

To Our Shareholders

All Shareholders of Record at the close of business on October 1, 2018, should have received the Notice of Special Meeting of Shareholders along with a Proxy Statement. You are encouraged to return the Proxy so that your shares may be voted in accordance with your wishes.

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. Your Directors recommend Shareholder Approval of the proposed transaction.

Earnings for the third quarter were \$409,000, representing 50 cents per share. Return on Assets and Return on Equity were .98% and 8.07% respectively. Earnings for the quarter were less than a typical quarter for Home City primarily the result of Merger and Acquisition costs of \$144,000. Excluding these costs, our earnings for the quarter would have been \$521,000.

Loans outstanding exceeded \$148,000,000 representing an increase from the previous quarter of \$3.2 million.

Non-interest expense for the quarter was \$902,000, 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 \$1,450,000, showing an improvement over September 2017. Comparing our Net Interest Margins (3.60%) for the quarter, demonstrates our ability to manage interest rate risk being that the Federal Reserve has continued to increase the prime rate since December 2015, which has had an impact on our cost of deposits and FHLB Advances.

Shareholders' equity closed the quarter with \$20,443,000, generating a book value of \$24.16 per share on 846,118 shares outstanding. Our market value per share at the close of the quarter was \$36.85.

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.

Subject to the pending approvals related to the acquisition, this most likely will be my last Quarterly Home City Shareholder Letter. It's been an honor and a privilege to have been your President and CEO for 16 years. I, the Board of Directors and staff would like to 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:

J. William Stapleton
President, CEO
jwstapleton@homecityfederal.com
Donna M. Williams
Executive VP of Operations, CFO
dmwilliams@homecityfederal.com
Home City Financial Corporation
2454 North Limestone Street
Springfield, Ohio 45503
(937) 390-0470

Transfer Agent: American Stock Transfer & Trust Co., LLC
Attn: Client Service Center, 3rd Floor
6201 15th Avenue
Brooklyn, NY 11219
888-509-4619
www.amstock.com

Locations



2454 North Limestone Street
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."

8 2018
**THIRD
QUARTER
REPORT**
September 30, 2018

www.homecityfederal.com

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

Home City Financial Corporation

Consolidated Statement of Condition

ASSETS

	September 30, 2018	June 30, 2018	December 31, 2017	September 30, 2017
		(Unaudited)		
		(Dollars in thousands)		
Cash and due from banks	\$ 947	\$ 782	\$ 892	\$ 1,079
Interest-bearing demand deposits	7,196	6,117	5,798	6,310
Federal funds sold	-	-	-	-
Cash and cash equivalents	<u>8,143</u>	<u>6,899</u>	<u>6,690</u>	<u>7,389</u>
Available-for-sale securities	4,818	5,100	5,717	6,028
Loans	148,507	145,294	144,161	144,654
Allowance for loan losses	(1,713)	(1,720)	(1,737)	(1,778)
Loans, net	<u>146,794</u>	<u>143,574</u>	<u>142,424</u>	<u>142,876</u>
Premises and equipment	2,077	2,095	2,127	2,143
Federal Home Loan Bank stock	2,734	2,734	2,734	2,734
Interest receivable	506	477	484	455
Cash surrender value of life insurance	4,058	4,031	3,978	3,952
Deferred taxes	568	570	615	1,043
Other	213	225	276	543
Total assets	<u>\$ 169,911</u>	<u>\$ 165,705</u>	<u>\$ 165,045</u>	<u>\$ 167,163</u>

LIABILITIES

Deposits				
Demand	8,328	7,182	9,068	8,102
Savings, NOW and money market	41,686	41,780	43,746	45,963
Time	67,765	67,634	64,614	65,407
Total deposits	<u>117,779</u>	<u>116,596</u>	<u>117,428</u>	<u>119,472</u>
Federal Home Loan Bank advances	28,432	25,721	24,597	24,748
Interest payable and other liabilities	3,257	3,428	3,558	3,360
Total liabilities	<u>149,468</u>	<u>145,745</u>	<u>145,583</u>	<u>147,580</u>

SHAREHOLDERS' EQUITY

Preferred shares, no par value, authorized 1,000,000 shares; none issued	0	0	0	0
Common shares, no par value, authorized 5,000,000 shares; issued 1,013,159 shares	0	0	0	0
Additional paid-in capital	6,776	6,473	6,443	6,438
Retained earnings	16,226	16,028	15,464	15,560
Accumulated other comprehensive gain (loss)	(161)	(143)	(47)	(17)
Treasury shares, at cost, 167,041 shares	(2,398)	(2,398)	(2,398)	(2,398)
Total shareholders' equity	<u>20,443</u>	<u>19,960</u>	<u>19,462</u>	<u>19,583</u>

Total liabilities and shareholders' equity \$ 169,911 \$ 165,705 \$ 165,045 \$ 167,163

Columns may not add due to rounding

Home City Financial Corporation

Consolidated Statement of Income

Interest and dividend income

	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
		(Unaudited)			
		(Dollars in thousands except per share data)			
Loans	\$ 1,798	\$ 1,740	\$ 1,712	\$ 5,247	\$ 4,944
Securities	27	29	38	86	123
Federal funds sold	0	0	0	0	0
Dividends on Federal Home Loan Bank stock	41	39	36	119	99
Deposits with financial institutions	31	27	16	79	36
Total interest and dividend income	<u>1,897</u>	<u>1,835</u>	<u>1,802</u>	<u>5,531</u>	<u>5,202</u>

Interest expense

Deposits	322	303	267	892	751
Borrowings	125	121	111	367	304
Total interest expense	<u>447</u>	<u>424</u>	<u>378</u>	<u>1,259</u>	<u>1,055</u>

Net interest income	1,450	1,411	1,424	4,272	4,147
Provision for loan losses	0	0	0	0	(800)
Net interest income after provision for loan losses	<u>1,450</u>	<u>1,411</u>	<u>1,424</u>	<u>4,272</u>	<u>4,947</u>

Noninterest income

Service charges on deposits	13	16	15	43	46
Life insurance	39	39	37	117	113
Gain/(Loss) on sale of other real estate owned	0	28	0	28	28
Gain on sale of loans in secondary market	48	46	55	148	113
Gain on Bank Owned Life Insurance	0	0	0	0	375
Merger and Acquisition Costs	(144)	0	0	(176)	0
Gain (Loss) on sale of investments	0	0	1	0	1
Other	12	(16)	25	58	60
Total noninterest income	<u>(32)</u>	<u>113</u>	<u>133</u>	<u>218</u>	<u>736</u>

Noninterest expense

Salaries and employee benefits	571	550	527	1,625	1,595
Net occupancy expense	60	49	54	165	149
Equipment expense	10	8	11	26	30
Data processing fees	142	126	79	391	364
Professional fees	1	79	82	171	227
Franchise tax	39	39	36	117	107
FDIC insurance	12	12	13	37	38
Other real estate owned expenses	0	1	2	1	14
Other	67	66	87	210	244
Total noninterest expense	<u>902</u>	<u>930</u>	<u>891</u>	<u>2,743</u>	<u>2,768</u>

Income before income tax	516	594	666	1,747	2,915
Provision for income taxes	107	123	227	365	853
Net income	<u>\$ 409</u>	<u>\$ 471</u>	<u>\$ 439</u>	<u>\$ 1,382</u>	<u>\$ 2,062</u>

	Per Share data				
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Basic earnings per share	\$ 0.50	\$ 0.58	\$ 0.54	\$ 1.69	\$ 2.54
Diluted earnings per share	\$ 0.48	\$ 0.56	\$ 0.52	\$ 1.63	\$ 2.46
Cash dividend per share	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.75	\$ 0.62
Market value per share	\$ 36.85	\$ 28.90	\$ 27.00	\$ 36.85	\$ 27.00
Book value per share	\$ 24.16	\$ 24.39	\$ 23.97	\$ 24.16	\$ 23.97
Weighted-average shares outstanding-basic	826,407	817,889	816,401	820,407	811,198
Asset quality ratios					
Non-performing loans to total loans	0.08%	0.10%	0.16%	0.08%	0.16%
Allowance for loan losses to total loans	1.15%	1.18%	1.23%	1.15%	1.23%
Net charge-offs/(Recoveries) to average loans	0.01%	0.01%	-0.01%	0.02%	0.02%
Profitability ratios					
Return on assets (ROA)	0.98%	1.14%	1.04%	1.11%	1.68%
Return on equity (ROE)	8.07%	9.52%	8.92%	9.31%	14.74%
Net interest margin	3.60%	3.55%	3.51%	3.58%	3.53%