



2016 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 OTCQB Venture Marketplace of the OTC Markets under the symbol “HWEN” (OTCQB: HWEN).

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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

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

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 \$233,000, which was a \$56,000 increase from the year before. In addition to the bottom line, we consider the year a success based on the additions to our team. In August 2015, Denise Sudol and Darrell White began serving on the board of directors and quickly made a positive impact on the strategic thinking and direction of the bank. Denise and her family have been in the Spencer area for several years and are currently a big part of the revitalization of downtown Spencer. Darrell is a Spencer native and after many years as both a teacher and executive at multiple companies, became the CEO of the Owen County Family YMCA, where he currently serves.

The company's strategic plan is centered on providing good returns for shareholders, while providing a great banking experience for our customers and a rewarding place to work for our employees. In order to achieve those goals, we recognize the need to grow. To that end, we hired Rodger Samuels as a commercial lender in December 2015 to develop relationships with local business men and women and ultimately to help those business people achieve their goals through financial services provided by Our Community Bank. Rodger previously retired from the bank, and agreed to come back on a part time basis to focus on loans to local businesses. We see the opportunity for the bank to grow in the area of business loans and deposits as the local area advances.

We also made the decision to be part of the downtown Spencer revitalization by having a physical presence, including a 24 hour ATM and loan origination office on the south side of the square. If you have not yet seen the facility, I invite you to stop by. This is no ordinary banking office. The facility is very well done and firmly established Our Community Bank as The community bank in town. We are proud to share the space with the tourism department and look forward to serving the banking needs of the community through that additional location.

We believe that the opportunities locally are improving and we are part of that movement. We are also impacted by regional, national and global issues. Things such as monetary policy from the Federal Reserve Bank, which raised interest rates last December, state and federal regulatory agencies, national political environment and global economics all impact the company. I am proud of the way our board of directors and management team navigate the challenges that arise on a routine basis.

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,

(\$ in thousands, except per share data)		2016	2015	2014	2013	2012
Operations Data	Net interest income	\$ 2,730	\$ 2,805	\$ 3,040	\$ 3,223	\$ 3,262
	Provision for losses on loans	100	220	186	270	342
	Total other income	525	682	558	700	638
	Total other expense	2,953	3,197	2,971	2,966	2,887
	Income before provision for income taxes	202	70	441	687	671
	Provision for income taxes	(31)	(107)	62	138	158
	Net income	\$ 233	\$ 177	\$ 379	\$ 549	\$ 513
Financial Condition Data						
Financial Condition Data	Total Assets	\$ 64,548	\$ 64,910	\$ 67,736	\$ 72,820	\$ 76,014
	Loans receivable, net	44,311	45,716	49,449	51,950	55,048
	Cash and cash equivalents	1,668	4,209	3,822	3,964	6,764
	Securities available for sale	11,651	8,733	6,739	7,800	7,477
	Deposits	46,738	44,606	48,686	51,575	53,346
	Borrowed funds	8,500	10,500	10,000	12,000	13,000
	Stockholders' equity	8,836	8,704	8,648	8,258	8,798
	Non-performing assets	947	1,145	1,494	1,855	2,133
	Net loan chargeoffs	172	179	364	271	344
	Allowance for loan losses	454	526	484	662	663
Selected Financial Ratios						
Selected Financial Ratios	Tangible equity to total assets	13.69 %	13.41 %	12.77 %	11.34 %	11.57 %
	Total risk-based capital	24.75	23.45	24.02	20.93	20.83
	Net interest margin	4.47	4.50	4.59	4.66	4.52
	Interest rate spread	4.30	4.31	4.41	4.48	4.31
	Return on average assets	0.36	0.27	0.54	0.74	0.67
	Return on average equity	2.84	2.02	4.47	6.32	5.95
	Non-performing assets to total assets	1.47	1.76	2.20	2.55	2.81
Per Common Share Data						
Per Common Share Data	Basic earnings	\$ 0.20	\$ 0.15	\$ 0.32	\$ 0.42	\$ 0.39
	Fully diluted earnings	0.20	0.15	0.32	0.42	0.39
	Tangible book value	7.52	7.30	7.23	6.96	6.58
	Market value	6.87	5.70	6.00	5.00	4.06
	Cash dividend declared	0.14	0.125	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 11, 2016, 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 9, 2016.

Investor Relations

This Annual Report to Shareholders includes selected consolidated financial data and other information for the fiscal year ended June 30, 2016.

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 OTCQB Venture Marketplace of the OTC Markets under the symbol "HWEN" (OTCQB: 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 Porter – Vice President
Lisa Wilson – Vice President, COO
Christie Leach – Assistant Vice President
Kara Gunderman – Assistant Vice President
Julia Strouse – Assistant Vice President
Jennifer Knapp – Branch Manager