



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

2010 FOURTH QUARTER REPORT

December 31, 2010

To Our Shareholders

This year continued to be an extremely difficult year for financial institutions across the United States. Banking failures were at the highest levels since 1992 with 157 financial institutions collapsing, many the victims of deteriorating real estate prices and a weak economy. Total banking failures between the years 1993 and 2007 totaled only 123 institutions. Ohio financial institution failures (2) have been minimal compared to many of the other states.

The Net Income of Home City Financial Corporation continues to show improvement when compared to the prior years. **Although not disclosed in this statement, Net Income of \$551,000 also exceeds the Net Income for 2007.** Contributing to the earnings increase was an improved Net Interest Margin, a well-controlled total Non-interest Expense of \$3,261,000 and a very good year in secondary real estate market sales as a result of refinancing to historically low real estate rates.

Although less than last year, our Net Interest Income was \$4,004,000 which reflects a change in our asset balance sheet mix representing decreased loan balances (higher yielding) and increased Interest-earning Demand Deposit Investments (lower yielding). Cash and cash equivalents, which are currently earning interest rates of .25%, will be used to pay off \$13,000,000 of Federal Home Loan Bank advances in 2011, thus improving our Net Interest Margin and Net Interest Income for 2011.

As a result of our new products for Consumer Easy Access Checking, Business Checking and our competitive CD rates, deposits increased to \$107,644,000.

Earnings improvement has also brought signs of recovery in our common stock price, which finished the year at \$9.00 per share representing 59% of our book value and selling at approximately 13 times our earnings.

Our focus for 2011:

- Improve our Net Interest Income and Net Interest Margin
- Reduce our Non-performing Loans and Real Estate Owned properties (Asset Quality)
- Change our asset mix on the Balance Sheet
- Increase our Net Income

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

**Internet Banking is Available at
our Website:**

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

Shareholders' Information

Stock Listing: OTCBB Symbol – HCFL
CUSIP # 43706C209

Shareholder Inquiries:

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Springfield, Ohio 45503
(937) 390-0470

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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

	December 31, 2010	December 31, 2009	December 31, 2008
	(Unaudited) (Dollars in thousands)		
Cash and due from banks	\$ 449	\$ 1,090	\$ 2,882
Interest-earning demand deposits	22,863	13,844	373
Federal funds sold	16	1,713	1
Cash and cash equivalents	<u>23,328</u>	<u>16,647</u>	<u>3,256</u>
Available-for-sale securities	133	1,163	7,755
Loans	111,655	117,228	118,373
Allowance for loan losses	(1,503)	(1,910)	(2,069)
Loans, net	<u>110,152</u>	<u>115,318</u>	<u>116,304</u>
Premises and equipment	2,752	2,852	3,016
Federal Home Loan Bank stock	2,734	2,734	2,734
Interest receivable	460	542	590
Cash surrender value of life insurance	4,086	3,939	3,795
Deferred taxes	870	931	0
Prepaid FDIC Insurance	429	597	1,195
Other	915	738	631
Total assets	<u>\$ 145,859</u>	<u>\$ 145,461</u>	<u>\$ 139,276</u>

LIABILITIES

Deposits			
Demand	\$ 5,890	\$ 4,959	\$ 5,363
Savings, NOW and money market	29,754	25,000	23,701
Time	72,000	69,741	67,862
Total deposits	<u>107,644</u>	<u>99,700</u>	<u>96,926</u>
Federal Home Loan Bank advances	23,899	31,945	28,834
Interest payable and other liabilities	1,996	1,851	1,741
Total liabilities	<u>133,539</u>	<u>133,496</u>	<u>127,501</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	5,845	5,841	5,846
Retained earnings	8,459	8,102	7,880
Accumulated other comprehensive gain (loss)	6	12	39
Treasury shares, at cost, 146,223 shares	(1,990)	(1,990)	(1,990)
Total shareholders' equity	<u>12,320</u>	<u>11,965</u>	<u>11,775</u>
Total liabilities and shareholders' equity	<u>\$ 145,859</u>	<u>\$ 145,461</u>	<u>\$ 139,276</u>

Columns may not add due to rounding

Home City Financial Corporation

Consolidated Statement of Income

Interest and dividend income

	Twelve months ended		
	December 31, 2010	December 31, 2009	December 31, 2008
	(Unaudited) (Dollars in thousands except per share data)		
Loans	\$ 6,889	\$ 7,461	\$ 7,909
Securities	13	88	122
Federal funds sold	1	7	128
Dividends on Federal Home Loan Bank stock	120	126	140
Deposits with financial institutions	87	64	124
Total interest and dividend income	<u>7,110</u>	<u>7,746</u>	<u>8,423</u>

Interest expense

Deposits	2,118	2,629	3,195
Borrowings	988	1,036	1,700
Total interest expense	<u>3,106</u>	<u>3,665</u>	<u>4,895</u>

Net interest income

Provision for loan losses	545	1,000	1,330
Net interest income after provision for loan losses	<u>3,459</u>	<u>3,081</u>	<u>2,198</u>

Noninterest income

Service charges on deposits	79	73	65
Life insurance	190	183	158
Write-down of FANNIE MAE preferred stock	0	0	(757)
Gain on sale of real estate owned	33	341	8
Other	234	196	203
Total noninterest income	<u>536</u>	<u>793</u>	<u>(323)</u>

Noninterest expense

Salaries and employee benefits	1,655	1,692	1,717
Net occupancy expense	229	231	237
Equipment expense	153	160	160
Data processing fees	251	229	591
Professional fees	268	239	268
Franchise taxes	120	159	164
FDIC insurance	179	211	86
Prepayment penalty on FHLB advances	0	0	715
Other real estate owned expenses	130	201	66
Other	276	273	333
Total noninterest expense	<u>3,261</u>	<u>3,395</u>	<u>4,337</u>

Income before income tax

Provision for income taxes	734	479	(2,462)
Net income	<u>\$ 551</u>	<u>\$ 414</u>	<u>\$ (1,582)</u>

Per share data

Basic earnings per share	\$ 0.69	\$ 0.52	\$ (1.97)
Diluted earnings per share	\$ 0.69	\$ 0.52	\$ (1.97)
Cash dividend per share	\$ 0.24	\$ 0.24	\$ 0.30
Market value per share	\$ 9.00	\$ 6.25	\$ 5.38
Book value per share	\$ 15.31	\$ 14.89	\$ 14.64
Weighted-average shares outstanding-basic	803,567	803,932	802,697

Asset quality ratios

Non-performing loans to total loans	2.34%	2.94%	1.48%
Allowance for loan losses to total loans	1.35%	1.63%	1.75%
Net charge-offs to average loans	0.83%	0.99%	0.38%