

Press Release

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HOME FINANCIAL BANCORP ANNOUNCES
SECOND QUARTER RESULTS

Spencer, Indiana – (February 4, 2014) 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, 2013.

Second Quarter Highlights:

- Provisions for loan losses decreased \$65,000 or 52%;
- Net loan losses fell from \$185,000 to \$35,000;
- Gain on sale of securities decreased \$65,000;
- Non-interest expense declined \$60,000 or 8%;
- Net income improved 9% to \$127,000.

Six Month Highlights:

- Shareholders’ equity totaled \$8.4 million, or 12% of total assets;
- Total assets decreased \$2.8 million or 4%;
- Gain on sale of securities decreased \$124,000;
- Net income declined 28% to \$184,000.

For the quarter ended December 31, 2013, the Company reported net income of \$127,000, or \$.11 basic and diluted earnings per share. Net income was \$117,000 or \$.09 basic and diluted earnings per share for the quarter ended December 31, 2012. Second quarter 2014 net income improved, compared to the same period a year earlier, due to a decline in provisions for loan losses and a decrease in non-interest expense.

Net interest income declined \$37,000 or 5%, and totaled \$780,000. Interest income fell \$63,000 or 6%, but was partially offset by a \$26,000 or 14% decline in interest expense. Net interest margin for the quarter was 4.70%, compared to 4.74% for the same period a year earlier. Low interest rates continued to bring down overall funding costs and limit loan and investment yields.

Loan loss provisions were \$60,000 and \$125,000 for the quarters-ended December 31, 2013 and 2012, respectively. 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 2014 totaled \$35,000, compared to \$185,000 for second quarter 2013.

Non-interest income decreased \$81,000 or 46%, to \$97,000 for the quarter. This change primarily resulted from no gain on sale of securities during the most recent quarter, compared to gain on sale of securities totaling \$65,000 for the year-earlier period. Total non-interest expense for second quarter 2014 fell \$60,000 or 8%, compared to the same period a year ago. Repossessed property expense decreased \$20,000 or 53%. Salaries and employee benefit expense also decreased \$21,000 or 6%.

For the six-month period ended December 31, 2013, the Company reported net income of \$184,000, or \$.16 basic and diluted earnings per share. Net income was \$256,000, or \$.20 basic and \$.19 diluted earnings per share for the six months ended December 31, 2012. A sharp reduction in gain on sale of securities was a major reason net income decreased compared to the same period a year earlier.

Net interest income was \$1.5 million for the six-month period ending December 31, 2013 and \$1.6 million for the same period in 2012. Interest income fell \$156,000 or 8%, but was partially offset by a \$71,000 or 18% drop in interest expense.

Loan loss provisions were \$120,000 for the six-month period ended December 31, 2013, compared to \$200,000 a year earlier. 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, 2013 decreased 68% to \$74,000; from \$227,000 for the six months ended December 31, 2012.

Non-interest income was \$250,000 for the first half of fiscal 2014, compared to \$356,000 for the year-earlier period. Gain on sale of securities decreased \$124,000. Non-interest expense increased \$26,000 or 2%. Repossessed property expense, including net loss on sale of foreclosed property, increased \$26,000 or 47%, to \$81,000 for the six-month period ended December 31, 2013. Legal and professional fees decreased \$30,000 or 23% to \$100,000.

At December 31, 2013, total assets decreased 4%, to \$70.0 million, compared to \$72.8 million at June 30, 2013. Cash and cash equivalents decreased \$846,000 or 21%, to \$3.1 million. Investments available for sale declined \$866,000 or 11%, to \$6.9 million. Also, loans fell \$1.1 million or 2%, to \$51.5 million.

Loans delinquent 90 days or more totaled \$1.1 million or 2.2% of total loans at December 31, 2013, compared to \$1.4 million or 2.6% of total loans at June 30, 2013. At December 31, 2013, non-performing assets were \$1.7 million or 2.4% of total assets, compared to \$1.9 million or 2.6% of total assets at June 30, 2013. Non-performing assets included \$506,000 in Other Real Estate Owned ("OREO") and other repossessed properties at December 31, 2013, compared to \$504,000 six months earlier.

Loan loss allowances were \$708,000 or 1.37% of total loans at December 31, 2013, compared to \$662,000 or 1.26% of total loans at June 30, 2013. Management considered the level of loan loss allowances at December 31, 2013 to be adequate to cover estimated losses inherent in the loan portfolio at that date.

Deposits decreased \$1.8 million or 4%, to \$49.7 million as of December 31, 2013. Total borrowings were reduced to \$11.0 million, from \$12.0 million at June 30, 2013.

Shareholders' equity was \$8.4 million or 12.0% of total assets at December 31, 2013. Factors impacting shareholder equity during the first half of fiscal 2014 included net income, two quarterly cash dividends totaling \$.06 per share, \$49,000 net decrease in unrealized gain on securities available for sale, and a \$19,000 decrease in costs associated with a stock-based employee benefit plan. During the six months ended December 31, 2013, the Company repurchased and retired 10,102 shares of its stock. At December 31, 2013, the Company's book value per share was \$7.01 based on 1,196,083 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>2013</u>	<u>2012</u>
Net Interest Income	\$780	\$817
Provision for Loan Losses	60	125
Non-interest Income	97	178
Non-interest Expense	671	731
Income Tax	19	22
Net Income	127	117

Basic Earnings Per Share:	\$.11	\$.09
Diluted Earnings Per Share:	\$.11	\$.09
Average Shares Outstanding - Basic	1,177,030	1,306,966
Average Shares Outstanding - Diluted	1,180,649	1,309,658

FOR SIX MONTHS ENDED DECEMBER 31:	<u>2013</u>	<u>2012</u>
Net Interest Income	\$1,547	\$1,632
Provision for Loan Losses	120	200
Non-interest Income	250	356
Non-interest Expense	1,500	1,474
Income Tax	(7)	58
Net Income	184	256

Basic Earnings Per Share:	\$.16	\$.20
Diluted Earnings Per Share:	\$.16	\$.19
Average Shares Outstanding - Basic	1,183,235	1,312,640
Average Shares Outstanding - Diluted	1,186,195	1,315,130

	<u>December 31,</u> <u>2013</u>	<u>June 30,</u> <u>2013</u>
Total Assets	\$70,003	\$72,820
Total Loans	51,535	52,612
Allowance for Loan Losses	708	662
Total Deposits	49,734	51,575
Borrowings	11,000	12,000
Shareholders' Equity	8,383	8,258
Non-Performing Assets	1,648	1,855
Non-Performing Loans	1,142	1,351
Non-Performing Assets to Total Assets	2.35%	2.55%
Non-Performing Loans to Total Loans	2.22	2.57
Book Value Per Share*	\$7.01	\$6.85

*Based on 1,196,083 shares at December 31, 2013 and 1,206,185 shares at June 30, 2013.