



2017 Annual Report

279 E. Morgan Street
Spencer, Indiana 47460
www.ocbconnect.com

Corporate Profile

Home Financial Bancorp was organized as an Indiana corporation in 1996, and became a unitary savings and loan holding company upon its acquisition of all the outstanding shares of Owen Community Bank, s.b. At the time, Owen Community Bank, s.b. was an Indiana mutual savings bank. In 1999, Owen Community Bank, s.b. became a federal savings association. On July 1, 2011, Owen Community Bank, s.b. became an Indiana bank. And on July 15, 2011, its name was changed to “Our Community Bank” (the “Bank”). The Bank was originally organized in 1911 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.

Home Financial Bancorp’s common stock is traded on the OTC Pink Marketplace of the OTC Markets under the symbol “HWEN” (OTCPink: HWEN).

Contents

- Chairman’s Letter to Shareholders
- President’s Letter to Shareholders
- Selected Financial Data
- Shareholder Information

Additional Information Available Upon Request*

- Independent Accountant’s Report
- Audited Financial Statements

* Also available at 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 President

Dear Shareholder:

Change imposes its will on people, things, industries, and organizations, both great and small. The ability to adapt to circumstances we cannot control is essential for health, and even survival. As a small traditional community bank, adapting to the confluence of change, – from ubiquitous regulations, quick trending consumer expectations, evolving delivery channels, emerging non-bank competitors, escalating cyber-security threats, and cutting-edge essential technology – we understand the need to transform our operations. The status quo is not a feasible option.

Booker T. Washington is attributed with the following:

“You measure the size of the accomplishment by the obstacles you have to overcome to reach your goals.”

Without further detailing obstacles, I am delighted to report Home Financial Bancorp had a good year and achieved significant goals in fiscal 2017. Among other accomplishments, net income improved, loan production increased, local deposits rose, non-performing assets decreased, and groundwork was laid for a major expansion in technological capabilities.

Net income jumped 44% in 2017, compared to a year earlier; up from \$233,000 to \$336,000. A number of factors led to this improvement, including: gain on sale of repossessed real estate, lower loan loss provision expense, and gain on sale of investment securities. In addition, other income items increased, FDIC insurance was lower, advertising expense was lower, and repossessed property expenses contracted substantially.

For fiscal year 2017, loan production totaled \$13 million, compared to less than \$7 million in fiscal 2016. The average credit score for new borrowers in 2017 was 745 – a significant improvement in credit quality from years past. This reflects a sustained commitment to growing the loan portfolio with high quality assets and prudent underwriting practices. Recent loan production also contributed to a more diverse loan mix that included a greater proportion of business and commercial real estate loans. For the year, total loans increased 8%.

We also experienced a healthy 8% growth in total deposits. Local deposit growth, as well as Federal Home Loan Bank advances, funded increased loan production, investment portfolio growth, and a sizable reduction in higher-costing brokered deposits.

I am very pleased to report continued success in our effort to improve the overall quality of bank assets. A glance back at past data indicates just how much progress has been made. Eight years ago, at June 30, 2009, non-performing assets totaled over \$3 million, or 5% of total assets. At June 30, 2017, non-performing assets were \$797,000, or 1% of total assets. Progress of this magnitude doesn't happen by accident. It is the result of a determined focus by the Board of Directors, senior management and all Team OCB members that made this tremendous accomplishment a reality.

Another remarkable team effort over the past eighteen months will culminate in critical new operational developments and an improved customer experience. Our core data system upgrade currently underway will significantly expand service capabilities and features. By utilizing the latest advances in banking technology, clients will have the ability to control self-service transactions with greater speed, ease, and security than ever before. New digital tools will allow customers to resolve more issues themselves. This upgrade in technology will allow us to affordably compete product by product with much larger companies for years to come.

By focusing on the things we can control, and adapting to those beyond our control, we have the ability to thrive as a small, but mighty company. We are determined to chart our own path. And that involves doing well, by doing good in the communities we serve. Our mission is to make communities better by our presence – by what our people do at, and away from work – by treating others as we would like to be treated – by providing client care that exceeds expectation – by being involved and supporting local groups, clubs, and organizations spearheading positive initiatives in our communities – and by providing a great place to bank, work and invest.

I would like to thank all of our Directors for their service to our Company. Thanks also to our customers, employees and shareholders, for continued support of Home Financial Bancorp and Our Community Bank.



Kurt D. Rosenberger
President and Chief Executive Officer

From the Chairman

Dear Shareholder:

I am pleased to report that Home Financial Bancorp and Our Community Bank concluded another successful and profitable fiscal year. From a financial standpoint, the company recorded consolidated net income of \$336,000, which was a \$103,000 increase from the year before. Our earnings were partially driven by increased loan and deposit balances. We implemented a quarterly bonus program that rewards staff for reaching certain goals and all staff participates in the benefits. We believe that program, in conjunction with a loan interest rate special and the local relationships that staff members have developed led to the growth in loan and deposit balances and improvements to net income. We recognize the need to continue to improve return for our shareholders and we are working to achieve that goal.

In addition to the bottom line, we consider the year a success based on the continued development of our staff and systems. Management identified the opportunity to negotiate a new contract with our data processing vendors, which allowed us to upgrade to new systems while locking into lower monthly charges with fixed pricing. The process of preparing for the conversion was significant and involved everyone on staff. We are exceptionally proud of the way senior management had the vision and foresight to pursue this strategy, that middle management navigated the course laid out and the staff pulled together to learn the new system while continuing to provide excellent customer service.

The efficiencies of the new systems and the added functionality and convenience for both our customers and our staff, combined with our commitment to customer service and the local community have positioned us for continued success. We believe the future is bright.

You play an important role in the success of the company, both through your investment in the stock, and through your use of and referral to, the bank. Thank you for your continued confidence and investment in the company.



Tad Wilson

Chairman of the Board

Selected Financial Data

At or For the Year Ended June 30,

<i>(\$ in thousands, except per share data)</i>		2017	2016	2015	2014	2013
Operations Data	Net interest income	\$ 2,679	\$ 2,730	\$ 2,805	\$ 3,040	\$ 3,223
	Provision for losses on loans	80	100	220	186	270
	Total other income	567	525	682	558	700
	Total other expense	2,787	2,953	3,197	2,971	2,966
	Income before provision for income taxes	380	202	70	441	687
	Provision for income taxes	43	(31)	(107)	62	138
	Net income	\$ 336	\$ 233	\$ 177	\$ 379	\$ 549
Financial Condition Data	Total Assets	\$ 69,704	\$ 64,548	\$ 64,910	\$ 67,736	\$ 72,820
	Loans receivable	47,713	44,311	45,716	49,449	51,950
	Cash and cash equivalents	2,921	1,668	4,209	3,822	3,964
	Securities available for sale	12,186	11,651	8,733	6,739	7,800
	Deposits	50,199	46,738	44,606	48,686	51,575
	Borrowed funds	10,000	8,500	10,500	10,000	12,000
	Stockholders' equity	8,847	8,836	8,704	8,648	8,258
	Non-performing assets	796	947	1,145	1,494	1,855
	Net loan chargeoffs	66	172	179	364	271
	Allowance for loan losses	468	454	526	484	662
Selected Financial Ratios	Tangible equity to total assets	12.73 %	13.69 %	13.41 %	12.77 %	11.34 %
	Total risk-based capital	22.94	24.75	23.45	24.02	20.93
	Net interest margin	4.23	4.47	4.50	4.59	4.66
	Interest rate spread	4.05	4.30	4.31	4.41	4.48
	Return on average assets	0.49	0.36	0.27	0.54	0.74
	Return on average equity	3.84	2.84	2.02	4.47	6.32
	Non-performing assets to total assets	1.14	1.47	1.76	2.20	2.55
Per Common Share Data	Basic earnings	\$ 0.29	\$ 0.20	\$ 0.15	\$ 0.32	\$ 0.42
	Fully diluted earnings	0.29	0.20	0.15	0.32	0.42
	Tangible book value	7.59	7.52	7.30	7.23	6.69
	Market value	7.00	6.87	5.70	6.00	5.00
	Cash dividend declared	0.155	0.14	0.125	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 10, 2017, 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 8, 2017.

Investor Relations

This Annual Report to Shareholders includes selected consolidated financial data and other information for the fiscal year ended June 30, 2017.

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 Pink Marketplace of the OTC Markets under the symbol "HWEN" (OTCPink: HWEN).

Directors

Tad Wilson, Chairman
Stephen Parrish, Vice Chairman
Charles H. Hardesty
Robert K. Livingston
Denise Sudol
Darrell W. White
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:

Computershare Shareholder Services
PO Box 30170
College Station, TX 77842-3170
(800) 368-5948 or (781) 575-4223

Independent Auditor

BKD, LLP
201 N. 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
Jeff Joyce – Chief Financial Officer
Tammy Randolph – Senior Vice President
Lori Abrell – Vice President
Lisa Wilson – Vice President, COO
Christie Leach – Assistant Vice President
Kara Gunderman – Assistant Vice President
Julia Strouse – Assistant Vice President
Jennifer Sanders – Assistant Vice President
Jennifer Knapp – Branch Manager