

**HOME CITY
FINANCIAL
CORPORATION**

**Fourth Quarter
Report**

December 31, 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

	December 31, 2009	December 31, 2008	December 31, 2007
	(Unaudited)		
	(Dollars in thousands)		
Cash and due from banks	\$ 1,090	\$ 2,882	\$ 1,917
Interest-bearing demand deposits	13,844	373	4,387
Federal funds sold	1,713	1	3,343
Cash and cash equivalents	<u>16,647</u>	<u>3,256</u>	<u>9,647</u>
Available-for-sale securities	1,163	7,755	866
Loans	117,228	118,373	118,089
Allowance for loan losses	(1,910)	(2,069)	(1,182)
Loans, net	<u>115,318</u>	<u>116,304</u>	<u>116,907</u>
Premises and equipment	2,852	3,016	3,108
Federal Home Loan Bank stock	2,734	2,734	2,627
Interest receivable	542	590	614
Cash surrender value of life insurance	3,939	3,795	3,424
Prepaid FDIC	597	0	0
Deferred taxes	931	1,195	370
Other	738	631	213
Total assets	<u>\$ 145,461</u>	<u>\$ 139,276</u>	<u>\$ 137,776</u>

LIABILITIES

Deposits			
Demand	\$ 4,959	\$ 5,363	\$ 5,142
Savings, NOW and money market	25,000	23,701	24,735
Time	69,741	67,862	63,812
Total deposits	<u>99,700</u>	<u>96,926</u>	<u>93,689</u>
Federal Home Loan Bank advances	31,945	28,834	29,165
Interest payable and other liabilities	1,851	1,741	1,567
Total liabilities	<u>133,496</u>	<u>127,501</u>	<u>124,421</u>

SHAREHOLDERS' EQUITY

Preferred shares, no par value, authorized 1,000,000 shares; none issued	0	0	0
Common shares, no par value, authorized 5,000,000 shares; issued 950,659 shares	0	0	0
Additional paid-in capital	5,841	5,846	5,813
Retained earnings	8,102	7,880	9,704
Accumulated other comprehensive gain (loss)	12	39	(172)
Treasury shares, at cost, 146,223 shares	(1,990)	(1,990)	(1,990)
Total shareholders' equity	<u>11,965</u>	<u>11,775</u>	<u>13,355</u>
Total liabilities and shareholders' equity	<u>\$ 145,461</u>	<u>\$ 139,276</u>	<u>\$ 137,776</u>

Columns may not add due to rounding

Home City Financial Corporation

Consolidated Statement of Income

Interest and dividend income

Loans	\$ 7,461	\$ 7,909	\$ 8,289
Securities	88	122	65
Federal funds sold	7	128	327
Dividends on Federal Home Loan Bank stock	126	140	173
Deposits with financial institutions	64	124	78
Total interest and dividend income	<u>7,746</u>	<u>8,423</u>	<u>8,932</u>

Interest expense

Deposits	2,629	3,195	3,440
Borrowings	1,036	1,700	1,622
Total interest expense	<u>3,665</u>	<u>4,895</u>	<u>5,062</u>

Net interest income

Provision for loan losses	1,000	1,330	200
Net interest income after provision for loan losses	<u>3,081</u>	<u>2,198</u>	<u>3,670</u>

Noninterest income

Service charges on deposits	73	65	52
Life insurance	183	158	150
Write-down of FANNIE MAE preferred stock	0	(757)	0
Gain on sale of real estate owned	341	8	0
Other	196	203	211
Total noninterest income	<u>793</u>	<u>(323)</u>	<u>413</u>

Noninterest expense

Salaries and employee benefits	1,692	1,717	1,813
Net occupancy expense	231	237	273
Equipment expense	160	160	171
Data processing fees	229	591	266
Professional fees	239	268	287
Franchise taxes	159	164	165
FDIC insurance	211	86	11
Prepayment penalty on FHLB advances	0	715	0
Other real estate owned expenses	201	66	6
Other	273	333	338
Total noninterest expense	<u>3,395</u>	<u>4,337</u>	<u>3,330</u>

Income before income tax

Provision for income taxes	479	(2,462)	753
Net income	<u>65</u>	<u>(880)</u>	<u>215</u>
Net income	<u>\$ 414</u>	<u>\$ (1,582)</u>	<u>\$ 538</u>

Per share data

Basic earnings per share	\$ 0.52	\$ (1.97)	\$ 0.67
Diluted earnings per share	\$ 0.52	\$ (1.97)	\$ 0.67
Cash dividend per share	\$ 0.24	\$ 0.30	\$ 0.50
Market value per share	\$ 6.25	\$ 5.38	\$ 10.70
Book value per share	\$ 14.89	\$ 14.64	\$ 16.60
Weighted-average shares outstanding-basic	803,932	802,697	801,943

Asset quality ratios

Non-performing loans to total loans	2.94%	1.48%	1.21%
Allowance for loan losses to total loans	1.63%	1.75%	1.00%
Net charge-offs to average loans	0.99%	0.38%	0.42%

Home City Financial Corporation

Consolidated Statement of Income

Twelve months ended

December 31, 2009, December 31, 2008, December 31, 2007

(Unaudited)

(Dollars in thousands except per share data)

Interest and dividend income

Interest expense

Net interest income

Provision for loan losses

Net interest income after provision for loan losses

Noninterest income

Noninterest expense

Income before income tax

Provision for income taxes

Net income

Per share data

Asset quality ratios

To Our Shareholders

Home City Financial Corporation is pleased to report Net Income of \$414,000, which was a material improvement when compared to the previous year. Asset Quality continues to be our primary emphasis along with improving Net Interest Margin and cost control.

Net Interest Income for Home City Financial Corporation exceeded \$4,000,000 this year for the first time since 2006. Our plan was to implement strategies that primarily focused on improvement of our Net Interest Margin. In the last quarter of 2008, we anticipated the further decrease of interest rates. Special Certificate of Deposit rates and maturities were offered to our customers with a shorter duration. The Bank also developed special mortgage loan products, which focused on improving our interest rate spread. The Bank continues to lengthen maturities of Federal Home Loan Bank advances at unusually low interest rates to protect our Net Interest Margin for future years.

Noninterest Expense such as salaries, benefits, occupancy, equipment, data processing, franchise tax and other miscellaneous expenses continue to be monitored with changes implemented that continually decrease these expenses as compared to the previous year. We continue to implement effective cost controls. As a result of the number of bank failures in the United States, FDIC premiums assessed on our financial institution had the largest impact on the Bank. This year the Bank expensed \$211,000 versus \$11,000 two years ago.

Non-Performing Loans (Asset Quality) continue to be our highest priority. We recognize the importance of working closely with these customers avoiding legal action if possible. Net Charge Offs to Average Loans was approximately 1%, which resulted in a \$1,000,000 Provision for Loan Losses. We continue to analyze our loan portfolio on a quarterly basis to ensure our Loan Loss Reserve is adequately funded.

Our focus for 2010:

- Earnings improvement
- Implement practices to reduce noninterest expenses
- Reduce our cost of funds
- Effectively manage our Non Performing Loans
- Pursue the early payoff of FHLB fixed 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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