



HOME FINANCIAL BANCORP

2010 Annual Report

**279 E. Morgan Street
Spencer, Indiana 47460
www.owencom.com**

Corporate Profile

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.

Owen Community Bank will continue its commitment to meeting the financial service needs of the communities it serves in a friendly, professional manner, while improving shareholder 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 an 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.owencom.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 President

I am very pleased to report improved results for the 2010 fiscal year. Although there is considerable room for further improvement, Home Financial Bancorp (“HFB”) beat the odds by turning in one of the top-five most profitable years ever for the holding company. Given the challenging economic conditions, I especially appreciate the successful team effort that responded to adversity and delivered solid results when so many in the industry are faltering.

Net income improved significantly compared to 2009, despite unrelenting obstacles. Net income roughly tripled, from \$149,000 and \$.11 per share, to \$430,000 and \$.33 per share. Earnings grew because interest costs declined, investment income rose, and problem asset costs were less. The extended period of extraordinarily low interest rates sharply lowered our cost of funds and pushed net interest margin up from 4.01% in 2009, to 4.44% in 2010. Despite growth in deposits, we saved nearly \$450,000 in interest expense due to these lower rates.

In a move to reduce idle cash and improve earnings, we built a portfolio of municipal bonds in early fiscal 2010. This portfolio generated tax-exempt interest income of \$96,000, and produced profit of \$72,000 from bond sales. Equally gratifying, our efforts to reduce certain operating expense items succeeded. Led by a 41% reduction in repossessed property costs, overall non-interest expense was lower than 2009 by \$222,000.

We have worked hard to make loan collections more effective and new originated loans less risky. The progress is slow, but steady. Non-performing loan totals have moved in the right direction, but further progress remains critical to reaching our full profit potential.

Overall, we feel pretty good about the trend and momentum of those areas we can control and influence. But we feel much less comfortable with areas outside our control, such as: a weak economy, soft real estate markets, high unemployment, increased taxes, and increased regulation. Borrowing a phrase from Federal Reserve Chairman Ben Bernanke, we are facing a period of “unusual uncertainty”.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Act”) signed into law by President Obama on July 21, 2010 lifts uncertainty to a paralyzing level. This Act is the most sweeping change to financial regulation since the Great Depression, and affects virtually every aspect of the financial services industry. It requires regulators to conduct 67 studies and create 243 new regulations; with 182 affecting banks. It will take years for parts of this Act to be implemented and its full impact to be realized. But clearly, the cost of doing business is going up.

Under the Act, the Office of Thrift Supervision (“OTS”), the current primary regulator for HFB and Owen Community Bank (“OCB”), is abolished. The Federal Reserve becomes the federal regulator for HFB, while the Office of the Comptroller of the Currency (“OCC”) becomes the regulator for OCB. Transfer of regulatory authority is to occur within one year, with provisions for a six month extension as needed.

In a positive development, the Act makes permanent the increase in the deposit insurance coverage limit of \$250,000 that was otherwise scheduled to return to \$100,000 on January 1, 2014. Ominously, the Act also establishes the Bureau of Consumer Financial Protection (“Bureau”) and endows this activist oriented regulator with vast oversight powers. The Bureau will have authority to write consumer protection regulations that will apply to all entities that offer consumer financial services or products. OCB will be subject to the new regulations enacted by the Bureau, and compliance with these regulations will be supervised by the OCC.

Due to differences in business models, actual impact of the Act will not fall evenly throughout the financial service industry. Who will be the winners and losers in this new reform era? Some bankers and analysts have claimed this Act will be the end of community banking. Widespread industry consolidation has been predicted. Clearly, hardships imposed by these new mandates and restrictions are a serious concern. But our fate will only be determined by others if we allow it to be so. The harder we work, the harder it will be to surrender our independence.

While a lot of the new rules are misguided, complex and harmful, within this disaster we may yet find opportunity. The increased cost of entry into banking for de novo institutions and increased cost of continued operations for mortgage brokers might reduce our competition. We are stronger and better positioned to manage the changes and challenges ahead than many small businesses, in and out of banking. We will monitor ongoing developments, consult trusted advisors, make appropriate adjustments, and ensure we operate in accordance with new requirements. I have confidence that we will handle everything thrown at us and continue to beat the odds against us.

As we head into our centennial year, I am humbled by the legacy of directors and employees who guided this fine financial institution through the last hundred years. They lived side-by-side with the customers they served – as we do today. They worked to shape this community for the better and helped their friends and neighbors prosper. What challenges they must have faced over the years! Do you suppose maybe they faced some uncertain times? Do you think the problems they faced were greater than we have today? They were obviously up to the task of working through the issues they confronted. And so are we!

We will remain flexible, adaptable, and constantly alert to opportunities for business growth and greater profits. It is rewarding to see that our total team effort produced such progress and momentum in 2010. The outstanding work and dedication of our directors and staff grew shareholder value during extremely trying times.

Thank you for your continued support of Home Financial Bancorp.

A handwritten signature in black ink, appearing to read "Kurt D. Rosenberger". The signature is fluid and cursive, with a long horizontal stroke at the end.

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)

	2010	2009	2008	2007	2006
OPERATIONS DATA					
Net interest income	\$ 2,961	\$ 2,682	\$ 2,708	\$ 2,732	\$ 2,994
Provision for losses on loans	381	375	240	260	421
Total other income	854	769	848	617	533
Total other expense	2,784	3,007	2,906	2,878	2,825
Income before provision for income taxes	649	69	410	211	281
Provision for income taxes	219	(80)	54	36	22
Net income	\$ 430	\$ 149	\$ 356	\$ 175	\$ 259
FINANCIAL CONDITION DATA					
Total Assets	\$ 72,232	\$ 69,851	\$ 71,152	\$ 74,900	\$ 76,400
Loans receivable, net	57,106	56,817	59,637	61,037	62,619
Cash and cash equivalents	4,681	5,270	4,797	4,901	4,332
Securities available for sale	3,704	1,391	1,017	1,887	2,050
Deposits	47,218	43,266	42,164	45,518	44,543
Borrowed funds	16,500	18,500	21,000	21,500	24,000
Stockholders' equity	8,001	7,695	7,682	7,480	7,429
Non-performing assets	3,259	3,368	2,674	1,608	2,470
Net loan chargeoffs	317	354	213	195	311
Allowance for loan losses	677	613	592	565	500
SELECTED FINANCIAL RATIOS					
Tangible equity to total assets	11.08%	11.02%	10.80%	9.99%	9.72%
Total risk-based capital	17.98	17.60	16.98	15.73	14.53
Net interest margin	4.44	4.01	4.02	3.89	4.36
Interest rate spread	4.15	3.65	3.60	3.57	4.04
Return on average assets	0.60	0.21	0.49	0.23	0.35
Return on average equity	5.46	1.92	4.68	2.36	3.50
Non-performing assets to total assets	4.51	4.82	3.76	2.15	3.23
PER COMMON SHARE DATA					
Basic earnings	\$ 0.33	\$ 0.11	\$ 0.27	\$ 0.13	\$ 0.20
Fully diluted earnings	0.33	0.11	0.27	0.13	0.20
Tangible book value	5.92	5.69	5.66	5.50	5.48
Market value	2.81	3.46	3.50	4.90	5.45
Cash dividend declared	0.12	0.12	0.12	0.12	0.12

Shareholder Information

Annual Meeting

The annual meeting of shareholders will be held at 3:00 p.m., Eastern Daylight Time, on October 12, 2010, 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 17, 2010.

Investor Relations

This Annual Report to Shareholders includes selected consolidated financial data and other information for the fiscal year ended June 30, 2010.

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
Rodger Samuels – Senior Manager
Lisa Wilson – Senior Manager
Christie Leach – Assistant Vice President
Mel McHaley – Assistant Vice President
Kara Gunderman – Assistant Vice President