

To Our Shareholders

See the enclosed News Release dated July 25, 2018. Richwood Bancshares, Inc. agrees to acquire Home City Financial Corporation in an all-cash transaction. Home City shareholders will receive \$37.32 for each share owned representing the total transaction value at \$31.7 Million or 155% of Home City's tangible book value as of March 31, 2018. Subject to customary regulatory approvals, Home City shareholder approvals and other conditions set forth in the definitive merger agreement, the transaction is anticipated to close in the fourth quarter of 2018. Home City shareholders will be receiving additional details prior to the close of the third quarter. Your Directors recommend Shareholder Approval of the proposed transaction.

Earnings for the second quarter were \$471,000, representing 58 cents per share. Return on Assets and Return on Equity were 1.14% and 9.52% respectively. Year-to-date earnings were \$973,000, representing \$1.19 per share. Year-to-date Return on Assets and Return on Equity was 1.18% and 9.95% 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 \$151,226 (**three loans**) or .10% to Total Loans Outstanding. Loans past due 60-89 days were \$111,820 (**two loans**) or .08% to Total Loans Outstanding. These ratios are exceptional when compared to other banks. Our Allowance for Loan Losses was

\$1,720,000 or 1.18% to Total Loans Outstanding. We currently have \$20,000 classified as Other Real Estate Owned (OREO). Year-to-date, loan charge-offs exceeded loan recoveries with net charge-offs of \$16,700. 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 \$930,000, representing our abilities to continue to find methods to control our operating expenses. Our efficiency ratio continues to compare very favorably to other banks.

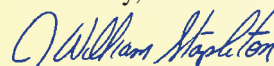
Net interest income was \$1,411,000, showing an improvement over June 2017 and was the same as March 2018. Loans Outstanding closed the quarter at \$145,000,000. Comparing our Net Interest Margins (3.55%) for the quarter, demonstrates our ability to manage interest rate risk being that the Federal Reserve has increased the prime rate seven times since December 2015, which has had an impact on our cost of deposits and FHLB Advances.

Shareholders' equity closed the quarter with \$19,960,000, generating a book value of \$24.39 per share on 818,318 shares outstanding. Our market value per share at the close of the quarter was \$28.90.

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.

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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2018 **SECOND QUARTER REPORT**

June 30, 2018

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

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