

2023

ANNUAL REPORT

HOMETOWN BANCSHARES, INC.
the parent bank holding company for



HOMETOWN BANCSHARES, INC.
The parent bank holding company for



2023 Annual Report

HomeTown Bank Board of Directors

Dotsy Balentine
Kent Ballard
Phillip Bradley Crain
Stacy Dienst
Maurice Estlinbaum
Sidney C. Farmer III
M.J. Gaido, Jr., Board Chairman
Nicolas A. Gaido
E. Vince Matthews III
Robert L. Moody, Jr.
Allan Rasmussen, President & CEO
Jimmy Rasmussen, CEO Emeritus
G. William Rider
Christopher G. Sellers

Contact Information:

Internet: www.HomeTown.Bank
Email: service@hometown.bank



HomeTown Bank Locations



Main Bank 1801 45th Street • Galveston • (409) 763-1271 • Kyle McFtridge, Branch Manager



Galveston Seawall

4424 Seawall Boulevard
Phone: (409) 763-5252

Jewell Hernandez, Branch Manager

Friendswood Downtown

601 S. Friendswood Drive
Phone: (281) 996-4900

Annie Pohlemann, Branch Manager





Alvin

1050 North Bypass 35

Phone: (281) 388-5000

Tracy Vasquez, Branch Manager

League City

1406 West Main (FM 518)

Phone: (281) 554-3265

Christy A. Rouse, Branch Manager



Friendswood Bay Area

3211 FM 528

Phone: (281) 648-9000

Kimberly Stoeck, Branch Manager



Pearland

2651 Pearland Parkway

Phone: (281) 412-8000

Lauren Zahniser, Branch Manager



HomeTown Bank Officers

Allan Rasmussen
President & CEO

Steve Owens
Senior Vice President

Diana Ramos
Vice President

Jimmy Rasmussen
CEO Emeritus

Bill Provenzano
Senior Vice President

Brandon Rogers
Vice President

Kyle McFatridge
Executive Vice President

Martha Salinas
Senior Vice President

Christy A. Rouse
Vice President

Scott Kusnerik
Executive Vice President

Scott Asimakis
Vice President

Denise Spruiell
Vice President

Candy Temple
Executive Vice President

Jenny Calles
Vice President

Tracy Vasquez
Vice President

Elizabeth Birch
Senior Vice President

Timothy Cox
Vice President

Elise Worthen
Vice President

Stephany Cantu
Senior Vice President

Jim Goebel
Vice President

Lauren Zahniser
Vice President

Matthew Broughton
Senior Vice President

Cynthia Gomez
Vice President

Maria Barrera
Assistant Vice President

Tyron Collins
Senior Vice President

Jewell Hernandez
Vice President

Cynthia Dominguez
Assistant Vice President

Gayle Culling
Senior Vice President

Lulu Higgins
Vice President

Dee Ann Guerrero
Assistant Vice President

Chad Dudley
Senior Vice President

Aaron Leteff
Vice President

Brigetta Hernandez
Assistant Vice President

Rosie Garcia
Senior Vice President

Jeanette Mack
Vice President

Ana Mireles
Assistant Vice President

Sharon Hansen
Senior Vice President

Jill Miller
Vice President

Paulina Molina
Assistant Vice President

Cesar Hernandez
Senior Vice President

Chris Myers
Vice President

Dawn Olguin
Assistant Vice President

Jennifer Matthews
Senior Vice President

Susan O'Quinn
Vice President

Macrina Ortiz
Assistant Vice President

Sean P. Murphy
Senior Vice President

Anita Pohlemann
Vice President

Crystal Pena
Assistant Vice President

HomeTown Bank Management Team



Allan Rasmussen
President & CEO



Jimmy Rasmussen
CEO Emeritus



Scott Kusnerik
Executive
Vice President



Kyle McFatrige
Executive
Vice President



Candy Temple
Executive
Vice President

Loan Officers



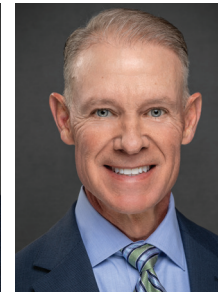
Cesar Hernandez
Senior Vice President
Galveston



Bill Provenzano
Senior Vice President
Friendswood
Downtown



Sean Murphy
Senior Vice President
Pearland



Steve Owens
Senior Vice President
League City



Tyron Collins
Senior Vice President
Friendswood
Bay Area



Matt Broughton
Senior Vice President
Pearland



Chad Dudley
Vice President
Alvin



Jim Goebel
Vice President
League City



Scott Asimakis
Vice President
Friendswood
Downtown



Brandon Rogers
Vice President
Galveston



MANAGEMENT SUMMARY

HomeTown Bancshares, Inc. is a holding company whose principal activity is the ownership and management of its wholly owned subsidiary, HomeTown Bank, National Association (collectively “HTBI” or the “Company”). The Bank operates under a national bank charter. It engages in the general banking business primarily in the City of Galveston and the Cities of Friendswood, Pearland, League City, Alvin, Texas, Galveston County, Harris County, and Brazoria County. The Bank provides financial services to individuals and small businesses through its offices in Galveston County, Harris County, and Brazoria County, Texas. Its primary deposit products are demand deposits, savings, and certificate accounts, and its primary lending products are consumer, commercial, and residential mortgage loans.

On March 23, 2023, HomeTown Bank, National Association (HTB) entered into an agreement and plan of consolidation with HomeTown Bancshares, Inc. (HTBI), which provides for HTBI’s acquisition of all issued and outstanding shares of common stock of HTB through a consolidation. The purpose of this transaction was to reorganize HTB into a holding company structure. Upon consolidation, each issued and outstanding share of HTB’s common stock was converted into the right to receive one share of common stock of HTBI. Additionally, HTB and HTBI collectively repurchased all outstanding shares in HTB currently held by Moody BHC. Moody BHC was the Bank’s largest shareholder, owning 97,105 shares (25.38%) of the issued and outstanding shares of HTB’s common stock (the “MBHC Bank Shares”). The reorganization into a bank holding company structure and the purchase of the MBHC shares was completed on October 27, 2023. The conversion was accounted for as a change in corporate form, with the historical basis of HTB’s assets, liabilities, and equity unchanged as a result.

The competitive conditions in Galveston are not unusual for a city with a population of approximately 53,695. There are twelve competing banks and credit unions with offices on Galveston Island. Only three of the banks are locally owned.

Our League City, Alvin, Pearland, and two Friendswood locations compete for business in northern Galveston, southern Harris, and eastern Brazoria Counties, where large and small banks and credit unions create intense competition. We have attracted residential and commercial real estate and retail installment loans to purchase automobiles and other consumer items. For the fiscal year ending December 31, 2023, we had approximately \$82 million in outstanding loan commitments compared to \$76 million in 2022 and \$71 million in 2021. All the outstanding loan commitments as of December 31, 2023, are expected to be exercised during 2024.

No material portion of our deposits has been obtained from a single customer or a few customers. We remain a strong real estate lender, as 91.65 percent of our loans are secured by real property. The loans are spread across our market area, and strict underwriting standards have produced losses well below peer levels. A substantial percentage of the commercial real estate portfolio comprises of loans to owner-occupied businesses. Our business is not seasonal to any significant extent.

We employ approximately 115 full-time equivalent persons. We are engaged in commercial and consumer activities. To the best of our officers' knowledge, local compliance with federal, state, and local provisions, which have been enacted or adopted, regulating the discharge of materials into the environment or otherwise relating to the protection of the environment, have not had a material effect upon the capital expenditures, earnings, or competitive position of the bank.

Our common stock is not registered on any stock exchange. There is no market maker, and market quotations are not available. As of December 31, 2023, there were 382,657.18 outstanding shares of the common stock of HomeTown Bancshares, Inc. There were 569 holders of our common stock at that date.

Whitley Penn, LLP serves as our outside auditor and audits the financial statements of the Company and the Bank on a consolidated basis. The Bank's Internal Audit Committee is composed of four outside directors. In addition, the Bank employs a full-time internal audit coordinator and auditing consultant who performs specific audits for the Bank. The Bank is a national banking association subject to examination and supervision by the Office of the Comptroller of the Currency. The Bank is also a member of the Federal Deposit Insurance Corporation and the Federal Reserve System, and it files reports of condition and income quarterly with the Office of Comptroller of the Currency.

Deposits declined by 7.82 percent in 2023 compared to an increase of 5.24 percent in 2022 and 18.85 percent in 2021. Deposits for 2024 are projected to increase by 1.16 percent.

The loan credit loss reserve at year-end 2023 totaled \$6,500,353 compared to \$6,251,202 in 2022. As of December 31, 2023, the reserve was 1.21 percent of total loans compared to 1.28 percent in 2022. The reserve is considered adequate by management based on the robust performance of the loan portfolio. The 2023 budget will keep the loan loss reserve to the total loan ratio from 1.20 to 1.30 percent. As of December 31, 2023, non-accrual loans totaled \$935,706 compared to \$883,662 in 2022 and \$562,743 in 2021. Non-accrual loans as a percentage of total loans on December 31, 2023, were 0.17 percent compared to 0.18 percent in 2022 and 0.13 percent in 2021. Management believes the amount of non-accrual loans is at a manageable level.

As of December 31, 2023, The Baker Group- Oklahoma City, The Independent Bankers Bank- Dallas, and Raymond James Fixed Income Capital Markets are the approved vendors for the Bank's investment portfolio. As of December 31, 2023, the investment portfolio represented 36.08 percent of total assets compared to 40.42 percent in 2022.

We follow the Accounting Standards Codification 320 Investments - Debt and Equity Securities guidance. Management can and intends to hold securities to maturity are classified as "Held to Maturity" and carried at cost. All other securities are classified as "Available for Sale" and are carried at fair value. Unrealized gains and losses on "Available for Sale" securities are recognized as direct increases or decreases in stockholder's equity.

As of December 31, 2023, the "Available for Sale" portion of the portfolio showed an unrealized loss in fair value of (\$36,832,456) with an after-tax adjustment to the capital of (\$29,097,627). This compares with an unrealized loss of (\$42,161,011) in 2022 with an after-tax adjustment to the capital of (\$33,307,184). We do not believe these unrealized losses are "other than temporary" as we do not have the intent to sell, nor will we be required to sell, the investments prior to recovery. The unrealized losses noted are due to the level of interest rates at December 31, 2023 and 2022. After reviewing the ratings of the investment issuers, we have not identified any issues related to the ultimate repayment of principal.

Stockholders' equity was \$58,704,011 and \$67,276,434 for the years ended December 31, 2023 and 2022. The significant decrease is attributable to the aforementioned unrealized holding loss in the investment portfolio and the holding company's purchase of 45,157 shares of treasury stock from Moody BHC at \$346.15 per share for a total of \$15,631,096. As of December 31, 2023, our consolidated book value was \$153.41 per share. The Bank's Tier 1 Risk-Based Capital at year-end 2022 was 16.89 percent compared to 17.38 percent in 2022 and 17.92 percent in 2021. The Bank's 2023 Leverage Ratio was 10.69 percent compared to 10.46 percent in 2022 and 11.07 percent in 2021. All capital ratios are above regulatory minimums. A cash dividend of \$5.15 per share, totaling \$1,970,684, was paid by the Bank in 2023. The Bank's cash dividend was \$5.15 per share, totaling \$1,970,684 in 2022.

Net income after federal income tax for 2023 was \$4,819,799 compared to \$9,380,944 in 2022 and \$9,377,721 in 2021. The new gross loan volume totaled \$136.3 million in 2023 compared to \$165.1 million in 2022 and \$138.5 million in 2021. Income on investment securities was \$7.27 million in 2022 compared to \$7.27 million in 2022.

The 2024 budget projects a 20.53 percent increase in net income after tax due to improving net interest margin and current economic conditions. These forward-looking statements relate to, among other things, expectations of the business environment in which we operate, projections of future performance, perceived opportunities in the market, and statements regarding our mission and vision. Our actual results, performance, or achievements may differ significantly from the results, performance, or achievements expressed or implied in such forward-looking statements.

Thank you for your investment in HomeTown Bancshares, Inc.



Allan Rasmussen
President and CEO



Kyle McFatridge
Chief Financial Officer



March 8, 2024

To the Shareholders:

“Several challenges lie ahead...”

Those are the words I used to end my “Message From the President” on March 17, 2023. Specifically, I was referring to the high interest rate environment and how it would affect margins and profitability. I also referenced “exciting opportunities”, alluding to the formation of our new holding company, HomeTown Bancshares, Inc., and the stock transaction with Moody Bank Holding Company, Inc. In a year of transition, change, and many “firsts”, 2023 was truly extraordinary.

The formation of the holding company was a strategic move by our Board of Directors, and I believe necessary for the future of HomeTown Bank, N.A. We are grateful to both existing shareholders and new investors for participating in the offering that officially closed on December 31st. Over the past several months, I had several conversations with shareholders and answered many questions about what was taking place. There are two questions, in particular, that became repetitive. The first question is “why do you need a holding company?” I learned a long time ago, being in this business, that if you do not have a seat at the table, then you are probably on the menu. A holding company levels the playing field for our institution and gives our team a better opportunity to compete in our industry. We have experienced many years of tremendous organic growth. However, we are almost a \$1Billion dollar bank and as we continue to grow, so does the evolving needs and expectations of our customers. We must be able to deliver. A holding company opens the door for new opportunities like expansion and acquisitions, bringing in new product lines, and raising capital. HomeTown Bancshares, Inc. changes the trajectory of our financial institution.

The other popular question we received is “what’s going to change?” To put it simply, if we do it the right way, nothing. Our Board does want to grow strategically. We do want to expand our brand and our culture. But we also need to remember who we are. I often speak to our team about culture and that is something I will continue to expand on with our amazing staff. We are in the relationship business, and I can tell you it starts with a smiling face answering the phone.

Overall, the banking industry faced significant challenges in 2023. Seven interest rate hikes in 2022 and another four increases in the first seven months of 2023 put tremendous pressure on net interest margins and earnings. To complicate things even further, the industry faced a liquidity shortage and forced banks and other financial institutions in a chase for deposits and activating borrowing lines. Despite a 19% increase in overall income, net income declined by 54% due to increased interest expenses on both deposits and short-term borrowings. The good news is a pause by the Fed to raise interest rates and a probable reduction in 2024 significantly changes the landscape. The stoppage in increases will allow margins to recover as existing loans reprice and new loans at current market rates begin to take effect.

(continued on next page)

(continued from previous page)

Gross loan production for the year far exceeded expectations, despite a high interest rate environment. Our loan officers and loan operations department generated over \$136MM in new loans, compared to \$144.5MM in 2022 (a record year), and \$127MM in 2021. The activity resulted in a net loan growth of over \$50MM. Generating new loans at current market rates has been the best medicine for long-term success. In addition, there is approximately \$66MM in current loans converting to current market rates this year.

Despite the “down” year in net income, the bank remains very well capitalized with a Tier One Leverage Ratio just under 10.5. We have weathered the “storm”, and we are already seeing positive trends that should only continue to improve throughout the year.

As we look to the future and to 2024, we will continue to face challenges as we navigate through the current interest rate and liquidity environment. However, despite those challenges, there will be exciting opportunities ahead. Our professional team is composed of responsive and local people who focus on customer relationships that will last for generations to come. We are committed to our customers and to the communities we serve. Our people make the difference. I have the best team in the world and we are up for the challenge. I am truly honored to serve as President and CEO of this institution, and I am grateful for the opportunity that the Board of Directors has given me. Please call or stop by any of our locations and be greeted with a smile.

Thank you for your investment and support in HomeTown Bank.

Sincerely,



Allan Rasmussen
President & CEO

2023 Appendix A

Statements of Condition

	December 31,	
	2023	2022
Assets		
Cash and balances due from depository institutions:		
Noninterest-bearing balances, currency and coin	\$ 9,011,809	\$ 7,184,795
Interest-bearing balances	10,879,012	34,118,964
Total cash and cash equivalents	19,890,821	41,303,759
Securities available for sale	332,145,473	376,459,190
Securities held to maturity	3,085,389	3,573,960
Loans, total	537,671,761	486,919,189
Less: Reserve for possible loan credit losses	(6,500,353)	(6,251,202)
Loans, net	531,171,408	480,667,987
Bank premises, equipment, furniture, fixtures and autos (net of depreciation)	13,104,576	11,422,808
Letters of Credit	6,733,296	3,382,008
Other Assets	14,341,838	14,615,817
TOTAL ASSETS	\$ 920,472,801	\$ 931,425,529
Liabilities		
Demand deposits	523,838,894	665,342,995
Savings deposits	82,760,071	94,552,476
Time deposits	184,223,398	98,592,569
Federal funds purchased	45,000,000	-
Long-term note-payable	16,218,667	-
Letters of Credit	6,733,296	3,382,008
Other Liabilities	2,994,464	2,279,047
TOTAL LIABILITIES	\$ 861,768,790	\$ 864,149,095
Stockholders' Equity		
Common Stock	12/31/23	12/31/22
Number Shares authorized	382,657	382,657
Number Shares outstanding	337,500	382,657
Common Stock (Par Value) \$1.00	\$ 382,657	\$ 382,657
Surplus	415,455	415,455
Undivided Profits	102,634,621	99,785,506
Accumulated other comprehensive (loss) income	(29,097,626)	(33,307,184)
Treasury Stock	(15,631,096)	-
TOTAL STOCKHOLDERS' EQUITY	\$ 58,704,011	\$ 67,276,434
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 920,472,801	\$ 931,425,529

The accompanying management summary is an integral part of these financial statements.

2023 Appendix B

Statements of Income

	December 31,		
	2023	2022	2021
<i>Operating Income</i>			
Interest and fees on loans	\$ 28,394,773	\$ 22,173,250	\$ 22,695,793
Income on Federal funds sold and securities purchased under agreements to resell	12,684	64,753	13,971
Interest on Mortgage-backed securities	4,980,934	4,479,482	2,280,611
Interest on obligations of other U.S. Government Agencies and Corporations	77,944	32,221	66,349
Interest on obligations of States and political subdivisions	2,784,880	2,762,639	2,084,493
Dividends on stock	73,829	4,398	1,755
Interest on other investments	574,555	391,226	142,017
Service charges on deposit accounts	331,797	339,834	350,928
Other charges, collection and exchange charges, commissions and fees	529,676	475,166	347,085
Other operating income	1,383,755	1,383,716	1,513,980
TOTAL OPERATING INCOME	\$ 39,144,827	\$ 32,106,685	\$ 29,496,982
<i>Operating Expenses</i>			
Salaries, wages and other employee benefits	9,539,553	9,181,180	8,611,615
Interest on Certificates of Deposit of \$100,000 or more	4,593,725	630,858	927,602
Interest on other deposits	7,845,518	2,791,827	1,253,785
Interest on long-term debt	256,570	-	-
Occupancy expense of bank premises	1,087,026	977,938	981,986
Furniture and equipment expense (including depreciation of \$247,060, \$304,038, \$321,810)	613,803	639,895	616,337
Provision for possible loan losses	964,966	250,000	100,000
Other expenses	8,638,757	6,422,159	5,634,413
TOTAL OPERATING EXPENSES	\$ 33,539,918	\$ 20,893,857	\$ 18,125,738
Income before income taxes	5,604,909	11,212,828	11,371,244
Income taxes			
Current	612,389	1,847,762	2,086,063
Deferred expense (benefit)	172,721	(15,878)	(92,540)
Income taxes, net	<u>785,110</u>	<u>1,831,884</u>	<u>1,993,523</u>
Net Income	\$ <u>4,819,799</u>	\$ <u>9,380,944</u>	\$ <u>9,377,721</u>
Earnings per common share	\$ <u>12.60</u>	\$ <u>24.52</u>	\$ <u>24.51</u>

The accompanying management summary is an integral part of these financial statements.

2023 Appendix C

Statements of Comprehensive Income

	December 31,		
	2023	2022	2021
Net income	\$ 4,819,799	\$ 9,380,944	\$ 9,377,721
Other comprehensive income, net of tax			
Unrealized gains (losses) on securities:			
Change in unrealized gain (loss) on securities available-for-sale, net of deferred income tax expense (benefit) of \$1,089,453, (\$9,266,906), and (\$1,053,301)	4,153,989	(34,859,694)	(3,978,381)
Reclassification adjustment for realized gains on investment securities available for sale included in net income, net of income tax expense of (\$3,404), \$-0-, and (\$41,039)	(12,805)	-	(154,384)
Reclassification adjustment for realized losses on investment securities available for sale included in net income, net of income tax benefit \$18,176, \$405, and \$36,796	68,374	1,525	138,422
Total other comprehensive income (loss)	4,209,558	(34,858,169)	(3,994,343)
Comprehensive income (loss)	\$ 9,029,357	\$ (25,477,225)	\$ 5,383,378

The accompanying management summary is an integral part of these financial statements.

2023 Appendix D

Statements of Changes in Stockholders' Equity

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Equity</u>
Balances - December 31, 2021	\$ 382,657	\$ 415,455	\$ 92,375,246	\$ 1,550,985	\$ -	\$ 94,724,343
Net Income	-	-	9,380,944	-	-	9,380,944
Other comprehensive loss	-	-	-	(34,858,169)	-	(34,858,169)
Cash dividends (\$5.15 per share)	<u>-</u>	<u>-</u>	<u>(1,970,684)</u>	<u>-</u>	<u>-</u>	<u>(1,970,684)</u>
Balances - December 31, 2022	382,657	415,455	99,785,506	(33,307,184)	-	67,276,434
Net Income	-	-	4,819,799	-	-	4,819,799
Other comprehensive loss	-	-	-	4,209,558	-	4,209,558
Purchase of treasury stock, 97,105 shares	-	-	-	-	(33,612,896)	(33,612,896)
Sale of treasury stock, 51,948 shares	-	-	-	-	17,981,800	17,981,800
Cash dividends (\$5.15 per share)	<u>-</u>	<u>-</u>	<u>(1,970,684)</u>	<u>-</u>	<u>-</u>	<u>(1,970,684)</u>
Balances - December 31, 2023	<u>\$ 382,657</u>	<u>\$ 415,455</u>	<u>\$ 102,634,621</u>	<u>\$ (29,097,626)</u>	<u>\$ (15,631,096)</u>	<u>\$ 58,704,011</u>

The accompanying management summary is an integral part of these financial statements.

Statements of Cash Flows
Years Ended December 31, 2023, 2022, and 2021
Increase (Decrease) in Cash and Cash Equivalents

	2023	December 31, 2022	2021
<i>Cash flows from operating activities:</i>			
Net income	\$ 4,819,799	\$ 9,380,944	\$ 9,377,721
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	700,468	641,266	637,683
Provisions for possible loan credit losses	964,966	250,000	100,000
Net loss (gain) on sale of investments	70,341	1,930	(20,205)
Change in deferred tax assets and liabilities	172,722	(15,861)	(88,424)
Accretion of investment discounts	(476,064)	(403,791)	(214,962)
Amortization of investment premium	3,102,496	3,732,214	3,591,055
Stock dividends - Federal Home Loan Bank	(72,000)	(3,182)	(196)
(Gain) loss on disposal of assets	(38,760)	(4,134)	(6,306)
(Increase) decrease in accrued interest receivable and other assets	(104,523)	(931,806)	120,725
(Decrease) increase in accrued expenses and other liabilities	(87,210)	(75,939)	(135,848)
Total adjustments	4,232,436	3,190,697	3,983,522
Net cash provided by operating activities	\$ 9,052,235	\$ 12,571,641	\$ 13,361,243
<i>Cash flows from investing activities:</i>			
Purchases of securities - available for sale	(96,706,985)	(179,126,363)	(233,840,683)
Proceeds from sales, maturities, or calls and principal payments - available for sale	143,652,484	90,821,355	106,852,746
Purchases of securities - held to maturity	(3,204,700)	(1,507,200)	(56,100)
Proceeds from principal payments - securities held to maturity	3,765,271	183,572	528,725
Net (increase) decrease in loans to customers	(51,578,976)	(51,078,958)	46,839,517
Federal funds sold	-	18,000,000	(18,000,000)
Proceeds from sales of premise and equipment	43,000	124,000	54,792
Additions to premises and equipment	(2,386,476)	(3,036,760)	(221,162)
Net cash used by investing activities	\$ (6,416,382)	\$ (125,620,354)	\$ (97,842,165)

2023 Appendix E

Statements of Cash Flows Years Ended December 31, 2023, 2022, and 2021 Increase (Decrease) in Cash and Cash Equivalents (Continued)

	2023	December 31, 2022	2021
<i>Cash flows from financing activities:</i>			
Net increase in demand and savings account deposits	(35,258,912)	(6,868,390)	53,796,335
Net increase in time deposit accounts	(32,406,766)	49,644,873	75,576,210
Federal funds purchased	45,000,000	-	-
Proceeds on long-term debt	16,218,667	-	-
Purchase of treasury stock	(15,631,096)	-	-
Cash dividends paid on common stock	(1,970,684)	(1,970,684)	(1,913,285)
Net cash (used) provided by financing activities	\$ (24,048,791)	\$ 40,805,799	\$ 127,459,260
Net increase (decrease) in cash and cash equivalents	\$ (21,412,938)	\$ (72,242,914)	\$ 42,978,338
Cash and cash equivalents beginning of year	<u>41,303,759</u>	<u>113,546,673</u>	<u>70,568,335</u>
Cash and cash equivalents end of year	<u>\$ 19,890,821</u>	<u>\$ 41,303,759</u>	<u>\$ 113,546,673</u>

2023 Appendix F

Reconciliations of Reserve for Possible Loan Credit Losses

	2023	December 31, 2022	2021
Balance at beginning of year	\$ 6,251,202	\$ 6,005,923	\$ 5,910,221
Recoveries credited to reserve for credit losses	20,519	20,140	17,597
Provision for possible loan credit losses	964,966	250,000	100,000
TOTAL	\$ 7,236,687	\$ 6,276,063	\$ 6,027,818
Losses charged to reserve for credit losses	<u>(736,334)</u>	<u>(24,861)</u>	<u>(21,895)</u>
Balance at the end of year	<u>\$ 6,500,353</u>	<u>\$ 6,251,202</u>	<u>\$ 6,005,923</u>

2023 Appendix G

Notes to Financial Statements Valuation of Securities

	DECEMBER 31, 2023		DECEMBER 31, 2022	
	Book Value	Market Value	Book Value	Market Value
Mortgage-Backed Securities	\$ 236,645,224	\$ 208,992,556	\$ 273,715,843	\$ 214,008,854
Obligations of other U.S. Government Agencies and Corporations	1,398,825	1,315,963	1,900,897	2,989,600
Obligations of State and Political Subdivisions	130,933,879	121,836,954	143,003,460	118,573,091
Other Investments (Restricted)				
Senior Housing Crime Prevention Foundation	1,333,539	1,333,539	1,477,410	1,477,410
Lift Fund, Inc.	250,000	250,000	250,000	250,000
Federal Home Loan Bank Stock	1,477,900	1,477,900	1,822,600	1,822,600
Federal Reserve Bank Stock	23,950	23,950	23,950	23,950
TOTAL	\$ 372,063,317	\$ 335,230,862	\$ 422,194,160	\$ 339,145,505

Deposits and Profit 2023 and 2022

TOTAL DEPOSITS	\$ 790,822,363	\$ 858,488,041
TOTAL PROFIT	\$ 4,819,799	\$ 9,380,944

Some account balances for December 2022 have been restated for comparability to 2023 presentation.

2023 Appendix H

Selected Financial Data Summary of Operations

The Bank's operations for the past five fiscal years are summarized as follows:

	DECEMBER 31				
	2023	2022	2021	2020	2019
Net Interest Income	\$ 24,460,356	\$ 26,485,286	\$ 25,103,603	\$ 25,617,611	\$ 23,540,780
Other Operating Income	2,283,988	2,202,850	2,205,687	2,056,249	2,291,072
Total Operating Income - Net	\$ 26,744,344	\$ 28,688,136	\$ 27,309,290	\$ 27,673,860	\$ 25,831,852
Provisions for possible loan credit losses	964,966	250,000	100,000	975,000	776,178
Operating Expenses-including interest	20,104,658	17,223,360	15,858,250	14,938,316	14,466,931
Income before income taxes and securities gain (loss)	5,674,720	11,214,776	11,351,040	11,760,544	10,588,743
Applicable income taxes	785,110	1,831,884	1,993,523	2,199,301	1,986,767
Income before securities gains	4,889,610	9,382,892	9,357,517	9,561,243	8,601,976
Net Securities gain (loss)	(69,811)	(1,948)	20,204	73,340	69,165
Net Income	\$ 4,819,799	\$ 9,380,944	\$ 9,377,721	\$ 9,634,583	\$ 8,671,141
Net Income per share	\$ 12.60	\$ 24.52	\$ 24.51	\$ 25.18	\$ 22.66
Cash dividends per share	\$ 5.15	\$ 5.15	\$ 5.00	\$ 4.85	\$ 4.30

NOTES

Lined writing area with 30 horizontal lines.

HOMETOWN BANCSHARES, INC.
the parent bank holding company for



www.hometown.bank