stock, \$.24 per share			(192)			(192)
Amortization of unearned compensation expense		<u>3</u>				<u>3</u>
Balance, December 31, 2009	950,659	\$5,841	\$8,102	\$12	\$(1,990)	\$11,965
Comprehensive income						
Net income			551			551
Change in unrealized gain (loss) on securities available for sale				(6)		(6)
Total comprehensive income						<u>545</u>
Dividends on common stock, \$.24 per share			(194)			(194)
Amortization of unearned compensation expense		<u>4</u>				<u>4</u>
Balance, December 31, 2010	<u>950,659</u>	<u>\$ 5,845</u>	<u>\$ 8,459</u>	<u>\$ 6</u>	<u>\$ (1,990)</u>	<u>\$ 12,320</u>

See notes to consolidated financial statements.

Home City Financial Corporation — CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Dollars in thousands)	
	Years ended December 31,	
	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Net income	\$ 551	\$ 414
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Depreciation and amortization	168	184
Provision for loan losses	545	1,000
Deferred income taxes	100	(46)
Increase in cash surrender value of life insurance	(147)	(144)
Gain on sale of Real Estate Owned	(33)	(341)
Recognition and Retention Plan compensation expense	4	3
Loss on sale of premises and equipment		6
Changes in		
Interest receivable	82	48
Other assets	(11)	(39)
Interest payable and other liabilities	131	69
Net cash provided by operating activities	<u>1,390</u>	<u>1,154</u>
INVESTING ACTIVITIES		
Purchases of available-for-sale securities	(1,000)	(1,000)
Proceeds from maturities of available-for-sale securities	2,020	7,551
Net change in loans	4,621	(14)
Purchase of premises and equipment	(68)	(26)
Net cash provided by investing activities	<u>5,573</u>	<u>6,511</u>
FINANCING ACTIVITIES		
Net increase in demand deposits, money market, NOW and savings accounts	5,685	895
Net increase in certificates of deposit	2,259	1,879
Proceeds from Federal Home Loan Bank advances	4,800	18,250
Repayment of Federal Home Loan Bank advances	(12,846)	(15,139)
Shares purchased for RRP	0	(8)
Dividends paid	(194)	(192)
Net increase in advances from borrowers for taxes and insurance	14	41
Net cash (used in) provided by financing activities	<u>(282)</u>	<u>5,726</u>
Increase in Cash and Cash Equivalents	6,681	13,391
Cash and Cash Equivalents, Beginning of Year	<u>16,647</u>	<u>3,256</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,328</u>	<u>\$ 16,647</u>
Supplemental Cash Flows Information		
Interest paid	\$1,325	\$1,394
Income taxes paid	\$ 119	\$ 95

See notes to consolidated financial statements.

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Home City Financial Corporation (“Company”) is a thrift holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, Home City Federal Savings Bank of Springfield (“Bank”). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Clark County, Ohio. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities. The Bank’s wholly owned subsidiary, Homciti Service Corporation (“Service Corp.”), remains dormant as of December 31, 2010.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Bank and the Service Corp. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant properties.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

Securities

All securities are classified as available for sale. Available-for-sale securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses are recorded, net of related income tax effects, in other comprehensive income.

Amortization of premiums and accretion of discounts are recorded as interest income using methods approximating the interest method over the period to maturity. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

The Company evaluates its securities portfolio for impairment throughout the year. An impairment is recorded against individual equity securities if their cost significantly exceeds their fair value for a substantial amount of time. An impairment is also recorded for investments in debt securities, unless the decrease in fair value is attributed to interest rates and management has the intent and ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, loans are placed on non-accrual status at ninety days past due and interest is considered a loss.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses

charged to income. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment measurements unless the loans are classified substandard or doubtful.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Treasury Shares

Treasury shares are stated at cost. Cost is determined by the first-in, first-out method.

Income Taxes

Deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized. The Company files consolidated income tax returns with its subsidiaries.

Uncertain Tax Positions

The Company adopted the provisions of Accounting for Uncertainty in Income Taxes on January 1, 2009. Those provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in the

Home City Financial Corporation – NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Company's income tax returns. The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2007–2009. The Company's policy with regard to interest and penalty is to recognize interest through interest expense and penalties through other expense. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

Earnings Per Share

Earnings per share have been computed based upon the weighted-average common shares outstanding during each year. Unearned ESOP shares and RRP shares, which have not vested, have been excluded from the computation of average shares outstanding.

Stock Options

The Company uses the modified prospective method for the accounting of stock options and other equity awards. The Company has used the Black-Scholes option-pricing model for all grant date estimations of fair value as the Company believes its stock options have characteristics for which the Black-Scholes model provides an acceptable measure of fair value.

Subsequent Events

The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through March 17, 2011 the date on which the financial statements were available to be issued.

NOTE 2: SECURITIES

The amortized cost and approximate fair values of securities are as follows:

	(Dollars in thousands)			
	Amortized	Gross	Gross	Approximate
Available-for-Sale Securities	Cost	Unrealized	Unrealized	Fair Value
		Gains	Losses	
December 31, 2010				
Mortgage-backed securities	\$ 115	\$ 2	\$ 0	\$ 117
Equity securities	<u>9</u>	<u>7</u>	<u>0</u>	<u>16</u>
Total	<u>\$ 124</u>	<u>\$ 9</u>	<u>\$ 0</u>	<u>133</u>
December 31, 2009				
Mortgage-backed securities	\$ 134	\$ 2	\$ 0	\$ 136
U.S. Government agency securities	1,000	2	0	1,002
Equity securities	<u>9</u>	<u>16</u>	<u>0</u>	<u>25</u>
Total	<u>\$ 1,143</u>	<u>\$ 20</u>	<u>\$ 0</u>	<u>\$ 1,163</u>

The carrying value of securities pledged to the Federal Reserve Bank of Cleveland for potential future borrowings was \$0 at December 31, 2010 and at December 31, 2009, the value was \$1,002,411.

Expected maturities of mortgage-backed securities will differ from contractual maturities because borrowers may generally prepay obligations without prepayment penalties.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN

Categories of loans at December 31, include:

	(Dollars in thousands)	
	<u>2010</u>	<u>2009</u>
Residential real estate		
One- to four-family residential	\$ 64,713	\$ 65,853
Multi-family residential	8,350	7,551
Construction	1,360	2,609
Nonresidential real estate and land	22,271	24,093
Commercial	11,536	13,944
Consumer and other	4,143	4,389
Total loans	<u>112,373</u>	<u>118,439</u>
Less		
Deferred loan fees	(204)	(224)
Undisbursed portion of loans	(514)	(987)
Allowance for loan losses	<u>(1,503)</u>	<u>(1,910)</u>
Net loans	<u>\$ 110,152</u>	<u>\$ 115,318</u>

Activity in the allowance for loan losses was as follows:

	(Dollars in thousands)	
	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 1,910	\$ 2,069
Provision charged to expense	545	1,000
Losses charged off, net of recoveries of \$76 for 2010, and \$209 for 2009	<u>(952)</u>	<u>(1,159)</u>
Balance, end of year	<u>\$ 1,503</u>	<u>\$ 1,910</u>

Impaired loans totaled \$4,506,000 and \$3,748,000 at December 31, 2010 and 2009. An allowance for loan losses of \$301,812 and \$613,030 relates to impaired loans of \$879,000 and \$2,198,000 at December 31, 2010 and 2009. At December 31, 2010 and 2009, impaired loans of \$3,627,000 and \$1,550,000 had no related allowance for loan losses. The Bank reports its Real Estate Owned in other assets. At December 31, 2010 and 2009, the Bank had \$713,739 and \$474,587 of Real Estate Owned, respectively.

Interest of \$178,000 and \$95,000 was recognized on average impaired loans of \$3,979,000 and \$3,495,000 for 2010 and 2009. Interest of \$196,000 and \$182,000 was recognized on impaired loans on a cash basis during 2010 and 2009.

At December 31, 2010 and 2009, the Bank had no accruing loans delinquent 90 days or more. Non-accruing loans at December 31, 2010 and 2009, were \$2,610,000 and \$3,443,000, respectively.

There are no significant commitments outstanding to lend additional funds to clients whose loans were classified as impaired at December 31, 2010.

NOTE 4: PREMISES AND EQUIPMENT

Major classifications of premises and equipment, stated at cost, are as follows:

	(Dollars in thousands)	
	<u>2010</u>	<u>2009</u>
Land	\$ 806	\$ 806
Buildings and improvements	2,755	2,715
Equipment	<u>1,392</u>	<u>1,383</u>
	4,953	4,904
Less Accumulated depreciation	<u>(2,201)</u>	<u>(2,052)</u>
Net premises and equipment	<u>\$ 2,752</u>	<u>\$ 2,852</u>

NOTE 5: INTEREST-BEARING DEPOSITS

Interest-bearing time deposits in denominations of \$100,000 or more were \$35,894,000 on December 31, 2010, and \$33,994,000 on December 31, 2009.

At December 31, 2010, the scheduled maturities of time deposits are as follows:

	(Dollars in thousands)
2011	\$ 29,917
2012	19,342
2013	14,789
2014	4,721
2015	<u>3,231</u>
Total	<u>\$ 72,000</u>

NOTE 6: FEDERAL HOME LOAN BANK ADVANCES

Aggregate annual maturities of FHLB advances at December 31, 2010, are:

	(Dollars in thousands)
2011	\$ 17,439
2012	2,632
2013	1,728
2014 and after	<u>2,100</u>
Total	<u>\$ 23,899</u>

The Federal Home Loan Bank advances are secured by mortgage loans totaling \$61,406,000 at December 31, 2010. Advances, at interest rates from 1.52% to 5.33%, are subject to restrictions or penalties in the event of prepayment.

The Bank has authorized letters of credit with the Federal Home Loan Bank aggregating \$4,450,000 expiring at various dates. At December 31, 2010, the Bank had unused letters of credit with the Federal Home Loan Bank of \$5,550,000. These letters of credit are pledged as collateral for deposits in excess of federally-insured limits. At December 31, 2009, the Bank had authorized and unused letters of credit with the FHLB aggregating \$5,450,000 and \$4,675,000, respectively.

NOTE 7: INCOME TAXES

The provision for income taxes includes these components

	(Dollars in thousands)	
	<u>2010</u>	<u>2009</u>
Taxes currently payable	\$ 83	\$ 111
Deferred income tax expense	<u>100</u>	<u>(46)</u>
Income tax expense	<u>\$ 183</u>	<u>\$ 65</u>

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	(Dollars in thousands)	
	<u>2010</u>	<u>2009</u>
Computed at the statutory rate (34%)	\$ 250	\$ 163
Increase (decrease) resulting from:		
Cash surrender value of life insurance	(64)	(62)
Nondeductible expenses	18	17
Other	<u>(21)</u>	<u>(53)</u>
Actual tax expense	<u>\$ 183</u>	<u>\$ 65</u>

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	(Dollars in thousands)	
	<u>2010</u>	<u>2009</u>
Deferred tax assets		
Allowance for loan losses	\$ 511	\$ 650
Employee benefits	437	394
Nonaccrual loan interest	56	50
Other	37	51
Security basis difference	<u>306</u>	<u>306</u>
	<u>1,347</u>	<u>1,451</u>
Deferred tax liabilities		
Depreciation	(31)	(41)
Federal Home Loan Bank stock dividend	(398)	(398)
Deferred loan fees	(99)	(93)
Prepaid Expenses	(20)	(20)
Unrealized gain on available-for-sale securities	<u>(3)</u>	<u>(6)</u>
	<u>(551)</u>	<u>(558)</u>
Net deferred tax asset	<u>\$ 796</u>	<u>\$ 893</u>

Retained earnings at December 31, 2010 and 2009, include approximately \$1,084,000, for which no deferred federal income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carry back of net operating losses would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The deferred income tax liability on the preceding amount that would have been recorded if it was expected to reverse into taxable income in the foreseeable future was approximately \$368,000 at December 31, 2010 and 2009.

NOTE 8: OTHER COMPREHENSIVE INCOME

Other comprehensive income components and related taxes were as follows:

	(Dollars in thousands)	
	<u>2010</u>	<u>2009</u>
Change in unrealized gains (losses) on securities available for sale	\$ (9)	\$ (41)
Reclassification for realized loss included in loss	<u>0</u>	<u>0</u>
Other comprehensive (loss) income before tax effect	(9)	(41)
Tax effect	<u>3</u>	<u>14</u>
Other comprehensive (loss) income	<u>\$ (6)</u>	<u>\$ (27)</u>

NOTE 9: REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below). Management believes, as of December 31, 2010 and 2009, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2010, the most recent notification from Office of Thrift Supervision categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

Home City Financial Corporation – NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Bank's actual capital amounts and ratios are also presented in the table.

	(Dollars in thousands)					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
As of December 31, 2010	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Total risk-based capital (to risk-weighted assets)	\$13,186	14.4%	\$7,316	8.0%	\$9,144	10.0%
Tier I capital (to risk-weighted assets)	12,220	13.4%	3,658	4.0%	5,487	6.0%
Tier I capital (to adjusted total assets)	12,220	8.4%	5,832	4.0%	7,290	5.0%
Tangible capital (to adjusted tangible assets)	12,220	8.4%	2,188	1.5%	N/A	N/A
As of December 31, 2009						
Total risk-based capital (to risk-weighted assets)	\$12,884	13.0%	\$7,916	8.0%	\$9,895	10.0%
Tier I capital (to risk-weighted assets)	11,639	11.8%	3,958	4.0%	5,937	6.0%
Tier I capital (to adjusted total assets)	11,639	8.0%	5,816	4.0%	7,270	5.0%
Tangible capital (to adjusted tangible assets)	11,639	8.0%	2,181	1.5%	N/A	N/A

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval.

NOTE 10: RELATED PARTY TRANSACTIONS

The Bank has entered into transactions with certain directors, executive officers, significant shareholders and their affiliates or associates (related parties). In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

The aggregate amount of loans, as defined, to such related parties were as follows:

	(Dollars in thousands)
Balances, January 1, 2010	\$ 1,176
New loans, including renewals	371
Payments, etc., including renewals	<u>(60)</u>
Balances, December 31, 2010	<u>\$ 1,487</u>

Deposits from related parties held by the Bank at December 31, 2010 and 2009, totaled \$2,666,000 and \$2,926,000 respectively.

NOTE 11: EMPLOYEE BENEFITS

The Company has a retirement savings 401(k) plan covering substantially all employees. Employees may contribute up to 50% of their compensation with the Company matching 75% of the employee’s contribution on the first 6% of the employee’s compensation. Employer contributions charged to expense for 2010 and 2009 were \$44,000 and \$45,000, respectively.

The Company established an ESOP covering substantially all employees of the Company and Bank. Compensation expense is recorded equal to the fair market value of the stock when contributions, which are determined annually by the Board of Directors of the Company and Bank, are made to the ESOP. ESOP compensation contributions expense was \$50,000 and \$0 for the years ended December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Allocated shares	51,602	65,804
Shares purchased	6,761	0
Unearned shares	0	0
Withdrawals	(2,681)	(14,202)
Transfers	<u>0</u>	<u>0</u>
Total ESOP shares	<u>55,682</u>	<u>51,602</u>
Fair value of unearned shares at December 31	<u>\$ 0</u>	<u>\$ 0</u>

For companies not listed on NASDAQ, government regulations require an employer with an ESOP to provide a put option to the plan’s participants of their investments in the company’s stock at the fair value price. This regulation was enacted to provide a ready market for the participant when otherwise a market may not readily exist. At December 31, 2010, the ESOP held 55,682 shares of the Company’s stock with a total estimated value of approximately \$375,853.

NOTE 12: SHARE-BASED AWARD PLANS

On December 31, 2010, the Company has two share-based compensation plan(s), RRP and Stock Option, which are described below. The compensation cost that has been charged against income for those plans was \$8,000 and \$7,000 for 2010 and 2009, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was \$3,000 and \$2,000 for 2010 and 2009, respectively.

The Company’s Stock Option Plan, (the SOP) which was shareholder approved, currently has 33,571 shares outstanding and exercisable. The Company also has a Recognition and Retention Plan (the RRP) which currently has 519 nonvested shares outstanding. The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price equal to the market price of the Company’s stock at the date of grant; those options awards generally vest based on five years of continuous service and have ten year contractual terms. Share awards generally vest over five years. Certain option and share awards provide for accelerated vesting if there is a change in control (as defined in the Plan).

The fair value of each option award is estimated on the date of grant using a closed form option valuation model that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company’s stock and other factors. The Company uses historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behavior are considered

Home City Financial Corporation – NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

separately for valuation purposes. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding; the range given below results from certain groups of employees exhibiting different behavior. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. There were no such grants in 2010 and 2009.

A summary of option activity under the SOP as of December 31, 2010, and changes during the year then ended, is presented below:

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Term</u>
Outstanding, beginning of year	33,571	\$ 13.40	3.37 years
Granted	0	0	
Exercised	0	0	
Forfeited	0	0	
Expired	0	0	
Outstanding, end of year	<u>33,571</u>	\$ 13.40	2.37 years
Options exercisable, end of year	<u>33,571</u>	\$ 13.40	2.37 years

A summary of the status of the Company's nonvested shares in the RRP as of December 31, 2010, and changes during the year then ended, is presented below:

	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value Per Share</u>
Nonvested, beginning of year	1,078	\$ 12.28
Granted	0	0
Vested	559	13.24
Forfeited	<u>0</u>	<u>0</u>
Nonvested, end of year	<u>519</u>	<u>\$ 11.25</u>

As of December 31, 2010, there was \$0 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plans. The remaining weighted-average life of the nonvested share-based compensation arrangements is 2.0 years. The total fair value of shares vested during the years ended December 31, 2010 and 2009, was \$8,000 and \$7,000 respectively.

NOTE 13: EARNINGS PER SHARE

Earnings per share (EPS) were computed as follows:

(Dollars in thousands, except per share data)

Year Ended December 31, 2010

	Income	Weighted-Average Shares	Per Share Amount
Basic earnings per share			
Income from continuing operations available to common shareholders	\$551	803,567	\$.69
Effect of dilutive securities			
Stock options and awards	<u>0</u>	<u>0</u>	
Diluted loss per share			
Income from continuing operations available to common shareholders and assumed conversions	<u>\$ 551</u>	<u>803,567</u>	<u>\$.69</u>

None of the Stock Awards and options to purchase shares of common stock outstanding at December 31, 2010, were included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares.

(Dollars in thousands, except per share data)

Year Ended December 31, 2009

	Income	Weighted-Average Shares	Per Share Amount
Basic earnings per share			
Income from continuing operations available to common shareholders	\$ 414	803,932	\$.52
Effect of dilutive securities			
Stock options and awards	<u>0</u>	<u>0</u>	
Diluted earnings per share			
Income from continuing operations available to common shareholders and assumed conversions	<u>\$ 414</u>	<u>803,932</u>	<u>\$.52</u>

None of the Stock Awards and options to purchase shares of common stock outstanding at December 31, 2009, were included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares.

NOTE 14: DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents estimated fair values of the Company’s financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

	(Dollars in thousands)			
	December 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 23,328	\$ 23,328	\$ 16,647	\$ 16,647
Available-for-sale securities	133	133	1,163	1,163
Loans, net	110,152	114,921	115,318	119,766
FHLB stock	2,734	2,734	2,734	2,734
Interest receivable	460	460	542	542
Financial liabilities				
Deposits	107,644	110,150	99,700	101,873
FHLB advances	23,899	24,127	31,945	32,466
Interest payable	77	77	101	101
Unrecognized financial instruments:				
Commitments to extend credit	8,664	8,664	9,056	9,056

For purposes of the above disclosures of estimated fair value, the following assumptions were used as of December 31, 2010 and 2009. The estimated fair value for cash and cash equivalents, interest-bearing deposits, FHLB stock, accrued interest receivable, demand deposits, savings accounts, NOW accounts, certain money market deposits, and interest payable is considered to approximate cost. The estimated fair value for securities is based on quoted market values for the individual securities or for equivalent securities. The estimated fair value for loans receivable, including loans held for sale, net, is based on estimates of the rate the Bank would charge for similar loans at December 31, 2010 and 2009, applied for the time period until the loans are assumed to reprice or be paid. The estimated fair value for fixed-maturity time deposits as well as borrowings is based on estimates of the rate the Bank would pay on such liabilities at December 31, 2010 and 2009, applied for the time period until maturity. The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit and lines of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date.

NOTE 15: COMMITMENTS AND CREDIT RISK

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's credit-worthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

Letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

	<u>2010</u>	<u>2009</u>
Loan commitments and unused lines of credit	\$ 8,514,000	\$ 8,897,000
Commercial letters of credit	<u>150,000</u>	<u>159,000</u>
Total	<u>\$ 8,664,000</u>	<u>\$ 9,056,000</u>

At December 31, 2010, the Bank's total commitment to extend credit was approximately \$8,514,000. The amount of fixed rate commitments was approximately \$972,791 at December 31, 2010. The fixed rate loan commitments at December 31, 2010, have interest rates ranging from 4.00% to 6.75%.

At December 31, 2010 and 2009, the Bank had \$781,000 and \$593,000 commitments to sell loans, which it had not yet funded.

From time to time certain due from bank accounts are in excess of federally insured limits.

NOTE 16: DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value methods and assumptions are set forth below for each type of financial instrument.

Securities available for sale: Fair values on available for sale securities were based upon a market approach. Securities which are fixed income instruments that are not quoted on an exchange, but are traded in active markets, are valued using prices obtained from our custodian, which used third party data service providers and determined to be level 2 inputs. Available for sale securities include primarily U.S. agency securities, municipal bonds and mortgage-backed agency securities.

at December 31, 2010

	December 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Securities available for sale:				
Mortgage-backed securities	\$117		\$117	
Equity securities	16	16		

at December 31, 2009

	December 31, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Securities available for sale:				
U.S. Government agency securities	\$1,002		\$1,002	
Mortgage-backed securities	136		136	
Equity securities	25	25		

The Company is predominately an asset-based lender with real estate serving as collateral on a substantial majority of loans. Loans which are deemed to be impaired are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. Such fair values are obtained using independent appraisals, which the Company considers to be Level 2 inputs. The aggregate carrying amount of impaired loans at December 31, 2010 and 2009, was approximately \$4.6 million and \$3.1 million, respectively.

Home City Financial Corporation – NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Corporation has real estate acquired through foreclosure totaling \$714,000 at December 31, 2010. Real estate acquired through foreclosure is carried at the lower of the cost or fair value less estimated selling expenses at the date of acquisition. Fair values are obtained using independent appraisals, based on comparable sales which the Corporation considers to be Level 2 inputs. The aggregate amount of real estate acquired through foreclosure that is carried at fair value was \$714,000 at December 31, 2010. The aggregate amount of real estate acquired through foreclosure that is carried at cost was \$368,000 at December 31, 2009. (\$0 for 2010)

NOTE 17: QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables summarize selected quarterly results of operations for 2010 and 2009.

(Dollars in thousands, except per share data)

<u>2010</u>	<u>March</u>	<u>June</u>	<u>September</u>	<u>December</u>
Interest and dividend income	\$ 1,846	\$ 1,774	\$ 1,767	\$ 1,723
Interest expense	<u>811</u>	<u>797</u>	<u>779</u>	<u>719</u>
Net interest income	1,035	977	988	1,004
Provision for loan losses	145	125	85	190
Noninterest income	92	141	155	148
Noninterest expense	778	818	851	814
Income tax expense (benefit)	<u>72</u>	<u>52</u>	<u>61</u>	<u>(2)</u>
Net income (loss)	<u><u>132</u></u>	<u><u>123</u></u>	<u><u>146</u></u>	<u><u>150</u></u>
Earnings (loss) per share				
Basic	.16	.16	.18	.19
Diluted	.16	.16	.18	.19
Dividends per share	.06	.06	.06	.06
<u>2009</u>	<u>March</u>	<u>June</u>	<u>September</u>	<u>December</u>
Interest and dividend income	\$ 1,980	\$ 1,966	\$ 1,944	\$ 1,856
Interest expense	<u>940</u>	<u>945</u>	<u>911</u>	<u>869</u>
Net interest income	1,040	1,021	1,033	987
Provision for loan losses	130	50	215	605
Noninterest income	153	128	120	392
Noninterest expense	824	790	857	924
Income tax expense (benefit)	<u>39</u>	<u>99</u>	<u>28</u>	<u>(101)</u>
Net income (loss)	<u><u>200</u></u>	<u><u>210</u></u>	<u><u>53</u></u>	<u><u>(49)</u></u>
Earnings (loss) per share				
Basic	.25	.26	.06	(.05)
Diluted	.25	.26	.06	(.05)
Dividends per share	.06	.06	.06	.06

CORPORATE INFORMATION

DIRECTORS OF HCFC AND HOME CITY

Glenn W. Collier, Partner with the law firm of Martin, Browne, Hull & Harper, Springfield, Ohio
John D. Conroy, Owner and President of Conroy Funeral Home, Inc., Springfield, Ohio
James M. Foreman, Chief Executive Officer of Foreman-Blair Pontiac, Buick, GMC, Cadillac, Springfield, Ohio
Terry A. Hoppes, President of Hoppes Engineering and Surveying Co.; President of Hoppes Builders and Development Co., Springfield, Ohio
J. William Stapleton, President, CEO and COO of Home City Financial Corporation and Home City Federal Savings Bank of Springfield

EXECUTIVE OFFICERS OF HCFC

John D. Conroy - Chairman of the Board
J. William Stapleton - President, CEO and COO
Don E. Lynam - Executive Vice President
Donna M. Williams - Vice President and CFO

EXECUTIVE OFFICERS OF HOME CITY

John D. Conroy - Chairman of the Board
J. William Stapleton - President, CEO and COO
Don E. Lynam - Executive Vice President
Donna M. Williams - Vice President and CFO

INDEPENDENT ACCOUNTING FIRM

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GENERAL COUNSEL

Gorman, Veskauf, Henson & Wineberg
National City Bank Bldg.
4 West Main Street, Suite 723
Springfield, Ohio 45502

TRANSFER AGENT

Communication regarding change of address, transfer of shares, lost certificates and dividends should be sent to:
Illinois Stock Transfer Company
209 West Jackson Blvd., Suite 903
Chicago, Illinois 60606
(312) 427-2953

COMMON SHARES

There were 804,436 common shares of HCFC outstanding on March 8, 2011, held of record by approximately 139 shareholders. Since December 30, 1996, HCFC's common shares had traded on the NASDAQ Capital Market under the symbol "HCFC". Beginning December 4, 2006, following approval of the Stock Splits, HCFC's common shares have traded on the Over the Counter Bulletin Board (OTCBB) Market under the symbol "HCFL". The following represents high and low trading prices and dividends declared during each respective quarter during 2010 and 2009. The trading prices reflect inter-dealer prices, without retail mark-up, mark-down or commission.

2010	High	Low	Dividends declared
First Quarter	\$ 7.97	\$ 6.30	\$.06
Second Quarter	\$ 7.50	\$ 6.50	\$.06
Third Quarter	\$ 7.25	\$ 6.50	\$.06
Fourth Quarter	\$ 9.00	\$ 7.00	\$.06

2009	High	Low	Dividends declared
First Quarter	\$ 5.25	\$ 4.25	\$.06
Second Quarter	\$ 8.00	\$ 4.60	\$.06
Third Quarter	\$ 9.35	\$ 6.70	\$.06
Fourth Quarter	\$ 7.25	\$ 6.00	\$.06

The payment of dividends by HCFC to its shareholders may depend in part on the dividends paid by Home City to HCFC. Home City's ability to pay dividends is governed by OTS regulations, which require Home City to obtain approval of the OTS under certain circumstances. Home City currently is required to obtain OTS approval for all dividends to HCFC.

INVESTOR INFORMATION

Investors, analysts and others seeking financial information may contact:

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