

To Our Shareholders

For the first quarter, we have disclosed three quarters of Consolidated Statement of Income for the periods of March 2018, 2017 and 2016. Disclosure of the information for three quarters was chosen versus two quarters to provide some historical trends. First quarter 2017 earnings included a fairly large tax exempt gain of \$245,000 for a Bank Owned Life Insurance Policy. Therefore, as you review our income statement, look at 2017 and 2016 when comparing to the current quarter (2018). As a Shareholder, you will also see the positive impact of the new tax legislation on our business. Our new 2018 effective tax rate is 21% as compared to 33% for the prior years.

Earnings for the first quarter were \$501,642, representing 61 cents per share. Return on Assets and Return on Equity was 1.23% and 10.39% respectively. Signs of a successful bank are having constant Return on Assets exceeding 1.0% combined with a constant Return on Equity exceeding 10%.

Asset quality continues to be our primary focus. Loans past due 90 days or more were \$167,502 (**three loans**) or .12% to Total Loans Outstanding. Loans past due 60-89 days were \$49,572 (**one loan**) or .03% to Total Loans Outstanding. These ratios are exceptional when compared to other banks. Our Allowance for Loan Losses was \$1,740,798 or 1.20% to Total Loans Outstanding. The Allowance for Loan Losses represents ten times our Non-Performing Loans (loans past due over 90 days). We currently have \$103,660 classified as Other Real Estate Owned (OREO). For the quarter, loan recoveries exceeded loans charged off. As a result of these ratios, we chose not to set aside a provision for loan loss for this quarter.

Non-interest expense for the quarter was \$910,909 (58.8% efficiency ratio) representing our abilities to continue to find methods to control our operating expenses. Our efficiency ratio continues to compare

very favorably to other banks. Expenses for the quarter was also less than last year's quarter and is on budget for 2018.

Net interest income was \$1,411,120, showing an improvement over March 2017 and 2016. Loans Outstanding closed the quarter at \$145,211,803. Loan volume is critical to the continued improvement of Net Interest Income and with the control of Non-Interest Expense should result in continued improvement in our net income. Comparing our Net Interest Margins (3.59%) for the quarter, demonstrates our ability to manage interest rate risk being that the Federal Reserve has increased the prime rate six times since December 2015, which has had an impact on our cost of deposits and FHLB Advances.

Shareholders' equity closed the quarter with \$19,682,516, generating a book value of \$24.10 per share on 816,818 shares outstanding. Our market value per share at the close of the quarter was \$29.95.

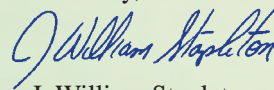
In summary, another successful quarter and on budget!!

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.

Thank you for your investment in Home City Financial Corporation. As Shareholders, should you want to share your thoughts, my Email address is disclosed under "Shareholder Information". I always enjoy hearing from our Shareholders.

As a reminder, please return your Proxy votes for the Annual Meeting scheduled April 25, 2018. Your Proxy is important!!!!

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

Shareholder Inquiries:

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Locations


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Springfield, Ohio 45503
(937) 390-0470
ATM available

 
63 West Main Street
Springfield, Ohio 45502
(937) 322-5844



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

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2018
FIRST
QUARTER
REPORT**
March 31, 2018

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

www.homecityfederal.com

Home City Financial Corporation

Consolidated Statement of Condition

ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
		(Unaudited)	
		(Dollars in thousands)	
Cash and due from banks	\$ 857	\$ 892	\$ 1,088
Interest-bearing demand deposits	7,662	5,798	5,292
Federal funds sold	-	-	-
Cash and cash equivalents	<u>8,519</u>	<u>6,690</u>	<u>6,380</u>
Available-for-sale securities	5,383	5,717	9,079
Loans	145,212	144,161	139,142
Allowance for loan losses	(1,741)	(1,737)	(2,618)
Loans, net	<u>143,471</u>	<u>142,424</u>	<u>136,524</u>
Premises and equipment	2,111	2,127	2,144
Federal Home Loan Bank stock	2,734	2,734	2,734
Interest receivable	491	484	432
Cash surrender value of life insurance	4,004	3,978	4,243
Deferred taxes	488	615	1,179
Other	317	276	301
Total assets	<u>167,518</u>	<u>165,045</u>	<u>163,016</u>

LIABILITIES

Deposits			
Demand	8,558	9,068	7,644
Savings, NOW and money market	42,262	43,746	45,547
Time	67,810	64,614	60,438
Total deposits	<u>118,630</u>	<u>117,428</u>	<u>113,629</u>
Federal Home Loan Bank advances	26,066	24,597	27,956
Interest payable and other liabilities	3,139	3,558	3,113
Total liabilities	<u>147,835</u>	<u>145,583</u>	<u>144,698</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 983,859 shares	0	0	0
Additional paid-in capital	6,448	6,443	6,335
Retained earnings	15,761	15,473	14,417
Accumulated other comprehensive gain (loss)	(128)	(56)	(36)
Treasury shares, at cost, 167,041 shares	(2,398)	(2,398)	(2,398)
Total shareholders' equity	<u>19,683</u>	<u>19,462</u>	<u>18,318</u>
Total liabilities and shareholders' equity	<u>\$ 167,518</u>	<u>\$ 165,045</u>	<u>\$ 163,016</u>

Columns may not add due to rounding

Home City Financial Corporation

Consolidated Statement of Income

Interest and dividend income

Loans	\$ 1,708	\$ 1,587	\$ 1,547
Securities	30	41	35
Federal funds sold	0	0	0
Dividends on Federal Home Loan Bank stock	40	31	28
Deposits with financial institutions	22	8	4
Total interest and dividend income	<u>1,800</u>	<u>1,667</u>	<u>1,614</u>

Interest expense

Deposits	267	229	218
Borrowings	122	90	84
Total interest expense	<u>389</u>	<u>319</u>	<u>302</u>

Net interest income

Provision for loan losses	0	0	0
Net interest income after provision for loan losses	<u>1,411</u>	<u>1,348</u>	<u>1,312</u>

Noninterest income

Service charges on deposits	14	14	9
Life insurance	39	42	46
Gain/(Loss) on sale of other real estate owned	0	28	0
Gain on sale of loans in secondary market	54	30	63
Gain on Bank Owned Life Insurance	0	245	0
Other	30	15	24
Total noninterest income	<u>137</u>	<u>374</u>	<u>142</u>

Noninterest expense

Salaries and employee benefits	505	534	502
Net occupancy expense	56	45	65
Equipment expense	7	9	21
Data processing fees	123	112	132
Professional fees	91	72	73
Franchise tax	39	36	33
FDIC insurance	13	13	20
Other real estate owned expenses	(1)	12	2
Other	77	84	82
Total noninterest expense	<u>910</u>	<u>917</u>	<u>930</u>

Income before income tax

Provision for income taxes

Net income

	\$ 638	\$ 805	\$ 524
	<u>136</u>	<u>188</u>	<u>174</u>
	<u>\$ 502</u>	<u>\$ 617</u>	<u>\$ 350</u>

	Three months ended		
	March 31, 2018	March 31, 2017	March 31, 2016
		(Unaudited)	
		(Dollars in thousands except per share data)	
Per Share data			
**Basic earnings per share	\$ 0.61	\$ 0.76	\$ 0.43
**Diluted earnings per share	\$ 0.59	\$ 0.74	\$ 0.42
Cash dividend per share	\$ 0.25	\$ 0.25	\$ 0.20
Market value per share	\$ 29.95	\$ 23.20	\$ 18.13
Book value per share	\$ 24.10	\$ 22.63	\$ 21.15
Weighted-average shares outstanding-basic	816,818	807,321	805,531
Asset quality ratios			
Non-performing loans to total loans	0.12%	0.17%	0.47%
Allowance for loan losses to total loans	1.20%	1.88%	2.01%
Net charge-offs (recoveries) to average loans	0.00%	(0.01%)	0.00%
Profitability ratios			
**Return on assets (ROA)	1.23%	1.57%	0.92%
**Return on equity (ROE)	10.39%	13.90%	8.29%
Net interest margin	3.59%	3.59%	3.60%

** 2017 includes a gain of \$245,000 on Bank Owned Life Insurance