



To Our Shareholders

Home City Financial Corporation is pleased to report another successful year for earnings. Annual earnings for 2017 were \$2,169,000 generating a Return on Assets of 1.32% and Return on Equity of 11.45%. This is our ninth consecutive year of increasing annual earnings.

Shares of Home City Financial Corporation closed the year at the market price of \$28.80. Book value per share was \$23.83 based on weighted average Shares Outstanding of 812,611. As a result of our earnings performance, annual 2017 cash dividends were \$0.87 per share compared to \$0.52 per share in 2016.

Loans Outstanding ended the year in excess of \$144,000,000, which represents our fifth consecutive year with increasing Loan volumes. Asset Quality continues to be our primary focus, Loans Past Due 90 Days or more were \$297,135 representing .21% of Total Loans Outstanding.

Non Interest Expense continues to compare very favorably to our peers. We continue to find methods to control our operating expenses.

Provision for Income Taxes increased an additional \$337,000 for 2017 reflecting a one time expense associated with our Deferred Tax Assets. In December 2017, the President of the United States signed new tax legislation which will have a positive impact on our business. Our new 2018 tax rate will be 21% as compared to 33%.

We continue to stay focused on our Community (market that we serve), Shareholder Values (ownership) and Staff. Each group has different agendas, but the ultimate goal of all is a Safe, Sound, and Well Managed Bank.

In summary, another record earnings year for your Bank, good asset quality, good cost controls, good net interest margin, increased Shareholder cash dividends and increased market value per share.

Thank you for your investment in Home City Financial Corporation.

Sincerely,

J. William Stapleton
President & CEO

Home City

FINANCIAL CORPORATION

Directors

John D. Conroy, *Chairman*
Daniel A. Haemmerle
Matthew C. Mullen
Katy Westerfield Osborn
J. William Stapleton

Officers

Patti S. Ark * J. William Stapleton
Peter E. Duffey Eleta A. Taylor
Cheryl L. Hesson * Donna M. Williams
* Don E. Lynam * Executive Officer

Shareholders' Information

Stock Listing: OTC Markets Symbol – HCFL
 CUSIP # 43706C209

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Locations



2454 North Limestone Street
Springfield, Ohio 45503
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Springfield, Ohio 45502
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SERVING our area since 1925
"There's no place like home."



2017 FOURTH QUARTER REPORT

December 31, 2017

www.homecityfederal.com

Internet Banking is Available at our Website: www.homecityfederal.com

Home City Financial Corporation
Consolidated Statement of Condition

ASSETS

	Twelve months ended				
	2017	2016	2015	2014	2013
	(Unaudited)				
	(Dollars in thousands)				
Cash and due from banks	\$ 892	\$ 871	\$ 562	\$ 569	\$ 726
Interest-bearing demand deposits	5,798	4,875	4,478	8,511	2,958
Federal funds sold	-	-	-	-	-
Cash and cash equivalents	<u>6,690</u>	<u>5,746</u>	<u>5,040</u>	<u>9,080</u>	<u>3,684</u>
Available-for-sale securities	5,717	7,318	8,774	8,845	12,243
Loans	144,161	133,657	130,401	124,294	117,955
Allowance for loan losses	<u>(1,737)</u>	<u>(2,610)</u>	<u>(2,619)</u>	<u>(2,536)</u>	<u>(2,091)</u>
Loans, net	<u>142,424</u>	<u>131,047</u>	<u>127,782</u>	<u>121,758</u>	<u>115,864</u>
Premises and equipment	2,127	2,159	2,230	2,472	2,548
Federal Home Loan Bank stock	2,734	2,734	2,734	2,734	2,734
Interest receivable	484	437	412	396	419
Cash surrender value of life insurance	3,978	4,901	4,777	4,643	4,510
Deferred taxes	615	1,215	1,144	1,453	1,235
Other	<u>276</u>	<u>438</u>	<u>257</u>	<u>171</u>	<u>344</u>
Total assets	<u>\$ 165,045</u>	<u>\$ 155,995</u>	<u>\$ 153,150</u>	<u>\$ 151,552</u>	<u>\$ 143,581</u>

LIABILITIES

Deposits					
Demand	9,068	8,297	\$ 8,411	\$ 7,533	\$ 6,750
Savings, NOW and money market	43,746	46,378	41,216	40,978	40,618
Time	<u>64,614</u>	<u>59,749</u>	<u>59,288</u>	<u>58,314</u>	<u>58,203</u>
Total deposits	<u>117,428</u>	<u>114,424</u>	<u>108,915</u>	<u>106,825</u>	<u>105,571</u>
Federal Home Loan Bank advances	24,597	20,259	24,076	25,764	20,218
Interest payable and other liabilities	<u>3,558</u>	<u>3,507</u>	<u>3,425</u>	<u>3,208</u>	<u>2,981</u>
Total liabilities	<u>145,583</u>	<u>138,190</u>	<u>136,416</u>	<u>135,797</u>	<u>128,770</u>

SHAREHOLDERS' EQUITY

Preferred shares, no par value, authorized 1,000,000 shares; none issued	0	0	0	0	0
Common shares, no par value, authorized 5,000,000 shares; issued 983,859 shares	0	0	0	0	0
Additional paid-in capital	6,443	6,231	6,114	6,045	6,016
Retained earnings	15,464	14,002	12,815	11,791	10,804
Accumulated other comprehensive gain (loss)	(47)	(30)	(56)	(35)	3
Treasury shares, at cost, 167,041 shares	<u>(2,398)</u>	<u>(2,398)</u>	<u>(2,139)</u>	<u>(2,046)</u>	<u>(2,012)</u>
Total shareholders' equity	<u>19,462</u>	<u>17,805</u>	<u>16,734</u>	<u>15,755</u>	<u>14,811</u>
Total liabilities and shareholders' equity	<u>\$ 165,045</u>	<u>\$ 155,995</u>	<u>\$ 153,150</u>	<u>\$ 151,552</u>	<u>\$ 143,581</u>

Columns may not add due to rounding

Home City Financial Corporation
Consolidated Statement of Income

Interest and dividend income

	Twelve months ended				
	2017	2016	2015	2014	2013
	(Unaudited)				
	(Dollars in thousands except per share data)				
Loans	\$ 6,652	\$ 6,254	\$ 6,119	\$ 5,917	\$ 6,082
Securities	154	110	122	168	142
Federal funds sold	0	0	0	0	0
Dividends on Federal Home Loan Bank stock	137	109	109	109	114
Deposits with financial institutions	<u>53</u>	<u>24</u>	<u>10</u>	<u>12</u>	<u>9</u>
Total interest and dividend income	<u>6,996</u>	<u>6,497</u>	<u>6,360</u>	<u>6,206</u>	<u>6,347</u>

Interest expense

Deposits	1,013	907	859	896	1,036
Borrowings	<u>410</u>	<u>331</u>	<u>325</u>	<u>246</u>	<u>203</u>
Total interest expense	<u>1,423</u>	<u>1,238</u>	<u>1,184</u>	<u>1,142</u>	<u>1,239</u>
Net interest income	<u>5,573</u>	<u>5,259</u>	<u>5,176</u>	<u>5,064</u>	<u>5,108</u>
Provision for loan losses	<u>(800)</u>	<u>70</u>	<u>50</u>	<u>440</u>	<u>430</u>
Net interest income after provision for loan losses	<u>6,373</u>	<u>5,189</u>	<u>5,126</u>	<u>4,624</u>	<u>4,678</u>

Noninterest income

Service charges on deposits	63	53	51	58	64
Life insurance	152	188	189	186	186
Gain on sale of repossessed assets	11	61	1	52	21
Gain on sale of loans in secondary market	180	339	246	76	207
Gain on Bank Owned Life Insurance Policy	376	0	0	0	0
Gain (Loss) on sale of investments	1	2	(3)	293	28
Other	<u>72</u>	<u>108</u>	<u>97</u>	<u>61</u>	<u>116</u>
Total noninterest income	<u>855</u>	<u>751</u>	<u>581</u>	<u>726</u>	<u>622</u>

Noninterest expense

Salaries and employee benefits	2,122	2,030	2,067	1,848	1,820
Net occupancy expense	171	230	227	280	281
Equipment expense	47	87	96	115	114
Data processing fees	489	462	504	411	418
Professional fees	286	272	257	249	265
Franchise taxes	142	134	126	118	157
FDIC insurance	51	64	85	92	100
Other real estate owned expenses	28	12	75	18	243
Other	<u>326</u>	<u>304</u>	<u>310</u>	<u>314</u>	<u>298</u>
Total noninterest expense	<u>3,662</u>	<u>3,595</u>	<u>3,747</u>	<u>3,445</u>	<u>3,696</u>
Income before income tax	<u>3,566</u>	<u>2,345</u>	<u>1,960</u>	<u>1,905</u>	<u>1,604</u>
Provision for income taxes	<u>1,397</u>	<u>739</u>	<u>614</u>	<u>628</u>	<u>494</u>
Net income	<u>\$ 2,169</u>	<u>\$ 1,606</u>	<u>\$ 1,346</u>	<u>\$ 1,277</u>	<u>\$ 1,110</u>

Per Share data	Basic earnings per share	\$ 2.67	\$ 2.00	\$ 1.67	\$ 1.59	\$ 1.38
	Diluted earnings per share	\$ 2.58	\$ 1.94	\$ 1.62	\$ 1.53	\$ 1.35
	Cash dividend per share	\$ 0.87	\$ 0.52	\$ 0.40	\$ 0.36	\$ 0.32
	Market value per share	\$ 28.80	\$ 21.05	\$ 18.05	\$ 16.25	\$ 16.00
	Book value per share	\$ 23.83	\$ 22.29	\$ 20.85	\$ 19.62	\$ 18.40
Asset quality ratios	Weighted-average shares outstanding-basic	812,611	803,827	803,966	804,442	804,922
	Non-performing loans to total loans	0.21%	0.31%	0.54%	0.34%	0.59%
	Allowance for loan losses to total loans	1.20%	1.95%	2.01%	2.04%	1.77%
	Net charge-offs to average loans	0.05%	0.06%	-0.03%	0.00%	0.29%
	Profitability ratios	Return on assets (ROA)	1.32%	1.03%	0.89%	0.87%
Return on equity (ROE)		11.45%	9.29%	8.28%	8.35%	7.73%
Net interest margin		3.54%	3.55%	3.59%	3.64%	3.77%