

Press Release

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Contact: Kurt D. Rosenberger

Phone: (812) 829-2095

HOME FINANCIAL BANCORP ANNOUNCES
SECOND QUARTER RESULTS

Spencer, Indiana – (February 10, 2015) Home Financial Bancorp (“Company”) (OTCQB Symbol “HWEN”), an Indiana corporation which is the holding company for Our Community Bank, (“Bank”) based in Spencer, Indiana, announces results for the second quarter and six months ended December 31, 2014. The following comparisons are made to the same time period in the prior fiscal year.

Second Quarter Highlights:

- Net interest income decreased \$79,000 or 10%, to \$701,000;
- Non-interest income increased \$49,000 or 43%;
- Non-interest expense rose \$82,000 or 12%;
- Net income fell \$76,000 or 60%, to \$51,000.

Six Month Highlights:

- Non-performing loans decreased 27%, to 1.8% of total loans;
- Total loans decreased \$2.8 million or 6%;
- Net interest income contracted \$130,000 or 8%;
- Net income dropped \$95,000 or 52%, to \$89,000.

For the quarter ended December 31, 2014, the Company reported net income of \$51,000, or \$.04 basic and diluted earnings per share. Net income was \$127,000 or \$.11 basic and diluted earnings per share for the quarter ended December 31, 2013. Second quarter 2015 net income was lower primarily due to a decline in loan interest income. Loan interest income declined by \$104,000 due to lower loan balances outstanding.

Net interest income decreased \$79,000 or 10%, and totaled \$701,000. Total interest income fell \$101,000 or 11%, but was partially offset by a \$22,000 or 14% decline in interest expense. Net interest margin for the quarter was 4.50%, compared to 4.70% for the same period a year earlier. The incredibly low prevailing interest rate environment limits loan and investment yields. At the same time, decreased marginal reductions are being realized in funding costs.

Loan loss provisions were \$60,000 for both the quarters-ended December 31, 2014 and 2013. A regular assessment of loan loss allowance adequacy indicated that these provisions were necessary to maintain an appropriate allowance level. Changes in volume, composition and quality of the loan portfolio, as well as actual loan loss experience, influences the need for future loan loss provisions. Net loan losses during second quarter 2015 totaled \$62,000, compared to \$35,000 for second quarter 2014.

Non-interest income increased \$49,000 or 43%, to \$162,000 for the quarter. This change resulted from higher service fee income and loan sale proceeds during second quarter 2015. In addition, \$20,000 loss on sale of real estate acquired for development was recorded for the prior year period with no corresponding real estate development activity recognized for the quarter-ended December 31, 2014. Total non-interest expense for second quarter 2015 increased \$82,000 or 12%, compared to the same period a year ago. Repossessed property expense more than doubled to \$38,000. Loss on low-income housing investment, computer processing fees and professional fees also increased.

For the six-month period ended December 31, 2014, the Company reported net income of \$89,000, or \$.07 basic and diluted earnings per share. Net income was \$184,000, or \$.16 basic and diluted earnings per share for the six months ended December 31, 2013. Lower interest income from loans was a major reason net income decreased compared to the same period a year earlier.

Net interest income contracted \$130,000, or 8%, to \$1.4 million for the six-month period ending December 31, 2014. Interest income on loans decreased \$171,000 or 10%, while interest income from investments improved modestly. Total interest expense declined \$39,000 or 12%.

Loan loss provisions were \$120,000 for both six-month periods ended December 31, 2014 and 2013. Loan loss provisions reflect management's assessment of various risk factors including, but not limited to, the level and trend of loan delinquencies and losses. Net loan losses for the six months ended December 31, 2014 increased to \$132,000; from \$74,000 for the six months ended December 31, 2013.

Non-interest income was \$303,000 for the first half of fiscal 2015, compared to \$283,000 for the year-earlier period. Non-interest expense increased \$21,000 or 1%. Computer processing fees, loss on low-income housing investment, professional fees and advertising expense all increased compared to the same period a year earlier. Partially offsetting the increased expenses, repossessed property expense, including net loss on sale of foreclosed property, decreased \$18,000 or 22%, and salaries and employee benefits declined \$35,000 or 5%.

At December 31, 2014, total assets decreased 4%, to \$65.2 million, compared to \$67.8 million at June 30, 2014. Cash and cash equivalents decreased \$654,000 or 17%, to \$3.2 million. Investments available for sale were steady at \$6.7 million. Total loans fell \$2.8 million or 6%, to \$46.7 million.

Loans delinquent 90 days or more were \$850,000 or 1.8% of total loans at December 31, 2014, compared to \$1.2 million or 2.4% of total loans at June 30, 2014. At December 31, 2014, non-performing assets were \$1.3 million or 2.0% of total assets, compared to \$1.5 million or 2.4% of total assets at June 30, 2014. Non-performing assets included \$466,000 in Other Real Estate Owned ("OREO") and other repossessed properties at December 31, 2014, compared to \$330,000 six months earlier.

Loan loss allowances were \$472,000 or 1.02% of total loans at December 31, 2014, compared to \$484,000 or 0.98% of total loans at June 30, 2014. Management considered the level of loan loss allowances at December 31, 2014 to be adequate to cover estimated losses inherent in the loan portfolio at that date.

Deposits decreased \$1.6 million or 3%, to \$47.1 million as of December 31, 2014. Total borrowings were reduced to \$9.0 million, from \$10.0 million at June 30, 2014.

Shareholders' equity was \$8.7 million or 13.4% of total assets at December 31, 2014. Factors impacting shareholder equity during the first half of fiscal 2015 included net income, two quarterly cash dividends totaling \$.06 per share, \$35,000 net decrease in unrealized loss on securities available for sale, and an \$8,000 decrease in costs associated with a stock-based employee benefit plan. During the six months ended December 31, 2014, the Company repurchased and retired 4,500 shares of its stock at an average price of \$5.89 per share. At December 31, 2014, the Company's book value per share was \$7.33 based on 1,191,583 shares outstanding.

Home Financial Bancorp and Our Community Bank, an FDIC-insured, Indiana stock commercial bank, operate from headquarters in Spencer, Indiana, and a branch office in Cloverdale, Indiana. Additional information concerning Home Financial Bancorp and its subsidiaries is available at www.hfbancorp.com or www.ocbconnect.com.

HOME FINANCIAL BANCORP
Consolidated Financial Highlights

(Unaudited)

(Dollars in thousands, except per share and book value amounts)

FOR THREE MONTHS ENDED DECEMBER 31:	<u>2014</u>	<u>2013</u>
Net Interest Income	\$701	\$780
Provision for Loan Losses	60	60
Non-interest Income	162	113
Non-interest Expense	769	687
Income Tax	(17)	19
Net Income	51	127

Basic Earnings Per Share:	\$.04	\$.11
Diluted Earnings Per Share:	\$.04	\$.11
Average Shares Outstanding - Basic	1,186,571	1,177,030
Average Shares Outstanding - Diluted	1,188,231	1,180,649

FOR SIX MONTHS ENDED DECEMBER 31:	<u>2014</u>	<u>2013</u>
Net Interest Income	\$1,417	\$1,547
Provision for Loan Losses	120	120
Non-interest Income	303	283
Non-interest Expense	1,554	1,533
Income Tax	(43)	(7)
Net Income	89	184

Basic Earnings Per Share:	\$.07	\$.16
Diluted Earnings Per Share:	\$.07	\$.16
Average Shares Outstanding - Basic	1,187,780	1,183,235
Average Shares Outstanding - Diluted	1,189,507	1,186,195

	<u>December 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>
Total Assets	\$65,199	\$67,788
Total Loans	46,684	49,449
Allowance for Loan Losses	472	484
Total Deposits	47,058	48,686
Borrowings	9,000	10,000
Shareholders' Equity	8,734	8,701
Non-Performing Assets	1,316	1,494
Non-Performing Loans	850	1,164
Non-Performing Assets to Total Assets	2.02%	2.20%
Non-Performing Loans to Total Loans	1.82	2.35
Book Value Per Share*	\$7.33	\$7.27

*Based on 1,191,583 shares at December 31, 2014 and 1,196,083 shares at June 30, 2014.