

## From the President

---

In 2016, your corporation expanded its century-old legacy in local community banking. With a public gala in downtown Spencer, Our Community bank opened its newest office. This leased space includes a walk-up ATM, an Owen County visitor's center, an OCB Community Development Office and conference facilities available for use by community-service groups and organizations. The space also includes the Sweet Owen Convention & Visitors Bureau.

This investment in the heart of our community represents a vote of confidence by OCB's Board of Directors for revitalization efforts in downtown Spencer, and throughout Owen County. This expansion of OCB operations marks the bank's return to the town square after a 30-year absence. It also demonstrates a commitment to our community banking roots.

Despite industry changes and challenges, I remain a strong advocate for community banking. I believe in this free-market system of private sector community banks with all its strength and variety. This large network of small businesses generates economic growth in local communities, creates homeownership, jobs and wealth. It supports municipal government, small businesses, local charities, schools and organizations. It also uniquely aids individuals and enterprises in times of financial and natural disaster.

While a rough consensus exists on the attributes that describe a community bank, defining one clearly proves to be more difficult. Community bank is a term that people use without really knowing what they mean or how others will interpret it. This is true even among banking regulators. The Office of the Comptroller of the Currency (OCC) defines community banks as institutions with aggregate asset size less than \$1 billion, while they can be up to \$10 billion in assets according to the Federal Reserve Board.

Of course, asset size is a poor way to define one of the most important groups of businesses in our economy. In an industry where community bank imposters lurk behind slick marketing and empty slogans, a closer look at an institution's culture and operations is required.

Community banks aren't just small, they are *local*. Unlike large banks that take deposits in one state and lend in others, deposits in a small community bank make local home or business ownership a reality. These deposits are also invested in municipal bonds to finance local schools, roads and infrastructure. Those same dollars in a large bank will fund loans out of the county, across the state or throughout the country, and may buy corporate or foreign stocks and bonds. Community banks help keep local communities vibrant and growing by focusing attention on the needs of local families, businesses and farmers. In contrast, large corporations are the priority of megabanks.

Community banks specialize in "relationship banking", as opposed to "transactional banking". They have specific knowledge of their local communities and customers. Because of this expertise, they tend to base credit decisions on local knowledge and nonstandard data. Many community banks frequently consider character, family history and discretionary spending when evaluating loans. They tend to offer nimble decision-making on business loans because decisions are made locally, and not by a loan committee in another state. Consequently, community banks achieve success through long-term relationships and customized client service. Large banks live off of high volume standardized accounts, plentiful locations and automated impersonal service.

Community banks can develop these close relationships with customers because they tend to be smaller in size and predominately conduct business locally. Community bank officers are generally accessible to their customers on-site. They are also typically deeply involved in local community affairs, while large-bank officers are likely to be detached physically and emotionally from the communities where their branches are located. The larger the institution and the more places it does business, the more difficult it is to manage relations at a personal level.

Community banks tend to be a big part of small communities. They exist in a symbiotic relationship with the communities they serve. These banks prosper when their communities prosper, and vice versa. Their employees and

customers know each other on a first-name basis. Their families interact daily. They buy groceries at the same place, have children in the same schools, volunteer for the same groups and organizations, worship in the same churches, and enjoy the same local sports, events and activities.

Boards of directors for community banks are made up of local citizens who want to advance the interest of the towns and rural communities where they live and their banks do business. Understandably, community banks often weigh the competing interests of shareholders, customers, employees, and the local community differently from a larger institution with stronger ties and relationships to the capital markets. True community banks understand the need to donate and invest back into their communities.

We are grateful to the communities we serve and to all those that have demonstrated trust by choosing to do business with Our Community Bank. On behalf of all of us at Home Financial Bancorp and Our Community Bank, I want to express my appreciation for your continued support.

Kurt D. Rosenberger

*President and Chief Executive Officer*