

# **HOME FINANCIAL BANCORP**

279 E. Morgan Street • Spencer, Indiana 47460 • [www.ocbconnect.com](http://www.ocbconnect.com)

## 2011 Annual Report



*Serving our community since 1911.*

# Corporate Profile

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Home Financial Bancorp was organized in 1996 and is the holding company for Owen Community Bank, s.b., a federally chartered, FDIC insured thrift institution originally organized in 1911. Headquartered in Spencer, Indiana, the Bank was organized under the name Owen County Savings and Loan Association and is the oldest continuously operating financial institution headquartered in Owen County, Indiana.

Operating from its main office in Spencer and its branch office in Cloverdale, the Bank's principal business consists of attracting deposits from consumers and businesses in its market area and originating consumer, residential, multi-family and commercial real estate loans, as well as other non-residential loans.

The Bank is predominately a portfolio lender that historically has concentrated its lending activities on the origination of loans secured by first mortgage liens for the purchase, construction or refinancing of one-to-four family residential property. Deposits are attracted, principally from within Owen and Putnam Counties, through the offering of a broad selection of deposit instruments including fixed-rate certificates of deposit, NOW and other transaction accounts, and savings accounts.

Subsequent to the fiscal year ending June 30, 2011, Owen Community Bank converted to an Indiana commercial bank charter and changed its name to Our Community Bank. The Bank will continue its commitment to meeting the financial service needs of the communities it serves in a friendly, professional manner, while improving sharehold value. We will foster the growth and development of our communities, as well as our employees. We strive to earn a superior return while maintaining and uncompromising commitment to the principles of honesty and integrity. Our commitments to our shareholders, customers and employees will enable the Company to maintain a level of profitability necessary to remain independent for the benefit of the communities we serve.

Home Financial Bancorp's common stock is traded on the OTC Bulletin Board under the symbol "HWEN".

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## Additional Information Available Upon Request\*

- Independent Accountant's Report
- Audited Financial Statements

\* Also available at [www.ocbconnect.com](http://www.ocbconnect.com).

## FOREWARD-LOOKING STATEMENTS

This Annual Report to Shareholders contains statements regarding the intent, belief, outlook, estimate or expectations of the Company, its directors or its officers primarily with respect to future events and the Company's future financial performance. Readers of this Annual Report are cautioned that any such forward-looking statements are not guarantees of future events or performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. Factors that could cause such differences include changes in interest rates; loss of deposits and loan demand to other savings and financial institutions; substantial changes in financial markets; changes in real estate values and the real estate market; regulatory changes; or unanticipated results in pending legal proceedings.

## From the Chairman

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Our Community Bank recently completed its first one hundred years of service. The celebration was held at the fairgrounds, the event was to remember the past, but more important to celebrate the future. Thanks to Tammy Randolph and staff for planning the festivities.

At this point we remember and honor our past Chairman, Frank R. Stewart, as visionary, mentor and friend to many. Frank would be proud of Our Community Bank's accomplishments!

Your OCB Board of Directors and management will not lose sight of the goals which are to grow the earnings and increase the stockholder's value.

There are several worries in the economy, but we are not one of them.

Thank you for your continued confidence and support.



Tad Wilson  
Chairman of the Board

## From the President

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Home Financial Bancorp had a very successful year. In light of the continued poor economy and hardships facing so many individuals and businesses, I am particularly pleased to report good operating results for fiscal 2011. We achieved critical goals, made significant changes, and reached milestones. These accomplishments, in a very difficult operating environment, are a tribute to the talent and dedication of an outstanding team.

Home Financial Bancorp remains on solid financial footing, despite continued industry weakness. Through mid-August, 64 banks had failed in calendar 2011. In contrast to many banks forced to reduce or suspend shareholder dividends, our earnings growth allowed management to maintain dividend levels, while increasing tangible capital to \$8.3 million; totaling more than 11% of total assets. Compared to last year, net income grew 19% to \$510,000, or \$.39 earnings per share, from \$.33 for 2010.

Crucial to our long-term strength and profitability, non-performing loans fell significantly during the year. We finally saw the benefits we were expecting from improved underwriting standards and diligent problem asset resolution efforts. Loans delinquent 90 days or more decreased 52%, or \$1.2 million, and dropped to 1.9% of total loans at June 30, 2011, from 4.1% a year earlier. While we are happy with the asset quality improvement, we are cautious. The path forward will be rocky. Bleak economic conditions and persistent downward pressure on real estate values set the stage for a continuation of elevated problem asset costs for an extended period.

This was a momentous year for our banking operations in several ways. On August 5, 2011, the bank hosted a party to celebrate 100 years of serving the financial well-being of our community. This is a rare milestone for any small business, much less in the rapidly shrinking banking industry.

OCB changed from Owen Community Bank to Our Community Bank on July 15, 2011. We view this change as a way to start our second century of service to our community with a name that reflects that focus. At a time when many banks across the U.S. are focused on growing aggressively and offering complex financial products, OCB continues to focus on the needs of our community, as spelled out in our original charter back in 1911.

That charter established its corporate purpose as the "safe and profitable investment of savings, to loan money on easy terms, to enable customers to build or purchase homes, and for all such purposes authorized by law." The bank was originally founded as Owen County Savings & Loan Association. In recent years, we've grown to serve many customers outside Owen County, and utilize technology to expand our banking services. We believe Our Community Bank is an accurate representation of the bank we've become.

Effective July 1, 2011, Home Financial Bancorp became a bank holding company within the definition of the Bank Holding Company Act and is now regulated by the Board of Governors of the Federal Reserve System. OCB has become a state chartered commercial bank and is now regulated by the Indiana Department of Financial Institutions and the Federal Deposit Insurance Corporation. This conversion of OCB from a federally chartered savings bank to a state commercial bank positions the bank to reduce its regulatory costs and compete more effectively in its market area.

The charter-related changes were prompted by mandates contained in the Dodd-Frank Wall Street Reform and Consumer Protection Act passed in 2010. This legislation hangs like the sword of Damocles over our industry. The harm this law is likely to cause has created immense apprehension for our operations, and the entire U.S. economy.

According to a front page article in the Investor's Business Daily on August 16, 2011, the federal government's rulemaking operations are in overdrive. This July, 379 new rules were issued. The article notes that more than 4,200 regulations are in the pipeline. "That doesn't count impending clear air rules from the EPA, new derivative rules, or the FCC's net neutrality rule. Nor does that include recently announced fuel economy mandates or eventual ObamaCare and Dodd-Frank regulations." According to the Small Business Administration, small companies, like this one you own, spend 36% more per employee to comply with these rules than larger firms.

So, while we are pleased with the positive momentum reflected in our 2011 results, we are by no means comfortable. The challenges ahead are formidable. The short list of concerns include: unemployment above 9 percent, GDP growth below 2 percent, rising inflation, depressed home values, potential for a double dip recession, and a tsunami of regulatory overkill. We appreciate the progress achieved, but we are aware that an extraordinary effort will be demanded in order to prosper going forward.

Our success in 2011 demonstrates that despite serious obstacles, focused, sustained teamwork can produce good results. We maintained dividends, increased capital, grew earnings per share and improved all measurements of asset quality. We responded to industry changes by migrating to corporate charters most conducive to our business focus. Our bank name was changed to reflect our commitment to community. And we celebrated 100 years of serving the financial needs and well-being of our community.

It is an honor and privilege to work with the outstanding team assembled at Home Financial Bancorp and Our Community Bank. I'm joined by current directors, officers and staff in expressing great appreciation for those individuals of earlier generations that built and maintained this organization during the past 100 years. We will continue to demonstrate our sincere gratitude by being good stewards of this treasured community institution they have entrusted to our care.

Thank you to all shareholders and friends who have encouraged and supported our efforts through the years.



Kurt D. Rosenberger  
President and Chief Executive Officer

# Selected Financial Data

At or For the Year Ended June 30

(\$ in thousands, except per share data)

## OPERATIONS DATA

	2011	2010	2009	2008	2007
Net interest income . . . . .	\$ 3,259	\$ 2,961	\$ 2,682	\$ 2,708	\$ 2,732
Provision for losses on loans . . . . .	180	381	375	240	260
Total other income . . . . .	715	854	769	848	617
Total other expense . . . . .	3,008	2,784	3,007	2,906	2,878
Income before provision for income taxes . . . . .	786	649	69	410	211
Provision for income taxes . . . . .	276	219	(80)	54	36
Net income . . . . .	\$ 510	\$ 430	\$ 149	\$ 356	\$ 175

## FINANCIAL CONDITION DATA

Total Assets . . . . .	\$ 74,832	\$ 72,232	\$ 69,851	\$ 71,152	\$ 74,900
Loans receivable, net. . . . .	57,379	57,106	56,817	59,637	61,037
Cash and cash equivalents . . . . .	4,942	4,681	5,270	4,797	4,901
Securities available for sale. . . . .	6,140	3,704	1,391	1,017	1,887
Deposits . . . . .	50,791	47,218	43,266	42,164	45,518
Borrowed funds . . . . .	15,000	16,500	18,500	21,000	21,500
Stockholders' equity . . . . .	8,341	8,001	7,695	7,682	7,480
Non-performing assets . . . . .	1,707	3,259	3,368	2,674	1,608
Net loan chargeoffs . . . . .	194	317	354	213	195
Allowance for loan losses . . . . .	663	677	613	592	565

## SELECTED FINANCIAL RATIOS

Tangible equity to total assets . . . . .	11.15%	11.08%	11.02%	10.80%	9.99%
Total risk-based capital . . . . .	19.83	17.98	17.60	16.98	15.73
Net interest margin . . . . .	4.64	4.44	4.01	4.02	3.89
Interest rate spread . . . . .	4.39	4.15	3.65	3.60	3.57
Return on average assets . . . . .	0.68	0.60	0.21	0.49	0.23
Return on average equity . . . . .	6.24	5.48	1.94	4.69	2.35
Non-performing assets to total assets . . . . .	2.28	4.51	4.82	3.76	2.15

## PER COMMON SHARE DATA

Basic earnings . . . . .	\$ 0.39	\$ 0.33	\$ 0.11	\$ 0.27	\$ 0.13
Fully diluted earnings . . . . .	0.39	0.33	0.11	0.27	0.13
Tangible book value . . . . .	6.20	5.92	5.69	5.66	5.50
Market value . . . . .	3.45	2.81	3.46	3.50	4.90
Cash dividend declared . . . . .	0.12	0.12	0.12	0.12	0.12

# Shareholder Information

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## Annual Meeting

The annual meeting of shareholders will be held at 3:00 p.m., Eastern Daylight Time, on October 11, 2011, at the Holding Company's office at 279 East Morgan Street, Spencer, Indiana.

Notice of the meeting and a proxy statement are included with this mailing to shareholders of record at the close of business on August 16, 2011.

## Investor Relations

This Annual Report to Shareholders includes selected consolidated financial data and other information for the fiscal year ended June 30, 2011.

Shareholders, analysts and others interested in additional information may contact:

Kurt D. Rosenberger  
President and Chief Executive Officer  
P.O. Box 187  
Spencer, IN 47460  
(812) 829-2095

## Stock Listing

Home Financial Bancorp's common stock is publicly traded on the OTC Bulletin Board under the symbol "HWEN".

## Directors

Tad Wilson, Chairman  
Stephen Parrish, Vice Chairman  
John A. Gillaspy  
Charles H. Hardesty  
Gary M. Monnett  
Kurt D. Rosenberger

## Stock Transfer Agent and Registrar

Shareholders requiring a change of name, address or ownership of stock, as well as information about shareholder records, lost or stolen certificates, dividend checks, and dividend direct deposit should contact:

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, NJ 07016-3572  
(800) 368-5948

## Independent Auditor

BKD, LLP  
201 North Illinois Street  
Indianapolis, IN 46204

## Counsel

Barnes & Thornburg LLP  
11 South Meridian Street  
Indianapolis, IN 46204

Hickam & Lorenz  
10 South Main Street  
Spencer, IN 47460

## Officers

Kurt D. Rosenberger – President, CEO  
Gary M. Monnett – Exec. Vice President, CFO  
Lori Porter – Vice President  
Tammy Randolph – Vice President  
Lisa Wilson – Senior Manager  
Christie Leach – Assistant Vice President  
Mel McHaley – Assistant Vice President  
Kara Gunderman – Assistant Vice President