

**HOME CITY
FINANCIAL
CORPORATION**

**Third Quarter
Report**

September 30, 2010



**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, 2010	June 30, 2010	Dec. 31, 2009	Sept. 30, 2009
		(Unaudited)		
		(Dollars in thousands)		
Cash and due from banks	\$ 16,888	\$ 7,425	\$ 1,090	\$ 1,226
Interest-bearing demand deposits	7,036	10,943	13,844	10,271
Federal funds sold	1,015	26	1,713	445
Cash and cash equivalents	<u>24,939</u>	<u>18,394</u>	<u>16,647</u>	<u>11,942</u>
Available-for-sale securities	135	1,141	1,163	2,193
Loans	111,538	113,918	117,229	116,971
Allowance for loan losses	<u>(1,536)</u>	<u>(1,694)</u>	<u>(1,910)</u>	<u>(1,620)</u>
Loans, net	<u>110,002</u>	<u>112,224</u>	<u>115,319</u>	<u>115,351</u>
Premises and equipment	2,757	2,774	2,852	2,904
Federal Home Loan Bank stock	2,734	2,734	2,734	2,734
Interest receivable	489	505	542	596
Cash surrender value of life insurance	4,049	4,012	3,939	3,902
Deferred taxes	797	824	931	1,129
Prepaid FDIC Insurance	472	513	597	0
Other	1,135	1,269	738	1,066
Total assets	<u>\$ 147,509</u>	<u>\$ 144,390</u>	<u>\$ 145,462</u>	<u>\$ 141,817</u>

LIABILITIES

Deposits				
Demand	\$ 5,372	\$ 4,959	\$ 4,959	\$ 4,470
Savings, NOW and money market	28,400	26,424	25,000	24,518
Time	71,595	69,872	69,741	72,643
Total deposits	<u>105,367</u>	<u>101,255</u>	<u>99,700</u>	<u>101,631</u>
Federal Home Loan Bank advances	28,128	29,369	31,945	26,447
Interest payable and other liabilities	1,796	1,647	1,852	1,655
Total liabilities	<u>135,291</u>	<u>132,271</u>	<u>133,497</u>	<u>129,733</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	5,846	5,844	5,841	5,849
Retained earnings	8,358	8,260	8,102	8,198
Accumulated other comprehensive gain (loss)	4	5	12	27
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>12,218</u>	<u>12,119</u>	<u>11,965</u>	<u>12,084</u>
Total liabilities and shareholders' equity	<u>\$ 147,509</u>	<u>\$ 144,390</u>	<u>\$ 145,462</u>	<u>\$ 141,817</u>

Columns may not add due to rounding

Home City Financial Corporation
Consolidated Statement of Income

	Three months ended			Nine months ended	
	Sept. 30, 2010	June 30, 2010	Sept. 30, 2009	September 30, 2010	September 30, 2009
		(Unaudited)			
		(Dollars in thousands except per share data)			
Interest and dividend income					
Loans	\$ 1,716	\$ 1,716	\$ 1,862	\$ 5,210	\$ 5,679
Securities	3	4	19	12	79
Federal funds sold	1	1	2	1	6
Dividends on Federal Home Loan Bank stock	31	31	34	92	95
Deposits with financial institutions	16	22	27	71	29
Total interest and dividend income	<u>1,767</u>	<u>1,774</u>	<u>1,944</u>	<u>5,386</u>	<u>5,888</u>
Interest expense					
Deposits	518	539	647	1,612	2,022
Borrowings	261	258	264	774	773
Total interest expense	<u>779</u>	<u>797</u>	<u>911</u>	<u>2,386</u>	<u>2,795</u>
Net interest income	<u>988</u>	<u>977</u>	<u>1,033</u>	<u>3,000</u>	<u>3,093</u>
Provision for loan losses	<u>85</u>	<u>125</u>	<u>215</u>	<u>355</u>	<u>395</u>
Net interest income after provision for loan losses	<u>903</u>	<u>852</u>	<u>818</u>	<u>2,645</u>	<u>2,698</u>
Noninterest income					
Service charges on deposits	20	18	20	57	56
Life insurance	48	47	45	142	136
Gain on sale of real estate owned	3	0	9	3	66
Other	84	76	46	186	142
Total noninterest income	<u>155</u>	<u>141</u>	<u>120</u>	<u>388</u>	<u>400</u>
Noninterest expense					
Salaries and employee benefits	410	422	423	1,236	1,221
Net occupancy expense	56	59	58	174	174
Equipment expense	41	37	41	114	119
Data processing fees	58	60	56	192	168
Professional fees	69	64	46	191	179
Franchise taxes	30	30	42	90	117
FDIC insurance	44	44	48	134	168
Other real estate owned	66	38	71	108	118
Other	77	64	72	209	205
Total noninterest expense	<u>851</u>	<u>818</u>	<u>857</u>	<u>2,448</u>	<u>2,469</u>
Income before income tax	<u>207</u>	<u>175</u>	<u>81</u>	<u>585</u>	<u>629</u>
Provision for income taxes	<u>61</u>	<u>52</u>	<u>28</u>	<u>185</u>	<u>167</u>
Net income	<u>\$ 146</u>	<u>\$ 123</u>	<u>\$ 53</u>	<u>\$ 400</u>	<u>\$ 462</u>
Per share data					
Basic earnings per share	\$ 0.18	\$ 0.16	\$ 0.06	\$ 0.50	\$ 0.57
Diluted earnings per share	\$ 0.18	\$ 0.16	\$ 0.06	\$ 0.50	\$ 0.57
Cash dividend per share	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.18	\$ 0.18
Market value per share	\$ 7.00	\$ 6.50	\$ 7.13	\$ 7.00	\$ 7.13
Book value per share	\$ 15.19	\$ 15.06	\$ 15.03	\$ 15.19	\$ 15.03
Weighted-average shares outstanding-basic	803,658	803,562	803,795	803,527	804,030
Asset quality ratios					
Non-performing loans to total loans				2.60%	1.92%
Allowance for loan losses to total loans				1.38%	1.36%
Net charge-offs to average loans				0.64%	0.71%

To Our Shareholders

To Our Shareholders

Home City Financial Corporation is pleased to report third quarter Net Income which exceeded each of the previous quarters. Year-to-date earnings were slightly less when compared to the prior year.

Net Interest Income improved compared to the prior quarter. Total Interest Expense continues to decrease each quarter reflecting repricing to current market interest rates. This scenario should continue in that Home City will start paying off maturing Federal Home Loan Bank advances with rates exceeding 5.0%. We have a \$3,000,000 advance maturing October 12, 2010 with a rate of 5.80%, resulting in margin improvements and decreased interest expense. Additional maturing Federal Home Loan Bank advances will be paid off in February and May of 2011.

As of September 30, 2010, our delinquency ratio (loans with a payment past due 30 days or more divided by total loans) was 3.12% compared to the previous quarter of 3.38%. This ratio represents \$3,481,000 currently past due 30 days or more. During this quarter, Home City was able to reduce the amount of loans delinquent greater than 90 days to \$2,903,000 when compared to the previous quarter of \$3,506,000. Home City continues to focus on all of our Asset Quality Ratios.

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

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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

Donna M. Williams
CFO, V.P. of Operations

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Internet Banking is Available at our Website:

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