

**HOME CITY
FINANCIAL
CORPORATION**

**Third Quarter
Report**

September 30, 2009



**Home
City**

SERVING our area since 1925

"There's no place like home."

www.homecityfederal.com

Home City Financial Corporation
Consolidated Statement of Condition

ASSETS

	Sept. 30, 2009	June 30, 2009	Dec. 31, 2008	Sept. 30, 2008
		(Unaudited)		
		(Dollars in thousands)		
Cash and due from banks	\$ 1,226	\$ 1,103	\$ 2,882	\$ 1,348
Interest-bearing demand deposits	10,271	2,631	373	6,592
Federal funds sold	445	6,205	1	245
Cash and cash equivalents	<u>11,942</u>	<u>9,938</u>	<u>3,256</u>	<u>8,185</u>
Available-for-sale securities	2,193	2,695	7,755	3,192
Loans	116,971	118,943	118,373	117,995
Allowance for loan losses	<u>(1,620)</u>	<u>(1,717)</u>	<u>(2,069)</u>	<u>(1,802)</u>
Loans, net	<u>115,351</u>	<u>117,226</u>	<u>116,304</u>	<u>116,193</u>
Premises and equipment	2,904	2,945	3,016	3,067
Federal Home Loan Bank stock	2,734	2,734	2,734	2,734
Interest receivable	596	548	590	605
Cash surrender value of life insurance	3,902	3,867	3,795	3,514
Other	2,195	1,877	1,826	1,238
Total assets	<u>\$ 141,817</u>	<u>\$ 141,830</u>	<u>\$ 139,276</u>	<u>\$ 138,728</u>

LIABILITIES

Deposits				
Demand	\$ 4,470	\$ 4,919	\$ 5,363	\$ 5,049
Savings, NOW and money market	24,518	23,859	23,701	22,003
Time	72,643	72,908	67,862	66,293
Total deposits	<u>101,631</u>	<u>101,686</u>	<u>96,926</u>	<u>93,345</u>
Federal Home Loan Bank advances	26,447	26,402	28,834	31,284
Interest payable and other liabilities	1,655	1,667	1,741	1,681
Total liabilities	<u>129,733</u>	<u>129,755</u>	<u>127,501</u>	<u>126,310</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	5,849	5,848	5,846	5,847
Retained earnings	8,198	8,194	7,881	8,562
Accumulated other comprehensive gain (loss)	27	23	39	(1)
Treasury shares, at cost, 146,223 shares	<u>(1,990)</u>	<u>(1,990)</u>	<u>(1,990)</u>	<u>(1,990)</u>
Total shareholders' equity	<u>12,084</u>	<u>12,075</u>	<u>11,775</u>	<u>12,418</u>

Total liabilities and shareholders' equity

\$ 141,817 \$ 141,830 \$ 139,276 \$ 138,728

Columns may not add due to rounding

Home City Financial Corporation
Consolidated Statement of Income

	Three months ended			Nine months ended	
	Sept. 30, 2009	June 30, 2009	Sept. 30, 2008	September 30, 2009	September 30, 2008
		(Unaudited)			
		(Dollars in thousands except per share data)			
Interest and dividend income					
Loans	\$ 1,862	\$ 1,908	\$ 1,966	\$ 5,679	\$ 5,936
Securities	19	23	28	79	52
Federal funds sold	2	4	8	6	123
Dividends on Federal Home Loan Bank stock	34	28	36	95	106
Deposits with financial institutions	27	2	38	29	117
Total interest and dividend income	<u>1,944</u>	<u>1,966</u>	<u>2,076</u>	<u>5,888</u>	<u>6,334</u>
Interest expense					
Deposits	647	685	760	2,022	2,453
Borrowings	264	260	429	773	1,280
Total interest expense	<u>911</u>	<u>945</u>	<u>1,189</u>	<u>2,795</u>	<u>3,733</u>
Net interest income	1,033	1,020	887	3,093	2,601
Provision for loan losses	215	50	930	395	1,000
Net interest income after provision for loan losses	818	971	(43)	2,698	1,601
Noninterest income					
Service charges on deposits	20	20	19	56	50
Life insurance	45	45	40	136	118
Gain on sale of real estate owned	9	0	8	66	8
Other	46	63	(601)	142	(533)
Total noninterest income	<u>120</u>	<u>128</u>	<u>(534)</u>	<u>400</u>	<u>(357)</u>
Noninterest expense					
Salaries and employee benefits	423	377	419	1,221	1,256
Net occupancy expense	58	55	60	174	179
Equipment expense	41	43	42	119	127
Data processing fees	56	58	330	168	515
Professional fees	46	56	76	179	203
Franchise taxes	42	32	43	117	132
FDIC insurance	48	75	16	168	43
Other	143	93	104	323	275
Total noninterest expense	<u>857</u>	<u>790</u>	<u>1,090</u>	<u>2,469</u>	<u>2,730</u>
Income before income tax	81	309	(1,667)	629	(1,486)
Provision for income taxes	28	99	(579)	167	(537)
Net income	\$ 53	\$ 210	\$ (1,088)	\$ 462	\$ (949)
Per share data					
Basic earnings per share	\$ 0.06	\$ 0.26	\$ (1.35)	\$ 0.57	\$ (1.18)
Diluted earnings per share	\$ 0.06	\$ 0.26	\$ (1.35)	\$ 0.57	\$ (1.18)
Cash dividend per share	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.18	\$ 0.24
Market value per share	\$ 7.13	\$ 6.70	\$ 6.50	\$ 7.13	\$ 6.50
Book value per share	\$ 15.03	\$ 15.02	\$ 15.44	\$ 15.03	\$ 15.44
Weighted-average shares outstanding-basic	803,795	804,266	803,236	804,030	802,491
Asset quality ratios					
Non-performing loans to total loans				1.92%	1.53%
Allowance for loan losses to total loans				1.36%	1.54%
Net charge-offs to average loans				0.71%	0.32%

To Our Shareholders

Home City's previously implemented strategies continue to reflect increasing Net Interest Income as compared to the previous quarter. Total Interest and Dividend Income was slightly less than the previous quarter. The Bank continues to change the mix in our investment portfolio in an attempt to increase our yields. Total deposits continue to exceed \$101,000,000 as the associated Interest Expense decreased. Maturing deposits continue to reprice improving our Cost of Funds and subsequently increasing our Net Interest Income.

For the most recent quarter, the Bank set aside a provision for loan losses of \$215,000 as compared to the previous quarter of \$50,000. This necessary process of recognizing loan losses was a direct reflection in the net income for this quarter. As the economy continues to worsen, we will continue to evaluate the adequacy of the Allowance for Loan Loss. Asset Quality continues to be our primary emphasis.

October 1, 2009, Home City announced the release of our new checking product "Easy Access Free Checking" featuring debit card access, online bill payment, ATM and full internet banking. Home City also extended the contract to implement a teller capture and receipt manager solution, which upgrades our current method of capturing deposit checks electronically to take advantage of real-time clearing and workflow efficiencies. With real estate mortgage rates at record lows, our sales in the secondary market continue to be brisk. Rates and closing costs are very competitive when compared to our national and regional competitors.

Our focus for the upcoming quarters:

- Implement practices to reduce noninterest expenses
- Reduce our cost of funds
- Effectively manage our nonaccrual loans
- Pursue the early payoff of FHLB fixed rate advances

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

Thank you for your investment in Home City Financial Corporation.

Sincerely,



J. William Stapleton
President, CEO & COO

Directors

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

Locations

2454 North Limestone Street
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Officers

Patti S. Ark
Peter E. Duffey
Cynthia J. Gorby
Wendy L. Hoewischer
Thomas G. Jordan, Jr.
*** Don E. Lynam**
Debra S. Moore
Gary D. Smart
*** J. William Stapleton**
*** Donna M. Williams**

*** *Executive Officer***

Shareholders' Information

Stock Listing: OTCBB Symbol – HCFL
CUSIP # 43706C209

Shareholder Inquiries: J. William Stapleton
President, CEO & COO

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Internet Banking is Available at our Website:

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