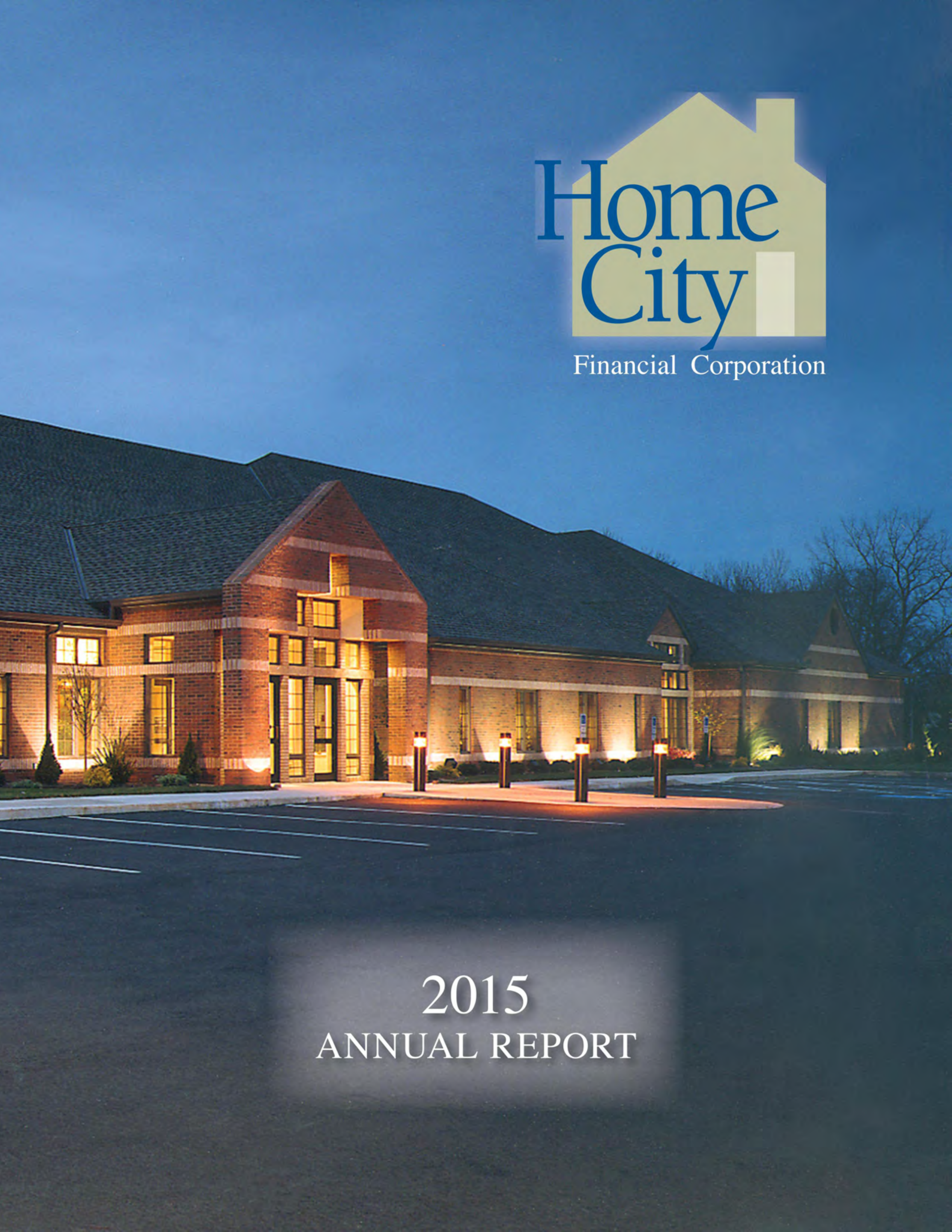

Home City
Financial Corporation

2015
ANNUAL REPORT

Dear Shareholders

Please find enclosed the Annual Report and Proxy Statement as of December 31, 2015. The Annual Meeting is scheduled for Wednesday, April 27, 2016. 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. I do encourage you as Shareholders to attend the Annual Meeting. This is an opportunity to meet your Directors and Management.

Home City Financial Corporation is pleased to report annual earnings of $1,346,000 ($1.67 per share) for the year ending December 31, 2015, representing record earnings for our corporation. Return on Average Assets was .89% with Return on Average Equity of 8.28%.

The assets for Home City Financial Corporation increased to over $153,000,000. In summary, we were able to show improvements in loan demand, deposits and equity. We were also fortunate to show a net recovery for loans charged off and at the same time provision $50,000 for anticipated loan losses. Our allowance for loan losses continues to exceed 2% of our loans outstanding and also represents a coverage of three times our non-performing loans.

As a result of our earnings, your Board of Directors declared a regular quarterly dividend of $.08 per share and also approved a special dividend of $.12 per share payable March 15, 2016 to shareholders of record March 8, 2016. This special dividend of $.12 per share is a $.04 increase as compared to the prior year and reflects our 2015 earnings.

The Board of Directors appointed Katy Westerfield Osborn, CPA, JD as a Director. Katy, a partner with the law firm of Martin, Browne, Hull & Harper, PLL, resides in Springfield with her husband, Mike, and two children. Katy is a graduate of the University of Kentucky College of Law.

Thank you for your investment in Home City Financial Corporation.

Sincerely,

J. William Stapleton

J. William Stapleton,
President & CEO

Home City

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:

	At December 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	(Dollars in thousands)									
Assets	153,150	151,552	143,581	142,859	143,821	145,859	145,461	139,276	137,776	146,304
Cash and Cash equivalents (1)	5,040	9,080	3,684	4,290	5,664	23,328	16,647	3,256	9,647	15,275
Available-for-sale securities	8,774	8,845	12,243	6,024	10,243	133	1,163	7,755	866	1,481
Federal Home Loan Bank Stock	2,734	2,734	2,734	2,734	2,734	2,734	2,734	2,732	2,627	2,627
Loans, Gross	130,401	124,294	117,955	122,254	117,400	111,655	117,228	118,373	118,089	120,838
Allowance for Loan Loss	2,619	2,536	2,091	2,000	1,503	1,503	1,910	2,069	1,182	1,481
Deposits	108,915	106,825	105,571	109,382	113,198	107,644	99,700	96,296	93,689	96,584
Federal Home Loan Bank Advances	24,076	25,764	20,218	16,777	15,202	23,899	31,945	28,834	29,165	34,813
Shareholders' equity	16,734	15,755	14,811	13,994	13,105	12,320	11,965	11,775	13,355	13,419

(Footnotes on following page)

Summary of earnings and other data:

	At December 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	(Dollars in thousands)									
Total interest and dividend income	6,360	6,206	6,347	6,722	6,781	7,110	7,746	8,423	8,932	9,193
Total interest expense	1,184	1,142	1,239	1,677	2,129	3,106	3,665	4,895	5,062	4,769
Net interest income	5,176	5,064	5,108	5,045	4,652	4,004	4,081	3,528	3,870	4,424
Provision for loan losses	50	440	430	550	725	545	1,000	1,330	200	118
Net interest income after Provision for loan losses	5,126	4,624	4,678	4,495	3,927	3,459	3,081	2,198	3,670	4,306
Noninterest income (loss)	581	726	622	408	720	536	793	(323)	413	104
Noninterest expense	3,747	3,445	3,696	3,368	3,380	3,261	3,395	4,337	3,330	3,573
Income (loss) before income tax	1,960	1,905	1,604	1,535	1,267	734	479	(2,462)	753	837
Provision (benefit) for income tax	614	628	494	518	406	183	65	(880)	215	242
	1,346	1,277	1,110	1,017	861	551	414	(1,582)	538	595
Basic Earnings Per Share	1.67	1.59	1.38	1.26	1.07	.69	.52	(1.97)	.67	.72
Diluted Earnings Per Share	1.62	1.53	1.35	1.26	1.07	.69	.52	(1.97)	.67	.71

Selected financial ratios:

	At December 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Return on assets (2)	0.89%	0.87%	0.78%	0.72%	0.61%	0.38%	0.30%	(1.12)%	0.39%	0.41%
Return on equity (3)	8.28	8.35	7.73	7.59	6.79	4.52	3.42	(12.12)	3.97	4.53
Interest rate spread (4)	3.46	3.54	3.64	3.60	3.32	3.09	2.89	2.31	2.60	2.94
Net interest margin (5)	3.59	3.64	3.77	3.77	3.52	3.13	3.11	2.64	3.00	3.31
Noninterest expense to average assets (6)	2.48	2.35	2.58	2.37	2.41	2.25	2.42	3.05	2.42	2.49
Average equity to average assets	10.74	10.44	10.03	9.45	9.02	8.41	8.63	9.19	9.83	9.15
Equity to assets at year end	10.93	10.40	10.32	9.80	9.11	8.45	8.23	8.45	9.69	9.17
Non-performing loans to total loans	0.54	0.34	0.59	0.73	1.07	2.34	2.94	1.48	1.21	1.16
Non-performing assets to total assets (7)	0.59	0.33	0.69	1.18	1.35	2.28	2.76	1.68	1.14	1.02
Allowance for loan losses to total loans	2.01	2.04	1.77	1.64	1.28	1.35	1.63	1.75	1.00	1.23
Allowance for loan losses to non-performing loans	370.12	602.96	300.63	224.49	119.62	57.58	55.48	118.06	83.89	107.16
Net charge-offs (recoveries) to average loans	-0.03	.00	.29	.04	.65	.83	.98	.38	.42	.01
Dividend payout ratio (8)	23.95	22.64	23.19	19.05	22.43	34.78	46.15	(15.23)	74.63	61.11

(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 financial statements of Home City Financial Corporation, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with auditing standards generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 at December 31, 2015 and 2014, 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 7, 2016

One east fourth street, ste. 1200
cincinnati, oh 45202
www.cshco.com
p. 513.241.3111
f. 513.241.1212

Home City Financial Corporation - CONSOLIDATED BALANCE SHEETS

	(Dollars in thousands) December 31, 2015	2014
ASSETS		
Cash and due from banks	$ 562	$ 569
Interest-bearing deposits in other institutions	4,478	8,511
Cash and cash equivalents	5,040	9,080
Available-for-sale securities	8,774	8,845
Loans, net of allowance for loan losses of $2,619 and $2,536 at December 31, 2015 and 2014	127,782	121,758
Premises and equipment	2,230	2,472
Federal Home Loan Bank stock	2,734	2,734
Interest receivable	412	396
Cash surrender value of life insurance	4,777	4,643
Prepaid and deferred taxes	1,144	1,453
Other	257	171
TOTAL ASSETS	**$153,150**	**$151,552**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Demand	$ 8,411	$ 7,533
Savings, NOW and money market	41,216	40,978
Time	59,288	58,314
Total deposits	108,915	106,825
Federal Home Loan Bank advances	24,076	25,764
Interest payable and other liabilities	3,425	3,208
TOTAL LIABILITIES	**$ 136,416**	**$ 135,797**
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 955,659 Outstanding 802,466 and 802,926 at December 31, 2015 and 2014, respectively		
Additional paid-in capital	6,114	6,045
Retained earnings	12,815	11,791
Accumulated other comprehensive income		
Unrealized holding losses on securities available for sale, net of income taxes	(56)	(35)
Treasury shares, at cost: 153,193 and 147,733 shares, respectively	(2,139)	(2,046)
TOTAL SHAREHOLDERS' EQUITY	**16,734**	**15,755**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 153,150**	**$ 151,552**

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, 2015	2014
INTEREST AND DIVIDEND INCOME		
Loans	$ 6,119	$ 5,917
Securities	122	168
Dividends on Federal Home Loan Bank stock	109	109
Deposits with financial institutions	10	12
TOTAL INTEREST AND DIVIDEND INCOME	6,360	6,206
INTEREST EXPENSE		
Deposits	859	896
Borrowings	325	246
TOTAL INTEREST EXPENSE	1,184	1,142
NET INTEREST INCOME	5,176	5,064
Provision for Loan Losses	50	440
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,126	4,624
NON INTEREST INCOME		
Service charges on deposits	51	58
Life Insurance Earnings on bank owned life insurance	189	186
Gain on sale of securities	(3)	293
Gain on sale of foreclosed assets held for sale	1	52
Gain on sale of Loans in Secondary Market	246	76
Other	97	61
TOTAL NON INTEREST INCOME	581	726
NON INTEREST EXPENSE		
Salaries and employee benefits	2,067	1,848
Net occupancy expense	227	280
Equipment expense	96	115
Data processing fees	504	411
Professional fees	257	249
Franchise taxes	126	118
FDIC Insurance	85	92
Other real estate owned expenses	75	18
Other	310	314
TOTAL NON INTEREST EXPENSE	3,747	3,445
Income before income tax	1,960	1,905
Provision for income taxes	614	628
NET INCOME	$ 1,346	$ 1,277

See notes to consolidated financial statements.

	(Dollars in thousands, except per share amounts) Years ended December 31,	
	2015	**2014**
NET INCOME	$ 1,346	$ 1,277
Change in net unrealized (losses) gains on securities available for sale, net of tax effect of $10,724 and $19,496 as of December 31, 2015 and 2014, respectively.	(21)	(38)
COMPREHENSIVE INCOME	$ 1,325	$ 1,239
EARNINGS PER SHARE (BASIC)	$ 1.67	$ 1.59

See notes to consolidated financial statements.

Home City Financial Corporation — CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2015 and 2014
(Dollars in thousands)

	Additional Paid-in Capital	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Shares**	**Total**
Balance, January 1, 2014	$ 6,016	$ 10,804	$ 3	$(2,012)	$ 14,811
Net income		1,277			1,277
Change in unrealized (loss) on securities available on sale, net of reclassification and tax effect			(38)		(38)
Stock Option Exercised					
Stock Option Expense	29				29
Purchase Treasury Shares				(34)	(34)
Dividends on common stock, $.36 per share		(290)			(290)
Balance, December 31, 2014	$ 6,045	$ 11,791	$ (35)	$ (2,046)	$ 15,755
Net income		1,346			1,346
Change in unrealized (loss) on securities available on sale, net of reclassification and tax effect			(21)		(21)
Stock Option Exercised	43				43
Stock Option Expense	26				26
Purchase Treasury Shares				(93)	(93)
Dividends on common stock, $.40 per share		(322)			(322)
Balance, December 31, 2015	**$ 6,114**	**$12,815**	**$ (56)**	**$ (2,139)**	**$16,734**

See notes to consolidated financial statements.

Home City Financial Corporation — CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Dollars in thousands) Years ended December 31, 2015	2014
OPERATING ACTIVITIES		
Net income	$ 1,346	$ 1,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	79	95
Amortization of premiums and discounts on securities	51	72
Provision for loan losses	50	440
Valuation adjustment Real Estate Owned	71	0
Deferred income taxes (benefit)	(103)	(177)
Increase in cash surrender value of life insurance	(134)	(133)
Gains on Sale of loans in secondary market	(246)	(76)
Gain on sale of foreclosed assets held for sale	(1)	(52)
Loss/(Gain) on sale of securities	3	(293)
Stock option expense	26	29
Loss on sale of Fixed Assets	0	1
Changes in:		
Interest receivable	(16)	23
Other assets	438	184
Interest payable and other liabilities	113	142
Net cash provided by operating activities	1,677	1,532
INVESTING ACTIVITIES		
Purchases of available-for-sale securities	(3,062)	(2,555)
Proceeds from sale of available-for-sale securities	1,960	4,860
Proceeds from payments/maturities of available-for-sale securities	1,087	1,276
Net increase in loans	(5,828)	(6,258)
Purchase of premises and equipment	(8)	(20)
Net cash (used in) investing activities	(5,851)	(2,697)
FINANCING ACTIVITIES		
Net increase in demand deposits, money market. NOW and savings accounts	1,116	1,143
Net increase in certificates of deposit	974	111
Proceeds from Federal Home Loan Bank advances	11,500	19,000
Repayment of Federal Home Loan Bank advances	(13,188)	(13,454)
Dividends paid	(322)	(290)
Purchase of treasury stock	(93)	(34)
Stock options exercised	43	0
Net increase in advances from borrowers for taxes and insurance	104	85
Net cash provided by financing activities	134	6,561
(Decrease)/Increase in Cash and Cash Equivalents	(4,040)	5,396
Cash and Cash Equivalents, Beginning of Year	9,080	3,684
Cash and Cash Equivalents, End of Year	$ 5,040	$ 9,080
Supplemental Cash Flows		
Information Interest paid	$ 697	$ 577
Income taxes paid	$ 295	$ 837
Non-cash investing activity-transfer to real estate owned.	$ 171	$ 0

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 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, 2015.

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 gains (losses) on sale of securities. 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 prior interest is reversed. The interest on these loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status.

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 uncollectibility 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 the present value of expected future cash flows discounted at the loan's effective interest rate.

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. These loans are collectively evaluated for impairment based on historical losses adjusted for current economic and environmental factors.

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. Currently the useful lives used range from three years for furniture and fixtures to fifty years used on buildings.

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. These restricted investments are carried at cost with no quoted market value. The Bank evaluates these investments for impairment and if impairment is identified, the carrying value is reduced accordingly.

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 in other real estate owned expenses.

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 a consolidated income tax return with its subsidiary Home City Federal Savings Bank of Springfield.

Earnings Per Share

Earnings per share have been computed based upon the weighted-average common shares outstanding during each year.

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 consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through March 7, 2016 the date on which the consolidated 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)			
Available-for-Sale Securities	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Approximate Fair Value**
December 31, 2015				
Mortgage-backed securities:				
GNMA	$ 735	$0	$ 17	$ 718
FNMA	2,353	3	18	2,338
FHLMC	4,048	0	36	4,012
	7,136	3	71	7,068
U.S. Government agency securities	1,723	0	17	1,706
Total	$ 8,859	$ 3	$ 88	$ 8,774
December 31, 2014				
Mortgage-backed securities:				
GNMA	$ 1,230	$ 2	$ 15	$ 1,217
FNMA	2,992	20	6	3,006
FHLMC	2,951	3	26	2,928
	7,173	25	47	7,151
U.S. Government agency securities	1,725	0	31	1,694
Total	$ 8,898	$ 25	$ 78	$ 8,845

The carrying value of securities pledged to the Federal Reserve Bank of Cleveland for potential future borrowings was $473,104 at December 31, 2015 and at December 31, 2014, the value was $612,122.

The amortized cost and estimated fair value of available-for-sale debt securities at December 31, 2015, by contractual maturity, are as follows (dollars in thousands):

Amounts maturing in:	Amortized Cost	Fair Value
Due in one year or less	$ 0	$ 0
Due after one year through five years	1,723	1,706
Due from five to ten years	0	0
	1,723	1,706
Mortgage-backed securities	7,136	7,068
	$ 8,859	$ 8,774

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.

The following table shows our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

(Dollars in thousands)

	Less than 12 Months Unrealized		12 Months or Longer Unrealized		Total Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Available-for-Sale Securities						
December 31, 2015						
Mortgage-backed Securities	$ 3,916	$ 26	$ 2,679	$ 45	$ 6,595	$ 71
U.S. Government Agency Securities	0	0	1,706	17	1,706	17
Total	$ 3,916	$ 26	$ 4,485	$ 62	$ 8,301	$ 88

(Dollars in thousands)

	Less than 12 Months Unrealized		12 Months or Longer Unrealized		Total Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Available-for-Sale Securities						
December 31, 2014						
Mortgage-backed Securities	$ 0	$ 0	$ 3,165	$ 47	$ 3,165	$ 47
U.S. Government Agency Securities	0	0	1,694	31	1,694	31
Total	$ 0	$ 0	$ 4,859	$ 78	$ 4,859	$ 78

We recognize other than temporary impairments (OTTI) for debt securities classified as available for sale in accordance with FASB Accounting Standards Codification Topic 320. We believe unrealized losses at December 31, 2015 are a function of interest rates and therefore have not recognized OTTI.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Categories of loans at December 31, include:

(Dollars in thousands)

	2015	**2014**
Mortgage	$ 124,176	$ 118,667
Commercial	9,052	7,766
Consumer	941	775
Total loans	134,169	127,208
Less		
Deferred loan fees	(338)	(284)
Undisbursed portion of loans	(3,430)	(2,630)
Allowance for loan losses	$ (2,619)	$ (2,536)
Net Loans	$ 127,782	$ 121,758

Changes in the allowance for loan losses are as follows for the years ended December 31:

(Dollars in thousands)

2015	Commercial	Consumer	Mortgage	Total
Allowance for credit losses:				
Beginning Balance	$ 1,948	$ 57	$ 531	$ 2,536
Charge-Offs	65	0	5	70
Recoveries	56	0	47	103
Provision	0	0	50	50
Ending Balance	$ 1,939	$ 57	$ 623	$ 2,619
Ending allowance balance individually evaluated for impairment	$ 0	$ 0	$ 401	$ 401
Loan balances	$ 0	$ 0	$ 2,413	$ 2,413
Ending allowance balance collectively evaluated for impairment	$ 1,939	$ 57	$ 222	$ 2,218
Loan balances	$ 9,052	$ 941	$ 121,763	$ 131,756
Total loans	$ 9,052	$ 941	$ 124,176	$ 134,169

2014	Commercial	Consumer	Mortgage	Total
Allowance for credit losses:				
Beginning Balance	$ 1,500	$ 59	$ 532	$ 2,091
Charge-Offs	0	4	23	27
Recoveries	8	2	22	32
Provision	440	0	0	440
Ending Balance	$ 1,948	$ 57	$ 531	$ 2,536
Ending allowance balance individually evaluated for impairment	$ 0	$ 0	$ 31	$ 31
Loan balances	$ 36	$ 0	$ 1,587	$ 1,623
Ending allowance balance collectively evaluated for impairment	$ 1,948	$ 57	$ 500	$ 2,505
Loan balances	$ 7,730	$ 775	$ 117,080	$ 125,585
Total loans	$ 7,766	$ 775	$ 118,667	$ 127,208

The following tables summarize impaired loans as of December 31:

2015	Recorded Loan	Unpaid Principal Balance	Related Allowance	Average Recorded Loan	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 0	$ 0	$ 0	$ 39	$ 2
Consumer	0	0	0	6	0
Mortgage	1,577	1,577	0	1,632	73
	1,577	1,577	0	1,671	75
With an allowance recorded:					
Commercial	0	0	0	16	2
Consumer	0	0	0	0	0
Mortgage	836	836	401	537	46
	836	836	401	553	48
Total:					
Commercial	0	0	0	55	4
Consumer	0	0	0	0	0
Mortgage	2,413	2,413	401	2,169	119
	$ 2,413	$ 2,413	$ 401	$ 2,224	$ 123

2014	Recorded Loan	Unpaid Principal Balance	Related Allowance	Average Recorded Loan	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 36	$ 36	$ 0	$ 41	$ 1
Consumer	0	0	0	1	5
Mortgage	1,345	1,345	0	1,011	83
	1,381	1,381	0	1,053	89
With an allowance recorded:					
Commercial	0	0	0	0	0
Consumer	0	0	0	0	0
Mortgage	242	242	31	612	28
	242	242	31	612	28
Total:					
Commercial	36	36	0	41	1
Consumer	0	0	0	1	5
Mortgage	1,587	1,587	31	1,623	111
	$ 1,623	$ 1,623	$ 31	$ 1,665	$ 117

There are no significant commitments outstanding to lend additional funds to clients whose loans were classified as impaired at December 31, 2015.

The Bank assigns credit risk grades to evaluated loans using grading standards described in the Bank's Classification of Assets Policy and Procedures. Loans rated as "pass" include the Bank's risk grades of "excellent," "good" and "satisfactory," which have at least two years of satisfactory repayment, or no other signs of a weakening credit situation. "Watch" loans are considered satisfactory but have increased credit risk due to financial uncertainty and are given proper additional management attention. "Special mention" loans are considered fundamentally sound, but show potential credit risk and unsatisfactory characteristics, including inability to obtain financial statements, adverse economic conditions, and/or borrower's ability to pay is getting worse. A loan classified as "substandard" is protected inadequately by the current net worth and paying capacity of the borrower or by the collateral pledged, if any. A loan classified as "doubtful" has all the weaknesses inherent in a substandard loan with the characteristic that the weaknesses make collection or liquidation in full questionable. A loan classified as a "loss" is considered uncollectible, but could have some recovery value. The Bank's Asset Classification Committee assigns the credit risk grades to loans and reports to the board on a monthly basis in the "asset classification" report.

The following table summarizes the credit risk profile by internally assigned grade of loans as of December 31:

2015	Commercial	Consumer	Mortgage	Total
Grade				
Pass	$ 6,507	$ 899	$ 110,512	$ 117,918
Watch	2,545	20	10,619	13,184
Special Mention	0	22	632	654
Substandard	0	0	2,413	2,413
Totals	$ 9,052	$ 941	$ 124,176	$ 134,169

2014	Commercial	Consumer	Mortgage	Total
Grade				
Pass	$ 5,994	$ 714	$ 103,813	$ 110,521
Watch	1,667	32	12,821	14,520
Special Mention	69	29	654	752
Substandard	36	0	1,379	1,415
Totals	$ 7,766	$ 775	$ 118,667	$ 127,208

Troubled Debt Restructuring (as of December 31, 2015 and December 31, 2014)

Troubled Debt Restructurings	**2015** Number of Contracts	**2015** Pre-Modification Outstanding Recorded Investment	**2015** Post-Modification Outstanding Recorded Investment	**2014** Number of Contracts	**2014** Pre-Modification Outstanding Recorded Investment	**2014** Post-Modification Outstanding Recorded Investment
Commercial & Comm. Farm	0	$ 0	$ 0	0	$ 0	$ 0
Commercial Real Estate – Rehab/Resell	0	0	0	0	0	0
Commercial Real Estate-Rehab/Investment	0	0	0	0	0	0
HELOC & Real Estate Mortgages	1	37	37	0	0	0
Consumer	0	0	0	0	0	0
Total	0	$ 37	$ 37	0	$ 0	$ 0

There was one new Troubled Debt Restructure loan made in 2015. This loan was a balloon note which could not be traditionally refinanced due to the title check, new appraisal and borrower receiving subsidized payment assistance. The rate and payment were lowered. There were no commitments to lend additional funds to any borrower whose loan terms have been modified in a troubled debt restructuring.

There were no troubled debt restructurings that subsequently became uncollectible.

Non-performing assets are as follows as of December 31:

	(Dollars in thousands) 2015	2014
Non-accrual Loans	$ 708	$ 421
Accruing loans 90 days or more past due	0	0
Other real estate owned	191	82
Other repossessed assets	0	0
Total nonaccrual assets	$ 899	$ 503
RATIOS		
Nonaccrual assets to total loans	.67%	.33%
Ratio of loan loss allowance to nonaccrual loans	370.12%	602.96%

At December 31, 2015 and 2014, the Bank had $191,000 and $82,000 of Real Estate Owned respectively, and no other repossessed assets.

The following table summarizes loans by delinquency and nonaccrual status as of December 31:

	(Dollars in thousands)		(As a % of Ending Loan Balances)	
	2015	**2014**	**2015**	**2014**
Commercial Loans				
30-89 days	$ 6	$ 0	0%	0%
90 days or more and still accruing	0	0	0	0
Nonaccrual	0	0	0	0
Total	$ 6	$ 0	0%	0%
Mortgage Loans				
30-89 days	$ 1,436	$ 2,447	1.07%	1.92%
90 days or more and still accruing	0	0	0	0
Nonaccrual	708	421	.53	.33
Total	$ 2,144	$ 2,868	1.60%	2.25%
Consumer Loans				
30-89 days	$ 0	$ 29	.00%	.03%
90 days or more and still accruing	0	0	0	0
Nonaccrual	0	0	0	0
Total	$ 0	$ 29	.00%	.03%
Totals				
30-89 days	$ 1,442	$ 2,476	1.07%	1.95%
90 days or more and still accruing	0	0	0	0
Nonaccrual	708	421	.53	.33
Total	**$ 2,150**	**$ 2,897**	**1.60%**	**2.28%**

There were no loans over 90 days past due that were still accruing at December 31, 2015 and 2014.

NOTE 4: PREMISES AND EQUIPMENT

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

	(Dollars in thousands) 2015	2014
Land	$ 713	$ 806
Buildings and improvements	2,685	2,787
Equipment	1,409	1,406
	4,807	4,999
Less Accumulated depreciation	(2,577)	(2,527)
Net premises and equipment	$ 2,230	$ 2,472

NOTE 5: INTEREST-BEARING DEPOSITS

Interest-bearing time deposits in denominations greater than $250,000 were $6,027,000 on December 31, 2015, and $6,828,000 on December 31, 2014.

At December 31, 2015, the scheduled maturities of time deposits are as follows:

	(Dollars in thousands)
2016	$ 20,123
2017	16,239
2018	12,503
2019	6,511
2020 & on	3,912
Total	**$ 59,288**

NOTE 6: FEDERAL HOME LOAN BANK ADVANCES

Aggregate annual maturities of FHLB advances at December 31, 2015, are:

	(Dollars in thousands)
2016	$ 7,596
2017	5,149
2018	2,770
2019	2,044
2020 and after	6,517
Total	**$ 24,076**

The Federal Home Loan Bank advances are secured by mortgage loans totaling $79,923,668 at December 31, 2015. Advances, at interest rates from 0.70% to 2.17%, are subject to restrictions or penalties in the event of prepayment.

The Bank has an authorized letter of credit with the Federal Home Loan Bank of $10,000,000 with used credit lines aggregating $2,220,000 expiring at various dates. At December 31, 2015, the Bank had available unused letters of credit with the Federal Home Loan Bank of $7,780,000. These letters of credit are pledged as collateral for deposits in excess of federally-insured limits. At December 31, 2014, the Bank had used letters of credit with the FHLB aggregating $3,590,000 and available unused letters of credit of $6,410,000.

NOTE 7: INCOME TAXES

The provision for income taxes includes these components

	(Dollars in thousands) 2015	2014
Taxes currently payable	$ 717	$ 805
Deferred income tax expense (benefit)	(103)	(177)
Income tax expense	$ 614	$ 628

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

	(Dollars in thousands) 2015	2014
Computed at the statutory rate (34%)	$ 666	$ 648
Increase (decrease) resulting from:		
Cash surrender value of life insurance	(64)	(63)
Nondeductible expenses	28	32
Other	(16)	10
Actual tax expense	$ 614	$ 628

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

	(Dollars in thousands) 2015	2014
Deferred tax assets		
Allowance for loan losses	$ 891	$ 862
Employee benefits	714	668
REO Expense	16	0
Other	8	32
Unrealized loss on available-for-sale securities	29	18
	1,658	1,580
Deferred tax liabilities		
Depreciation	(27)	(43)
Federal Home Loan Bank stock dividend	(398)	(398)
Deferred loan fees	(54)	(73)
Prepaid Expenses	(9)	(10)
	(488)	(524)
Net deferred tax asset	$ 1,170	$ 1,056

Retained earnings at December 31, 2015 and 2014, 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, 2015 and 2014.

NOTE 8: OTHER COMPREHENSIVE INCOME

Other comprehensive income components and related taxes were as follows:

	(Dollars in thousands)	
	2015	**2014**
Change in unrealized (losses) gains on securities available for sale	$ (35)	$ 236
Reclassification for realized gain included in loss	3	(293)
Other comprehensive (loss) income before tax effect	(32)	(57)
Tax effect	11	19
Other comprehensive (loss) income	$ (21)	$ (38)

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, 2015 and 2014, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2015, the most recent notification from Office of Comptroller of the Currency 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.

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, 2015	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Common equity tier I (to risk-weighted assets)	$16,495	15.6%	$4,744	4.5%	$6,853	6.5%
Total risk-based capital (to risk-weighted assets)	$17,828	16.9%	$8,434	8.0%	$10,542	10.0%
Tier I capital (to risk-weighted assets)	$16,495	15.6%	$6,325	6.0%	$8,434	8.0%
Tier I leverage ratio (to adjusted total assets)	$16,495	10.8%	$6,130	4.0%	$7,662	5.0%
As of December 31, 2014	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Common equity tier I (to risk-weighted assets)	$15,103	15.5%	$4,392	4.5%	$6,345	6.50%
Total risk-based capital (to risk-weighted assets)	$16,339	16.7%	$7,809	8.0%	$9,761	10.0%
Tier I capital (to risk-weighted assets)	$15,103	15.5%	$3,904	4.0%	$5,857	6.0%
Tier I leverage ratio (to adjusted total assets)	$15,103	10.0%	$6,063	4.0%	$7,578	5.0%

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 was as follows:

	(Dollars in thousands)
Balances, January 1, 2015	$ 434
New loans, including renewals	100
Payments, etc., including renewals	(267)
Balances, December 31, 2015	**$ 244**

Deposits from related parties held by the Bank at December 31, 2015 and 2014, totaled $1,417,607 and $1,463,887 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 2015 and 2014 were $54,000 and $58,000, 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 $20,000 for the years ended December 31, 2015 and 2014.

	2015	**2014**
Allocated shares	57,067	60,544
Shares purchased	0	2,735
Withdrawals	(9,160)	(6,212)
Transfers	0	0
Total ESOP shares	**47,907**	**57,067**
Fair value of unearned shares at December 31	**$ 0**	**$ 0**

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, 2015, the ESOP held 47,907 shares of the Company's stock with a total estimated value of approximately $868,180.

NOTE 12: SHARE-BASED AWARD PLANS

On December 31, 2015, the Company had one share-based compensation plan, the Stock Option Plan, which is described below. The compensation cost that has been charged against income for that plan was $26,000 and $29,000 for 2015 and 2014, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was $9,000 and $10,000 for 2015 and 2014, respectively.

The Company's Stock Option Plan, (the SOP) which was shareholder approved, currently has 57,500 shares outstanding and exercisable. 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 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 grants awarded in 2015 or 2014.

A summary of option activity under the SOP as of December 31, 2015, and changes during the year then ended, is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding, beginning of year	77,500	$ 9.99	6.83 years
Granted	0	0	
Exercised	5,000	8.55	
Forfeited	0	0	
Expired	0	0	
Outstanding, end of year	**72,500**	**$ 10.99**	**5.88 years**
Options exercisable, end of year	**57,000**	**$ 9.33**	**5.48 years**

NOTE 13: EARNINGS PER SHARE

Earnings per share (EPS) were computed as follows:

(Dollars in thousands, except per share data)

Year Ended December 31, 2015	Income	Weighted-Average Shares	Per Share Amount
Basic earnings per share			
Income from continuing operations available to common shareholders	$ 1,346	803,966	**$ 1.67**
Effect of dilutive securities			
Stock options and awards	0	27,113	
Diluted loss per share			
Income from continuing operations available to common shareholders and assumed conversions	$ 1,346	831,080	**$ 1.62**

There were 27,113 options to purchase shares of common stock outstanding at December 31, 2015 that were included in the computation of diluted EPS.

(Dollars in thousands, except per share data)

Year Ended December 31, 2014	Income	Weighted-Average Shares	Per Share Amount
Basic earnings per share			
Income from continuing operations available to common shareholders	$ 1,277	804,442	**$ 1.59**
Effect of dilutive securities			
Stock options and awards	0	29,423	
Diluted loss per share			
Income from continuing operations available to common shareholders and assumed conversions	$ 1,277	833,865	**$ 1.53**

There were 29,423 options to purchase shares of common stock outstanding at December 31, 2014 that were included in the computation of dilluted EPS.

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, 2015		December 31, 2014	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Cash and cash equivalents	$ 5,040	$ 5,040	$ 9,080	$ 9,080
Available-for-sale securities	8,774	8,774	8,845	8,845
Loans, net	127,782	132,027	121,758	126,507
FHLB stock	2,734	2,734	2,734	2,734
Interest receivable	412	412	396	396
Financial liabilities				
Deposits	108,915	97,983	106,825	97,239
FHLB advances	24,076	24,068	25,764	26,086
Interest payable	12	12	7	7
Unrecognized financial instruments:				
Commitments to extend credit	18,709	18,709	15,281	15,281

For purposes of the above disclosures of estimated fair value, the following assumptions were used as of December 31, 2015 and 2014. 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, 2015 and 2014, 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, 2015 and 2014, applied or 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.

	2015	2014
Loan commitments and unused lines of credit	$ 18,649,000	$ 15,221,000
Commercial letters of credit	60,000	60,000
Total	**$ 18,709,000**	**$ 15,281,000**

At December 31, 2015, the Bank's total commitment to extend credit was approximately $18,709,000. The amount of fixed rate commitments was approximately $4,289,832 at December 31, 2015. The fixed rate loan commitments at December 31, 2015, have interest rates ranging from 2.625% to 8.0%.

At December 31, 2015 and 2014, the Bank had $1,158,800 and $0, respectively, 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.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis.

The Bank may require from time to time to measure certain assets and liabilities at fair value on nonrecurring basis. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis as of December 31, 2015 and 2014 are included in the table below.

at December 31, 2015

Recurring basis	Carrying Value December 31, 2015	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	$ 1,706		$ 1,706	
Mortgage-backed securities Equity securities	$ 7,068		$ 7,068	

Nonrecurring basis	Fair Value December 31, 2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Assets:				
Impaired Loans	$ 2,413		$ 2,387	
Other Real Estate Owned	$ 191		$ 191	

	at December 31, 2014			
Recurring basis	**Carrying Value December 31, 2014**	**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	$ 1,694		$ 1,694	
Mortgage-backed securities Equity securities	$ 7,151		$ 7,151	
Nonrecurring basis	**Fair Value December 31, 2014**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant other unobservable inputs (Level 3)**
Assets:				
Impaired Loans	$ 1,624		$ 1,624	
Other Real Estate Owned	$ 82		$ 82	

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.

Real estate and other assets acquired through foreclosure are 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.

NOTE 17: QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables summarize selected quarterly results of operations for 2015 and 2014.

(Dollars in thousands, except per share data)

2015	March	June	September	December
Interest and dividend income	$ 1,569	$ 1,589	$ 1,592	$ 1,610
Interest expense	289	293	295	307
Net interest income	1,280	1,296	1,297	1,303
Provision for loan losses	0	0	30	20
Noninterest income	135	158	137	151
Noninterest expense	933	904	962	948
Income tax expense	148	181	143	142
Net income	$ 334	$ 369	$ 299	$ 344
Earnings per share				
Basic	.41	.46	.37	.43
Diluted	.40	.45	.36	.41
Dividends per share	.16	.08	.08	.08

2014	March	June	September	December
Interest and dividend income	$ 1,533	$ 1,532	$ 1,568	$ 1,573
Interest expense	271	299	296	276
Net interest income	1,262	1,233	1,272	1,297
Provision for loan losses	60	160	160	60
Noninterest income	125	231	273	97
Noninterest expense	851	870	907	817
Income tax expense	159	139	153	177
Net income	$ 317	$ 295	$ 325	$ 340
Earnings per share				
Basic	.39	.37	.40	.43
Diluted	.38	.35	.39	.41
Dividends per share	.13	.00	.15	.08

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

Matthew C. Mullen, Partner with the Certified Public Accounting Firm of Bennett, Groeber, Mullen & Feltner, Springfield, Ohio

Daniel A. Haemmerle, Retired Pharmacist from Harding Road Pharmacy of Springfield, Ohio

J. William Stapleton, President, and CEO 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, and CEO
Don E. Lynam - Executive Vice President
Donna M. Williams - Executive Vice President and CFO

EXECUTIVE OFFICERS OF HOME CITY

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

INDEPENDENT ACCOUNTING FIRM

Clark, Schaefer, Hackett & Co.
1 E. Fourth Street, Suite 1200
Cincinnati, Ohio 45202

SPECIAL COUNSEL

Vorys, Sater, Seymour and Pease LLP
301 E. Fourth Street
Great American Tower
Suite 3500
Cincinnati, Ohio 45202

GENERAL COUNSEL

Gorman, Veskauf. Henson & Wineberg
202 N. Limestone Street, Suite 100
Springfield, Ohio 45503

TRANSFER AGENT

Communication regarding change of address, transfer of shares, lost certificates and dividends should be sent to:

American Stock Transfer & Trust Co., LLC
6201 15th Avenue
Brooklyn, NY 11219
(888) 509-4619
www.amstock.com

COMMON SHARES

There were 807,466 common shares of HCFC outstanding on March 11, 2016, held of record by approximately 89 registered shareholders. HCFC's common shares are traded on the OTCQB Marketplace under the symbol "HCFL".
The following represents high and low trading prices and dividends declared during each respective quarter during 2015 and 2014. The trading prices reflect inter-dealer prices, without retail mark-up, mark-down or commission.

The payment of dividends by HCFC to its shareholders may depend in part on the dividends paid by the Bank to HCFC, which is governed by regulations requiring the Bank to obtain approval from the Federal Reserve.

2015	**High**	**Low**	**Dividends declared**
First Quarter	$ 18.00	$ 16.22	$ .16
Second Quarter	$ 18.00	$ 17.00	$ .08
Third Quarter	$ 18.50	$ 17.50	$ .08
Fourth Quarter	$ 18.50	$ 17.50	$ .08
2014	**High**	**Low**	**Dividends declared**
First Quarter	$ 16.00	$ 15.70	$ .13
Second Quarter	$ 16.15	$ 15.70	$ .00
Third Quarter	$ 16.50	$ 15.69	$ .15
Fourth Quarter	$ 16.55	$ 16.25	$ .08

INVESTOR INFORMATION

Investors, analysts and others seeking financial information may contact:

J. William Stapleton, President, and CEO
Donna M. Williams, Executive Vice President and CFO
Home City Financial Corporation
2454 North Limestone Street
Springfield, Ohio 45503
(937) 390-0470

Home City

Home City Financial Corporation

2454 North Limestone Street
Springfield, Ohio 45503
(937) 390-0470