HCB Financial Corp.

2023
ANNUAL REPORT

TABLE OF CONTENTS

To Our Shareholders	4
Financial Highlights	6
Key Graphs	7
Auditor's Report	8
Financial Report	10
Community Involvement	40
Remembering Bob Picking	41
Directors & Officers	42
Locations	43

"All aspects of our business performed well, providing what has turned out to be the best financial outcome that we have been able to report in the history of our company."

To our shareholders

From the desk of Mark A. Kolanowski

On behalf of our directors and officers, it is my pleasure to present to you the HCB Financial Corp. 2023 Annual Report. To summarize the year for you, I would say that all aspects of our business performed well, providing what has turned out to be the best financial outcome that we have been able to report in the history of our company. For the twelve months ended December 31, 2023, net income was $5,014,831 or $4.84 per common share. This equates to a 64% improvement over our 2022 earnings of $3,062,536 or $2.95 per share. As you'll see from reviewing our financial highlights, we achieved record balance sheet levels in assets, deposits, and loans in 2023. During the year, total assets increased 19% to $561,431,846. Total deposits rose 21% to $507,166,413 and net loans increased by 1% to $312,974,175. While some of this deposit growth we deem to be temporary, we are particularly pleased with the growth we achieved in our core deposit base.

There are two main contributing factors driving our improved performance in 2023. First, the loan growth generated over the last two years from expanding our presence in Kent County and entering the Kalamazoo market has added higher yielding commercial loans to our loan portfolio mix. Second, a sharp increase in short-term interest rates has allowed us to turn our recent deposit growth into a meaningful earning asset. These factors, along with prudent management of our cost of funds, are the main contributors to our 31% increase in net interest income for the year. Looking at the balance sheet, our overall deposit activity remains strong for the fourth consecutive year. As noted above, we experienced significant deposit growth in 2023 with growth occurring in both retail and commercial core deposit accounts. Loan activity was somewhat slower than what we have experienced in recent years. Our modest growth was due in part to historically low mortgage activity and a planned reduction in our municipal loan portfolio. Loan quality remains strong with delinquency and charge-off activity at historically low levels.

Aside from our financial achievements, we made tremendous strides this past year in enhancing our products, our services, and the technology we deploy. While we tackled many new initiatives, I'd like to use this opportunity to provide a glimpse of the ongoing work we do to improve cybersecurity and protect customer information. The banking industry is constantly facing new and sophisticated cybersecurity threats so we must continue to invest judiciously in state-of-the-art technologies to enhance our security infrastructure. As we endeavor to uphold the highest standards of data protection and ensure secure banking operations, the decision to invest in a Security Information and Event Management solution in 2023 was a strategic imperative. This solution empowers us to proactively detect, respond to, and mitigate potential security incidents, reinforcing our commitment to safeguarding the financial well-being of our customers.

We also implemented a real-time fraud detection system that enables us to take proactive measures to identify and prevent fraudulent activities at the frontline, even before a deposit is processed. Additionally, we made significant strides in fortifying our data resilience and operational efficiency by greatly enhancing our data backup solution. This not only strengthened our data security but also considerably improved the targeted times for restoring our business systems and processes should a disruption ever occur. This milestone signifies our dedication to the highest customer service standards by ensuring seamless business operations and reinforcing our commitment to resilient business continuity.

There are many important changes within our leadership team that I'd like to bring to your attention. We congratulated two HCB officers for their successful careers and service to HCB upon their retirements. We welcomed two new officers to our leadership team and had the pleasure of promoting several officers within our leadership ranks. Those announcing retirements in 2023 included Jane M. DeBat with 34 years of service and Randoulph L. Teegardin with 40 years of service. There is no doubt that these career HCB bankers will be greatly missed, but we are thrilled for our colleagues as they each begin their new chapter in life. Most importantly, we are especially grateful for their dedication and many years of service.

We were fortunate to add two talented bankers to our senior officer team during the course of the year. Chelsey A. Foster joined us in January as Senior Vice President of Business Development. Chelsey brings a diverse background to his new position, with a career beginning in economic development, evolving into local government management, before leading into a career as a community bank leader. In October, Toni C. Murphy joined us and serves as Vice President of Human Resources. Toni has an extensive background in banking with proven leadership skills in sales, operations, wealth management and talent development. It was my pleasure this past year to announce the promotion of several of my HCB leadership teammates. Robert G. Ranes, Jr. was named Senior Vice President and Chief Lending Officer. Rob joined HCB in 1994 as a management trainee. He held numerous retail positions of increasing responsibility before becoming a Commercial Banking Vice President in 2006 and Senior Vice President of Lending in 2011. Kimberly G. Finkbeiner was promoted to Senior Vice President and Chief Information Officer. Kim joined HCB in 2013 as Vice President of Operations. During her tenure, Kim has assumed greater responsibilities in the areas of Information Security as well as Deposit and Loan Operations. Linda G. Engle was appointed Senior Vice President and Marshall Market President. Linda began her career with HCB in 2012 as a Commercial Loan Officer. Soon after she became an Assistant Vice President and received the Vice President designation at the end of 2019.

I hope that you will be able to join us for our Annual Meeting which will be held on Wednesday, April 17, 2024, at 1:00 p.m. in the Main Office of Highpoint Community Bank. It is important that your shares of HCB Financial Corp. common stock be represented at the meeting. Whether you are able to attend or not, please complete and return the enclosed proxy in advance of the meeting. This will allow us to tally the votes prior to the meeting and proceed without undue delay. Our directors, officers and I look forward to seeing as many of you there as possible.

Yours truly,

Mark A. Kolanowski

Mark A. Kolanowski
President and Chief Executive Officer

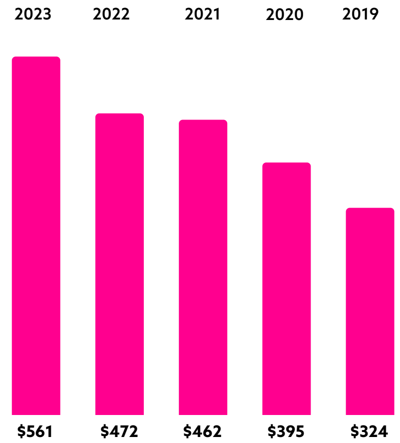
Financial Highlights

AT YEAR-END	2023	2022	% CHANGE
Assets	$561,432	$472,144	19%
Deposits	$507,166	$418,739	21%
Loans, net	$312,974	$311,224	1%
Investments	$79,422	$98,706	-20%
Stockholder's Equity	$37,227	$32,918	13%
FOR THE YEAR	**2023**	**2022**	**% CHANGE**
Net income	$5,015	$3,063	64%
Return on average assets	0.93%	0.64%	46%
Return on average equity	14.49%	9.18%	58%
Net charge-offs to avg loans	0.00%	0.00%	0%
PER SHARE	**2023**	**2022**	**% CHANGE**
Dividends per share	$1.09	$0.91	20%
Net income per share	4.84	2.95	64%
Book value at year end	35.91	31.76	13%

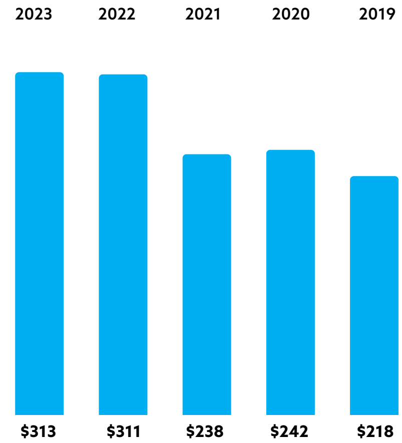
Dollar amounts in thousands, except per-share data.

Key Graphs

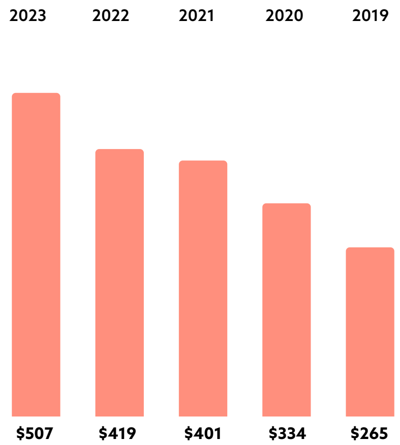
TOTAL ASSETS (MILLIONS)



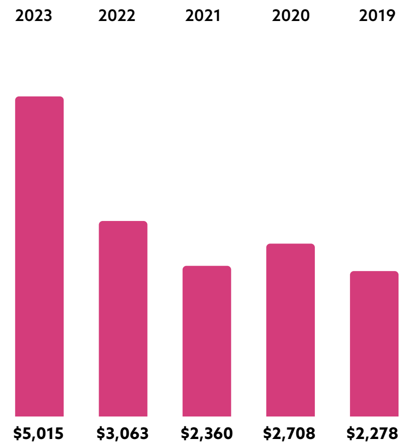
NET LOANS (MILLIONS)



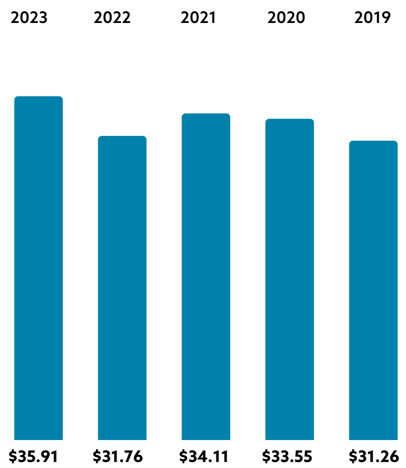
TOTAL DEPOSITS (MILLIONS)



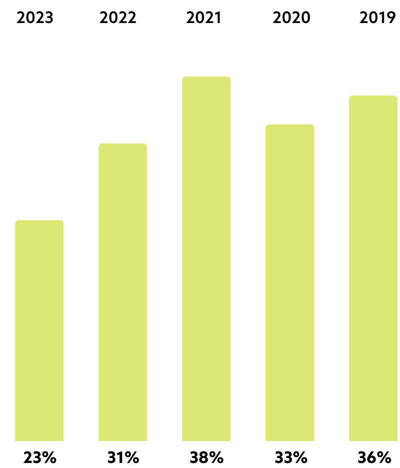
EARNINGS (THOUSANDS)



BOOK VALUE (PER SHARE, IN DOLLARS)



DIVIDEND PAYOUT RATIO



Independent Auditor's Report

To the Board of Directors
HCB Financial Corp.

Opinion

We have audited the consolidated financial statements of HCB Financial Corp. (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Directors
HCB Financial Corp.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the letter to shareholders, financial highlights, and key graphs but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Plante & Moran, PLLC

February 13, 2024

HCB Financial Corp.
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	**$ 151,710,926**	$ 44,453,796
Interest-bearing time deposits in other financial institutions	**3,969,000**	4,465,000
Securities available-for-sale	**73,940,870**	92,729,412
Restricted investment in Federal Home Loan Bank stock	**1,512,100**	1,512,100
Loans, net of allowance of $2,922,603 at 2023 and $2,153,266 at 2022	**312,974,175**	311,223,552
Premises and equipment, net	**6,379,032**	6,800,670
Other real estate owned, net	**-**	277,074
Bank owned life insurance	**7,118,454**	6,944,051
Accrued interest receivable and other assets	**3,827,289**	3,738,837
Total assets	**$ 561,431,846**	$ 472,144,492
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Non-interest-bearing	**$ 104,119,599**	$ 98,599,623
Interest-bearing	**403,046,814**	320,139,168
	507,166,413	418,738,791
Federal Home Loan Bank advances	**14,000,000**	19,000,000
Accrued interest payable and other liabilities	**3,038,504**	1,487,823
Total liabilities	**524,204,917**	439,226,614
Stockholders' equity:		
Common stock, no par value - 1,500,000 shares authorized; issued and outstanding of 1,036,600 in 2023 and 2022	**1,579,112**	1,579,112
Capital surplus	**2,529,905**	2,529,905
Retained earnings	**36,410,150**	32,891,673
Accumulated other comprehensive loss	**(3,292,238)**	(4,082,812)
Total stockholders' equity	**37,226,929**	32,917,878
Total liabilities and stockholders' equity	**$ 561,431,846**	$ 472,144,492

See accompanying notes

HCB Financial Corp.
Consolidated Statements of Income
Years ended December 31, 2023 and 2022

	2023	2022
Interest income		
Loans, including fees	**$ 13,979,953**	$ 10,738,225
Investment securities:		
Taxable	**889,902**	905,657
Tax-exempt	**1,050,370**	885,239
Federal funds sold and other	**5,748,027**	1,541,248
	21,668,252	14,070,369
Interest expense		
Deposits	**4,411,760**	639,923
Federal Home Loan Bank advances	**229,601**	460,356
	4,641,361	1,100,279
Net interest income	**17,026,891**	12,970,090
Provision for credit losses	**317,049**	70,000
Provision for unfunded commitments	**4,368**	-
Net interest income after provision for credit losses	**16,705,474**	12,900,090
Other income		
Service charges and fees	**1,763,570**	1,671,478
Wealth management income	**690,863**	621,320
Net gain on sale of securities	**16,449**	-
Net gain on sale of loans	**865**	87,250
Earnings from bank owned life insurance	**174,402**	164,239
Other income	**275,240**	225,233
	2,921,389	2,769,520
Other expenses		
Salaries and employee benefits	**7,928,754**	6,896,469
Occupancy and equipment	**1,536,640**	1,536,545
Data processing	**2,359,585**	2,149,851
Professional fees	**628,360**	536,600
FDIC Insurance	**285,900**	132,000
Other operating expenses	**1,263,793**	1,145,609
	14,003,032	12,397,074
Income before federal income taxes	**5,623,831**	3,272,536
Federal income taxes	**609,000**	210,000
Net income	**$ 5,014,831**	$ 3,062,536
Basic and Diluted earnings per share	**$ 4.84**	$ 2.95

See accompanying notes

HCB Financial Corp.
Consolidated Statements of Comprehensive Income
Years ended December 31, 2023 and 2022

	2023	2022
Net income	**$ 5,014,831**	$ 3,062,536
Available-for-sale securities		
Unrealized holding (gains)/losses arising during the year	**1,017,175**	(5,770,950)
Reclassification adjustment for net realized (gains)/losses included in net income (A)	**(16,449)**	-
Other comprehensive income/(loss) before income tax	**1,000,726**	(5,770,950)
Income tax benefit/(expense) related to other comprehensive income/(loss) (B)	**(210,152)**	1,211,899
Other comprehensive income/(loss)	**790,574**	(4,559,051)
Comprehensive Income/(Loss)	**$ 5,805,405**	$ (1,496,515)

(A) - Included in net gain/(loss) on securities

(B) - Federal Income Tax benefit/(expense) in 2023 and 2022 includes ($3,454) and $0 related to reclassification adjustments

See accompanying notes

HCB Financial Corp.
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2022	$ 1,579,112	$ 2,529,905	$ 30,772,443	$ 476,239	35,357,699
Net income	-	-	3,062,536	-	3,062,536
Other comprehensive income/(loss)	-	-	-	(4,559,051)	(4,559,051)
Dividends declared - $.91 per share	-	-	(943,306)	-	(943,306)
Balance at December 31, 2022	1,579,112	2,529,905	32,891,673	(4,082,812)	32,917,878
Retained earnings impact of adoption of new accounting standard	**-**	**-**	**(366,460)**	**-**	**(366,460)**
Net income	**-**	**-**	**5,014,831**	**-**	**5,014,831**
Other comprehensive income/(loss)	**-**	**-**	**-**	**790,574**	**790,574**
Dividends declared - $1.09 per share	**-**	**-**	**(1,129,894)**	**-**	**(1,129,894)**
Balance at December 31, 2023	**$ 1,579,112**	**$ 2,529,905**	**$ 36,410,150**	**$ (3,292,238)**	**$ 37,226,929**

See accompanying notes

HCB Financial Corp.
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net income	**$ 5,014,831**	$ 3,062,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**317,049**	70,000
Provision for unfunded commitments	**4,368**	-
Depreciation	**636,730**	690,025
Net amortization of securities	**170,251**	268,808
Earnings on bank owned life insurance, net	**(174,402)**	(164,239)
Loans originated for sale	**(45,000)**	(3,243,200)
Proceeds from sale of loans	**45,865**	3,330,450
Net gain on sales of other real estate	**(1,216)**	-
Net gain on sale of loans	**(865)**	(87,250)
Net gain on sale of securities	**(16,449)**	-
Net loss on disposal of assets	**-**	5,444
Net loss on transfer of property to other real estate owned	**-**	59,000
Net change in:		
Accrued interest receivable and other assets	**(201,190)**	283,467
Accrued interest payable and other liabilities	**1,404,178**	(171,870)
Net cash from operating activities	**7,154,150**	4,103,171
Cash flows from/(for) investing activities		
Net change in interest-bearing deposits in other financial institutions	**496,000**	2,482,000
Activity in available-for-sale securities:		
Sales	**2,962,865**	-
Maturities, prepayments, calls	**18,972,601**	15,537,564
Purchases	**(2,300,000)**	(29,239,453)
Net change in FHLB Stock	**-**	68,700
Loan originations and payments, net	**(2,513,804)**	(73,462,818)
Purchases of premises and equipment, net	**(215,092)**	(275,530)
Proceeds from sale of other real estate owned	**278,290**	-
Net cash from/(for) investing activities	**17,680,860**	(84,889,537)
Cash flows from financing activities		
Net change in deposits	**88,427,622**	17,894,052
Repayments of Federal Home Loan Bank advances	**(5,000,000)**	(5,000,000)
Cash dividends paid	**(1,005,502)**	(891,476)
Net cash from financing activities	**82,422,120**	12,002,576
Net change in cash and cash equivalents	**107,257,130**	(68,783,790)
Cash and cash equivalents at beginning of year	**44,453,796**	113,237,586
Cash and cash equivalents at end of year	**$ 151,710,926**	$ 44,453,796
Supplemental disclosures of cash flow information		
Cash paid for interest	**$ 3,941,907**	$ 1,111,649
Cash paid for income taxes	**640,000**	342,300
Supplemental non-cash disclosures		
Dividends declared and not paid	**$ 476,836**	$ 352,444
Transfer of bank premises to other real estate owned	**-**	336,073

See accompanying notes

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: HCB Financial Corp. (the Company) is a bank holding company headquartered in Hastings, Michigan. The Company's wholly owned subsidiary, Highpoint Community Bank (the Bank), operates six full-service banking offices and one loan production office in and around Barry County. The Bank offers a variety of deposit and lending services.

Principles of Consolidation: The consolidated financial statements include the accounts and operations of HCB Financial Corp. and its wholly owned subsidiaries, Highpoint Community Bank, Highpoint Insurance Services, HCB Real Estate Holdings, LLC, and Court Street Financial, Inc. All significant inter-company balances and transactions have been eliminated in consolidation.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through February 13, 2024, which is the date the financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided and future results could differ.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions and federal funds sold. Net cash flows are reported for customer loan and deposit transactions and for interest-bearing time deposits with other financial institutions.

Cash and Cash Equivalents: The Company maintains deposit accounts with other financial institutions, which generally exceed federally insured limits or are uninsured.

Interest-Bearing Time Deposits in other Financial Institutions: Interest-bearing time deposits in other financial institutions consist of fully insured certificates of deposits with $3,225,000 maturing within 1 year and $744,000 maturing within 2-5 years.

Restricted Investments: The Bank is a member of the Federal Home Loan Bank (FHLB) System and is required to invest in capital stock of the FHLB of Indianapolis. The amount of the required investment is determined and adjusted periodically by the FHLB. The capital stock is carried at cost and evaluated for impairment on an annual basis.

Securities: Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Purchase premiums and discounts on noncallable debt securities are recognized into income over the term of the securities. Premiums on callable debt securities are amortized against income over the period until the earlier of the first call date or maturity. Gains and losses on sales are based on the amortized cost of the security sold. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Through December 31, 2022, management evaluates securities for other-than-temporary impairment (“OTTI”) on at least an annual basis and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) OTTI related to credit loss, which must be recognized in the income statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and (2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Beginning January 1, 2023, for available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or more likely than not will be required to sell the security before recovery of its amortized cost basis. If either criteria is met the security's amortized cost basis is written down to fair value through income.

For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, an allowance for credit losses is recorded, limited to the amount that the fair value is less than the amortized cost basis. Any impairment not recorded through an allowance for credit losses is recognized in other comprehensive income. Accrued interest receivable on available-for-sale debt securities is excluded from the estimate of credit losses. As of December 31, 2023, there was no allowance for credit losses on available-for-sale securities.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for credit losses. The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets.

Interest income is reported on the interest method. Interest income on loans is generally discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

For loans placed on nonaccrual all interest accrued but not received, is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans held for sale are reported at the lower of cost or market, on an aggregate basis. Mortgage loans held for sale are generally sold with servicing rights retained; the carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Allowance for Credit Losses through December 31, 2023: The allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the loans. The Company evaluates loans, and available-for-sale (AFS) securities to determine the allowance for credit losses. The Company estimates the allowance for loans by utilizing a model that uses collateral and loan characteristics as common risk factors. An allowance on AFS securities is provided when a credit loss is deemed to have occurred for securities which the Company does not intend to sell or is not required to sell. The Company elected not to include accrued interest receivable in the calculation of expected credit losses.

Loans that do not share similar risk characteristics with other loans are evaluated individually. When repayment of collateral is expected to be dependent on the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral as of the reporting date.

The Company calculates the allowance for credit losses using an expected loss model that considers the Company's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Company considered the impact of a variety of qualitative factors when making adjustments for

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reasonable and supportable forecasts. For example, trends in loan charge-offs and trends in delinquencies are just two of the qualitative factors that the Company utilizes for potential adjustments to its forecasts. The Company also utilizes an internal ratings factor when determining potential adjustments to its forecasts. Uncollectible amounts are written off against the allowance in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. Loans are considered delinquent if the repayment terms are not met.

Allowance for Loan Losses through December 31, 2022: The allowance for loan losses is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified and for which the borrower is experiencing financial difficulties are considered troubled debt restructurings and classified as impaired. Commercial and commercial real estate loans are individually evaluated for impairment if outstanding loans to a borrower are, in aggregate, over $150,000 and the risk rating assigned to a loan is substandard or lower. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported net at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Troubled debt restructurings are also considered impaired and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component of the Allowance for Credit Losses covers non-impaired loans and large groups of homogeneous loans and is based on historical loss experience, adjusted for current risk factors. The following portfolio segments have been identified and the risk factors listed below are considered in determining the allowance for credit loss:

Residential real estate loans are evaluated for credit losses using various economic indicators. Environmental factors that may impact collateral value on residential real estate loans include data on average local home sales, national and local economic conditions, and local employment rates. These factors are used to calculate an adjustment for current economic conditions. Other residential real estate loans with additional risk factors are loans where the payment is more than 30 days past due.

Commercial loans are evaluated for credit losses using the following risk classification codes assigned to commercial credits internally:

- Risk Ratings 1-5 are considered to be within an acceptable risk tolerance to the bank.
- Risk Rating 6 is considered special mention. Loans in this category are included on the watch list and have identifiable weaknesses. Special mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.
- Risk Rating 7 is considered substandard. Loans in this category are considered very high risk, are included on the watch list, have well-defined weaknesses, normal repayment is in jeopardy, and are reviewed quarterly for impairment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Risk Rating 8 is considered impaired non-accrual. Loans in this category have all substandard characteristics plus the loans are in non-accrual status. These loans have significant weaknesses making full collection of interest unlikely.
- Risk Rating 9 is considered doubtful. Loans in this category possess all substandard and non-accrual characteristics and have significant weaknesses making full collection through payment or liquidation questionable and improbable.
- Risk Rating 10 is considered loss. Loans are charged off in a timely manner, as collection is highly unlikely.

These risk codes are reviewed and adjusted as appropriate in several circumstances. A formal loan review process is conducted on loans above various dollar thresholds based on the type of collateral securing the credit. The loan reviewer will either affirm that the risk rating is appropriate or recommend a change. Risk codes are also adjusted upon loan renewals, additional requests, and upon receipt of knowledge that an event has caused a change in apparent risk of an individual credit.

Bank Owned Life Insurance: The Company has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contracts at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts that are probable at settlement.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Servicing Rights: Mortgage servicing rights are held at amortized cost. Servicing rights represent the fair value of retained servicing rights on loans sold. Servicing assets are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the assets using groupings of the underlying loans as to interest rates and then, secondarily, as to prepayment characteristics. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Any impairment is reported as a valuation allowance to the extent that fair value is less than the capitalized amount.

Servicing fee income, which is reported on the income statement as other income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fees total $114,000 and $122,000 for the years ended December 31, 2023 and 2022, respectively. Late fees and ancillary fees related to loan servicing are not material.

Premises and Equipment: Land is stated at cost. Premises and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed principally using the straight-line method over the estimated lives of the related assets. Expenditures for normal repair and maintenance are charged to expenses as incurred.

Other Real Estate Owned: Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed.

Long-Term Assets: Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Post Retirement Benefit: The Bank sponsors a post retirement benefit plan that provides medical and life insurance benefits to eligible retirees, who retired prior to 2004, for life. At year-end 2023, the plan provided benefits to six participants. At year-end 2023 and 2022, the accrued benefit obligation recognized in the consolidated balance sheet was $59,000 and $78,000, respectively. Additional disclosures related to the post retirement health care plan are not material to the financial statements.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings Per Share: Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period, which were 1,036,600 for year-end 2023 and 2022. There were no potentially dilutive common stock equivalents for 2023 or 2022.

Off-Balance Sheet Financial Instruments: Financial instruments include off-balance sheet credit instruments such as commitments to make loans and standby letters of credit issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, which are also recognized as a separate component of equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the financial statements.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, and is more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Revenue Recognition: ASC Topic 606, Revenue from Contracts with Customers, provides the guidance used to recognize revenue from contracts with customers for transfers of goods or services and transfers of non-financial assets, unless those contracts are within the scope of other guidance. The Company’s principal revenue streams that are within the scope of ASC Topic 606 include service charges and fees and trust income. These revenues are generally recognized immediately upon the completion of the service or over time as services are performed. Any services performed over time generally require that the Company renders services each period, for example monthly, therefore the Company measures progress in completing these services based upon the passage of time.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Litigation: From time to time, the Bank, may be involved in various legal proceedings that are incidental to our business. In the opinion of management, the Bank is not a party to any legal proceedings that are material to our financial condition, either individually or in the aggregate.

Adoption of New Accounting Standards: On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured to amortized cost, including loans and held to maturity debt securities. It also applies to off-balance sheet credit exposures. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for 2023 are presented under ASC 326 while 2022 amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of $366,460 for the cumulative effect of adopting ASC 326. The transition adjustment includes a $446,132 increase in the allowance for credit losses, a $17,743 liability recognized for credit losses on off-balance-sheet exposures, and a $97,415 increase in deferred tax assets.

NOTE 2 - SECURITIES

The fair value of available-for-sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows:

Available-for-sale

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Govt and federal agency	**$ 12,597,744**	**$ -**	**$ 759,141**	**$ 11,838,603**
State and municipal	**46,522,862**	**321,757**	**1,861,635**	**44,982,984**
Mortgage-backed, residential	**9,196,191**	**-**	**677,148**	**8,519,043**
Corporate	**7,066,462**	**-**	**1,061,421**	**6,005,041**
Certificates of Deposit	**2,725,000**	**-**	**129,801**	**2,595,199**
Total	**$ 78,108,259**	**$ 321,757**	**$ 4,489,146**	**$ 73,940,870**
2022				
U.S. Govt and federal agency	$ 13,656,906	$ -	$ 991,549	$ 12,665,357
State and municipal	60,414,816	156,699	2,539,925	58,031,590
Mortgage-backed, residential	11,494,704	3,471	761,685	10,736,490
Corporate	9,606,101	-	868,560	8,737,541
Certificates of Deposit	2,725,000	-	166,566	2,558,434
Total	$ 97,897,527	$ 160,170	$ 5,328,285	$ 92,729,412

The fair value of debt securities and carrying amount, if different, at year-end 2023 by contractual maturity were as follows. Securities not due at a single maturity date, primarily consisting of mortgage-backed securities, are shown separately.

	Available-for-sale	
	Amortized Cost	Fair Value
Due in one year or less	**$ 13,202,880**	**$ 12,993,850**
Due after one through five years	**38,360,250**	**36,438,902**
Due after five through ten years	**13,809,738**	**12,356,517**
Due after ten years	**3,539,200**	**3,632,558**
Mortgage-backed, residential	**9,196,191**	**8,519,043**
	$ 78,108,259	**$ 73,940,870**

NOTE 2 - SECURITIES (Continued)

Securities pledged at year-end 2023 and 2022 had a carrying amount of $19,457,000 and $7,893,000, respectively, and were pledged to secure public deposits and other purposes as required or permitted by law.

Securities with unrealized losses at year-end 2023 and 2022, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2023						
U.S. Govt. and federal agency	**$ -**	**$ -**	**$ 11,838,603**	**$ 759,141**	**$ 11,838,603**	**$ 759,141**
State and municipal	**2,600,968**	**14,617**	**33,261,770**	**1,847,018**	**35,862,738**	**1,861,635**
Mortgage-backed, residential	**360,694**	**2,351**	**8,158,350**	**674,797**	**8,519,044**	**677,148**
Corporate	**-**	**-**	**6,005,041**	**1,061,421**	**6,005,041**	**1,061,421**
Certificates of Deposit	**-**	**-**	**2,595,199**	**129,801**	**2,595,199**	**129,801**
	$ 2,961,662	**$ 16,968**	**$ 61,858,963**	**$ 4,472,178**	**$ 64,820,625**	**$ 4,489,146**
2022						
U.S. Govt. and federal agency	$ 4,942,908	$ 154,529	$ 7,722,449	$ 837,020	$ 12,665,357	$ 991,549
State and municipal	31,894,677	720,592	17,302,373	1,819,333	49,197,050	2,539,925
Mortgage-backed, residential	5,234,177	185,972	5,107,170	575,713	10,341,347	761,685
Corporate	1,998,265	201,389	6,739,276	667,171	8,737,541	868,560
Certificates of Deposit	1,445,855	36,145	1,112,579	130,421	2,558,434	166,566
	$ 45,515,882	$ 1,298,627	$ 37,983,847	$ 4,029,658	$ 83,499,729	$ 5,328,285

Unrealized losses have not been recognized into income because the securities are of high credit quality, management does not intend to sell and it is not likely that management would be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in market interest rates. The fair value is expected to recover as the securities approach their maturity date and/or market rates decline.

Sales of available-for-sale securities were as follows:

	2023	2022
Proceeds	**$ 2,962,865**	$ -
Gross gains	**27,630**	-
Gross losses	**(11,181)**	-

NOTE 3 - LOANS

Loans at year-end were as follows:

	2023
Real estate:	
Construction	**$ 2,705,960**
Commercial	**133,970,247**
Residential	**96,011,864**
Commercial	**13,621,668**
Consumer	**8,961,223**
SBA Guaranteed	**5,384,070**
Drain Notes	**55,241,746**
Subtotal	**315,896,778**
Allowance for credit losses	**(2,922,603)**
	$ 312,974,175

	2022
Residential real estate:	
Residential mortgages	$ 73,283,155
Home equity loans	7,694,069
Commercial:	
Real estate secured	123,765,835
Non-real estate secured	23,399,829
Municipal loans	75,727,007
Consumer	9,506,923
Subtotal	313,376,818
Allowance for loan losses	(2,153,266)
	$ 311,223,552

Mortgage loans serviced for others are not reported as assets. Such loans aggregated to $41,311,000 and $46,800,000 at year-end 2023 and 2022, respectively. Mortgage loans originated for sale but not yet delivered are included in residential mortgages and were $0 and $0 at year-end 2023 and 2022, respectively. Capitalized mortgage servicing rights were $256,000 and $322,000 at year-end 2023 and 2022, respectively, and are included in accrued interest receivable and other assets.

Certain directors and executive officers of the Company, including their associates, were loan customers of the Bank during 2023 and 2022. The outstanding loan balances for these persons at year--end 2023 and 2022 amounted to $2,791,000 and $3,221,000, respectively. During 2023, new loans to these persons amounted to $539,000 and payments amounted to $969,000, compared to new loans of $329,000 and payments of $62,000 during 2022.

HCB Financial Corp.
Notes to Consolidated Financial Statements
(Continued)

NOTE 3 - LOANS (Continued)

Activity in the allowance for credit and loan losses for 2023 and 2022, by portfolio segment, was as follows:

December 31, 2023	**Construction Real Estate**	**Commercial Real Estate**	**Residential Real Estate**	**Commercial**	**Consumer**	**SBA Guaranteed**	**Drain Notes**	**Unallocated**	**Total**
Allowance for credit losses:									
Beginning balance	**$ 54,397**	**$ 966,678**	**$ 420,752**	**$ 93,728**	**$ 30,805**	**$ 38,817**	**$ 525,015**	**$ 23,074**	**$ 2,153,266**
Cumulative effect of change in accounting principle	**50,885**	**490,449**	**246,417**	**92,045**	**153,242**	**(38,817)**	**(525,015)**	**(23,074)**	**446,132**
Provision for expected credit losses	**(65,588)**	**221,336**	**110,234**	**17,690**	**27,853**	**-**	**5,524**	**-**	**317,049**
Loans charged-off	**-**	**-**	**-**	**-**	**(118)**	**-**	**-**	**-**	**(118)**
Recoveries	**-**	**-**	**-**	**-**	**6,274**	**-**	**-**	**-**	**6,274**
Ending balance	**$ 39,694**	**$ 1,678,463**	**$ 777,403**	**$ 203,463**	**$ 218,056**	**$ -**	**$ 5,524**	**$ -**	**$ 2,922,603**

December 31, 2022	Residential Real Estate	Commercial	Consumer	Total
Allowance for loan losses:				
Beginning balance	$ 661,560	$ 1,370,833	$ 42,228	$ 2,074,621
Provision for loan losses	(236,859)	326,644	(19,785)	70,000
Loans charged-off	-	-	(5,359)	(5,359)
Recoveries	-	-	14,004	14,004
Ending balance	$ 424,701	$ 1,697,477	$ 31,088	$ 2,153,266

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on the impairment method as of year-end 2022:

December 31, 2022	Residential Real Estate	Commercial	Consumer	Total
Allowance for loan losses:				
Individually evaluated for impairment	$ 113,892	$ 136,108	$ 6,752	$ 256,752
Collectively evaluated for impairment	310,809	1,561,369	24,336	1,896,514
Ending allowance balance attributable to loans	$ 424,701	$ 1,697,477	$ 31,088	$ 2,153,266
Loan balances:				
Individually evaluated for impairment	$ 432,804	$ 322,575	$ 6,752	$ 762,131
Collectively evaluated for impairment	80,544,420	222,570,096	9,500,171	312,614,687
Total ending loan balances	$ 80,977,224	$ 222,892,671	$ 9,506,923	$ 313,376,818

NOTE 3 - LOANS (Continued)

The following table presents information related to impaired loans by class of loans as of year-end 2022:

December 31, 2022	**Unpaid Principal Balance**	**Recorded Investment**	**Allowance for Loan Losses Allocated**	**Average Recorded Investment**	**Interest Income Recognized**	**Cash Basis Interest Recognized**
With no related allowance recorded:						
Residential real estate						
Residential mortgages	$ -	$ -	$ -	$ -	$ -	$ -
Home equity loans	-	-	-	-	-	-
Commercial						
Real estate secured	-	-	-	-	-	-
Non-real estate secured	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
With related allowance recorded:						
Residential real estate						
Residential mortgages	432,804	432,804	113,892	438,535	21,093	1,724
Home equity loans	-	-	-	-	-	-
Commercial						
Real estate secured	322,575	322,575	136,108	333,900	19,177	1,340
Non-real estate secured	-	-	-	-	-	-
Consumer	6,752	6,752	6,752	7,843	114	5
Subtotal	762,131	762,131	256,752	780,278	40,384	3,069
Total	$ 762,131	$ 762,131	$ 256,752	$ 780,278	$ 40,384	$ 3,069

The recorded investment in loans excludes accrued interest receivable and loan origination fees, net due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs.

Non-accrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for credit losses and individually evaluated loans.

The following table presents the amortized cost basis of non-accrual loans by class as of year-end 2023:

	2023		
	Non-Accrual Loans With No ACL	**Total Non-Accrual Loans**	**Interest Income Recognized During the Period on Non-Accrual Loans**
Real estate:			
Construction	**$ -**	**$ -**	**$ -**
Commercial	**-**	**-**	**-**
Residential	**-**	**209,862**	**10,183**
Commercial	**-**	**-**	**-**
Consumer	**-**	**2,295**	**175**
SBA Guaranteed	**-**	**-**	**-**
Drain Notes	**-**	**-**	**-**
Total	**$ -**	**$ 212,157**	**$ 10,358**

NOTE 3 - LOANS (Continued)

The following table presents the recorded investment in non-accrual and loans past due over 90 days still on accrual by class of loans as of year-end 2022:

2022	Non-Accrual	Loans Past Due Over 90 Days Still Accruing
Residential real estate		
Residential mortgages	$ -	$ -
Home equity loans	-	-
Commercial		
Real estate secured	119,016	-
Non-real estate secured	-	-
Municipal loans	-	-
Consumer	-	-
	$ 119,016	$ -

The following tables present the aging of the recorded investment in past due loans by class of loans as of year-end 2023 and 2022:

December 31, 2023	30-59 Days Past Due	60-89 Days Past Due	90 or more Days Past Due	Total	Current	Total Loans	90 or more days past due and accruing
Real estate:							
Construction	$ -	$ -	$ -	$ -	$ 2,705,960	$ 2,705,960	$ -
Commercial	-	-	-	-	133,970,247	133,970,247	-
Residential	162,960	-	209,862	372,822	95,639,042	96,011,864	-
Commercial	-	-	-	-	13,621,668	13,621,668	-
Consumer	4,492	-	6,061	10,553	8,950,670	8,961,223	3,766
SBA Guaranteed	-	-	-	-	5,384,070	5,384,070	-
Drain Notes	-	-	-	-	55,241,746	55,241,746	-
Total	$ 167,452	$ -	$ 215,923	$ 383,375	$ 315,513,403	$ 315,896,778	$ 3,766

NOTE 3 - LOANS (Continued)

December 31, 2022	30 - 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due
Residential real estate				
Residential mortgages	$ 18,580	$ -	$ 18,580	$ 73,264,575
Home equity loans	-	-	-	7,694,069
Commercial				
Real estate secured	-	119,016	119,016	123,646,819
Non-real estate secured	-	-	-	23,399,829
Municipal loans	-	-	-	75,727,007
Consumer	5,493	-	5,493	9,501,430
	$ 24,073	$ 119,016	$ 143,089	$ 313,233,729

Troubled Debt Restructurings:

The Company has allocated $187,000 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of year-end 2022. Of these reserves, $150,000 represents reserves on collateral dependent troubled debt restructures. The outstanding balance of such loans was $526,000 at year-end 2022. As of year-end 2022, the Company committed to lending no additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

The modifications of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan, an extension of the maturity date at a stated rate of interest lower than the market rate for new debt with similar risk, capitalization of interest due, or a nominal principal advance to enhance collectability of the debt.

There were no loans modified in troubled debt restructurings as of year-end 2022, and no loans defaulted during the year ended December 31, 2022 that were modified in the twelve months prior to default.

NOTE 3 - LOANS (Continued)

Troubled Loan Modifications:

The below table presents the amortized cost basis as of year-end 2023 of the loans modified to borrowers experiencing financial difficulty disaggregated by class of financing receivable and type of concession granted during the reporting period.

December 31, 2023	Interest Rate Reduction		Combination: Term Extension and Principal Forgiveness	
	Amortized Cost Basis	% of Total Class of Loans	Amortized Cost Basis	% of Total Class of Loans
Real estate:				
Construction	$ -	0%	$ -	0%
Commercial	-	0%	-	0%
Residential	-	0%	-	0%
Commercial	-	0%	-	0%
Consumer	4,550	0%	831	0%
SBA Guaranteed	-	0%	-	0%
Drain Notes	-	0%	-	0%
Total	$ 4,550		$ 831	

The following table presents the financial effect by type of modification made to borrowers experiencing financial difficulty and class of financing receivable:

December 31, 2023	Interest Rate Reduction	Term Extension
Real estate:	-	-
Construction	-	-
Commercial	-	-
Residential	-	-
Commercial	-	-
Consumer	Reduced contractual rate from 13.75% to 8.50%	Added 14 months to the life of the loan, which reduced monthly payment amounts for the borrower
SBA Guaranteed	-	-
Drain Notes	-	-

There were no loans that had a payment default during the year ended December 31, 2023 that were modified in the twelve months before default to borrowers experiencing financial difficulty.

As of year-end 2023, there were no loans in default that have been modified in the past twelve months to borrowers experiencing financial difficulty.

NOTE 3 - LOANS (Continued)

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes credit relationships with an outstanding balance greater than $150,000 and non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed annually, at renewals, and when new information on a credit is learned. The Company uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention are included on the watch list and have identifiable weaknesses. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Banks credit position at some future date. Special mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification. Not rated loans that are past due 30-89 days are also included in this category.

Substandard: Loans classified as substandard are considered very high risk, included on watch list, have well-defined weaknesses, normal repayment is in jeopardy, and they are reviewed quarterly for impairment. Not rated loans that are more than 89 days past due are included in this category.

Impaired Non-Accrual: Loans classified as impaired non-accrual are very high risk and are in non-accrual status. These loans have significant weaknesses, making full collection of interest unlikely.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as impaired non-accrual, plus significant weaknesses making full collection through payment or liquidation questionable and improbable. The bank had no doubtful loans in 2023 and 2022.

Loans not meeting the criteria above that are analyzed individually as part of the above described process, are considered to be pass rated loans. Municipal loans are primarily short-moderate term loans to municipalities related to maintenance or improvement projects that are funded by approved special tax assessments. The Company reviews updated financial information on long-term issues periodically. Groups of homogeneous loans and municipal loans are not rated and are listed as pass.

The following table presents the amortized cost basis of loans by credit quality indicator, class, and year of origination for term loans as of December 31, 2023:

December 31, 2023	Term loans amortized cost basis by origination year					
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Real Estate - Construction						
Pass	$ 1,133,083	$ 389,910	$ 774,489	$ 224,060	$ 184,418	$ 2,705,960
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Impaired Non-Accrual	-	-	-	-	-	-
Total Real Estate - Construction	1,133,083	389,910	774,489	224,060	184,418	2,705,960
Current year-to-date gross write-offs	-	-	-	-	-	-

HCB Financial Corp.
Notes to Consolidated Financial Statements
(Continued)

NOTE 3 - LOANS (Continued)

December 31, 2023	Term loans amortized cost basis by origination year					
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Real Estate - Commercial						
Pass	27,534,691	71,915,439	8,106,806	24,558,401	1,854,910	133,970,247
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Impaired Non-Accrual	-	-	-	-	-	-
Total Real Estate - Commercial	27,534,691	71,915,439	8,106,806	24,558,401	1,854,910	133,970,247
Current year-to-date gross write-offs	-	-	-	-	-	-
Real Estate - Residential						
Pass	12,198,155	12,838,378	18,082,298	44,882,130	7,629,403	95,630,364
Special Mention	-	-	118,447	10,748	33,765	162,960
Substandard	-	-	-	8,678	-	8,678
Impaired Non-Accrual	-	-	-	209,862	-	209,862
Total Real Estate-Residential	12,198,155	12,838,378	18,200,745	45,111,418	7,663,168	96,011,864
Current year-to-date gross write-offs	-	-	-	-	-	-
Commercial						
Pass	3,919,787	4,362,933	1,588,724	1,813,531	1,852,141	13,537,116
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	84,552	-	84,552
Impaired Non-Accrual	-	-	-	-	-	-
Total Commercial	3,919,787	4,362,933	1,588,724	1,898,083	1,852,141	13,621,668
Current year-to-date gross write-offs	-	-	-	-	-	-

NOTE 3 - LOANS (Continued)

December 31, 2023	Term loans amortized cost basis by origination year					
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Consumer						
Pass	2,966,597	2,707,921	1,429,993	1,467,807	378,351	8,950,669
Special Mention	-	4,493	-	-	-	4,493
Substandard	-	3,766	-	-	-	3,766
Impaired Non-Accrual	-	-	2,295	-	-	2,295
Total Consumer	2,966,597	2,716,180	1,432,288	1,467,807	378,351	8,961,223
Current year-to-date gross write-offs	-	-	-	-	118	118
SBA Guaranteed						
Pass	68,450	101,278	701,486	46,516	4,466,340	5,384,070
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Impaired Non-Accrual	-	-	-	-	-	-
Total SBA Guaranteed	68,450	101,278	701,486	46,516	4,466,340	5,384,070
Current year-to-date gross write-offs	-	-	-	-	-	-
Drain Notes						
Pass	5,654,449	19,178,787	11,641,926	18,766,584	-	55,241,746
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Impaired Non-Accrual	-	-	-	-	-	-
Total Drain Notes	5,654,449	19,178,787	11,641,926	18,766,584	-	55,241,746
Current year-to-date gross write-offs	-	-	-	-	-	-
Total loans	$ 53,475,212	$ 111,502,905	$ 42,446,464	$ 92,072,869	$ 16,399,328	$ 315,896,778

NOTE 3 - LOANS (Continued)

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows as of year-end 2022:

December 31, 2022	Pass	Special Mention	Substandard	Impaired Non-Accrual	Total
Residential real estate					
Residential mortgages	$ 72,831,771	$ 451,384	$ -	$ -	$ 73,283,155
Home equity loans	7,694,069	-	-	-	7,694,069
Commercial					
Real estate secured	122,975,438	467,822	203,559	119,016	123,765,835
Non-real estate secured	23,166,979	232,850	-	-	23,399,829
Municipal loans	75,727,007	-	-	-	75,727,007
Consumer	9,495,825	11,098	-	-	9,506,923
Total	$ 311,891,089	$ 1,163,154	$ 203,559	$ 119,016	$ 313,376,818

NOTE 4 - PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	2023	2022
Land	**$ 1,208,168**	$ 1,208,168
Buildings	**9,492,432**	9,492,432
Furniture and equipment	**4,487,179**	4,307,659
	15,187,779	15,008,259
Less: Accumulated depreciation	**(8,808,747)**	(8,207,589)
	$ 6,379,032	$ 6,800,670

NOTE 5 - DEPOSITS

Time deposits of $250,000 or more were $24,865,000 and $2,108,000 at year-end 2023 and 2022, respectively. Scheduled maturities of all time deposits for the next five years and thereafter are as follows:

2024	$ 68,166,862
2025	4,420,826
2026	491,747
2027	808,624
2028	405,402
Thereafter	-

The Company held deposits of approximately $1,705,000 and $2,147,000 for related parties at year-end 2023 and 2022, respectively.

NOTE 6 - FEDERAL HOME LOAN BANK ADVANCES

Advances from the Federal Home Loan Bank ("FHLB") were $14,000,000 and $19,000,000 at year-end 2023 and 2022, respectively. The weighted average fixed interest rate of outstanding advances was 1.51% and 1.77% at year-end 2023 and 2022, respectively.

Advances are payable at maturity dates or prior with penalty for prepayment. The advances were collateralized by $65,929,000 and $64,946,000 of first mortgage loans under a blanket lien arrangement at year-end 2023 and 2022, respectively.

Scheduled maturities and required payments over the next five years and thereafter:

2024	$ -
2025	-
2026	7,000,000
2027	-
2028	-
Thereafter	7,000,000

Of the advances held at FHLB $7,000,000 are “Putable” advances which provide the FHLB the option to convert the entire advance to an Adjustable Rate Advance at certain dates beginning in 2024. The advances are fixed rate advances until that time. If the FHLB exercises its option, the Company may pay off the advance without penalty. This advance has a final maturity date in 2029.

The Company's Federal Home Loan Bank Overdraft Line of Credit had a balance of $0 at year-end 2023 and 2022.

NOTE 7 - RETIREMENT PLAN

The Bank sponsors a 401(k) savings plan that allows eligible employees to contribute a percentage of their annual compensation. The Bank matches a portion of the participant's contribution, up to plan specified maximums. The Bank contributed $95,000 and $89,000 to the plan during 2023 and 2022, respectively. The Bank may also elect to make a profit-sharing contribution to the Plan.

Additionally, retirement benefits are provided to substantially all employees under a discretionary profit-sharing and employee stock ownership plan (ESOP). The Bank recognized expense of $300,000 and $250,000 during 2023 and 2022, respectively, related to the profit-sharing plan, which includes contributions to the ESOP of $150,000 and $140,000 in 2023 and 2022, respectively.

NOTE 8 - FEDERAL INCOME TAXES

The provision for income taxes is summarized as follows:

	Year ended December 31 2023	2022
Current	**$ 864,000**	$ 129,000
Deferred	**(255,000)**	81,000
	$ 609,000	$ 210,000

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Bank's deferred tax assets and liabilities are as follows:

	December 31 2023	2022
Deferred income tax assets:		
Allowance for credit and loan losses in excess of deductible amounts	**$ 553,000**	$ 388,000
Post retirement benefits	**13,000**	17,000
Accrued liabilities	**287,000**	174,000
Deferred loan fees	**3,000**	4,000
Unrealized losses/(gains) on securities	**875,000**	1,085,000
Other	**2,000**	2,000
	1,733,000	1,670,000
Deferred income tax liabilities:		
Prepaid expenses	**(57,000)**	(65,000)
Book-tax basis differences on property and equipment	**(287,000)**	(344,000)
Mortgage servicing rights	**(54,000)**	(68,000)
Other	**(23,000)**	(23,000)
	(421,000)	(500,000)
Net deferred income tax assets	**$ 1,312,000**	$ 1,170,000

At year-end 2023 and 2022 there were no unrecognized tax benefits recorded. The Bank does not expect the amount of unrecognized tax benefits to significantly change within the next twelve months. There were no interest or penalties recorded during 2023 or 2022. The Company is subject to U.S. federal income tax and is no longer subject to examination by taxing authorities for years before 2018.

A reconciliation of the difference between federal income taxes and the amount computed by applying the statutory rate are as follows:

	Year ended December 31 2023	2022
Taxes at statutory rate	**$ 1,181,000**	$ 687,000
Effect of tax-exempt interest	**(582,000)**	(460,000)
Effect of BOLI income	**(37,000)**	(34,000)
Other	**47,000**	17,000
	$ 609,000	$ 210,000

NOTE 9 - LOAN COMMITMENTS AND STANDBY LETTERS OF CREDIT

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

At year-end 2023 and 2022, the Bank had commitments to fund loans to customers and available unused lines of credit of $24,889,000 and $23,659,000, respectively. Commitments under outstanding standby letters of credit amounted to $990,000 and $728,000 at year-end 2023 and 2022, respectively.

NOTE 10 – REGULATORY MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became fully effective for the Bank on January 1, 2019. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. The table below presents capital adequacy information including the 2.50% capital conservation buffer. Management believes, as of year-end 2023 and 2022, that the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2023 and 2022, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts (000's omitted) and ratios at year-end are presented below:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2023						
Total capital to risk-weighted assets:	**$ 43,441**	**15.13%**	**$ 30,145**	**10.50%**	**$ 28,710**	**10.00%**
Tier 1 (core) capital to risk-weighted assets:	**40,770**	**14.20%**	**24,403**	**8.50%**	**22,968**	**8.00%**
Common Tier 1 to risk-weighted assets (CET1):	**40,770**	**14.20%**	**20,097**	**7.00%**	**18,661**	**6.50%**
Tier 1 (core) capital to average assets:	**40,770**	**7.15%**	**22,805**	**4.00%**	**28,506**	**5.00%**
2022						
Total capital to risk-weighted assets:	$ 39,121	13.81%	$ 29,738	10.50%	$ 28,322	10.00%
Tier 1 (core) capital to risk-weighted assets:	36,968	13.05%	24,074	8.50%	22,658	8.00%
Common Tier 1 to risk-weighted assets (CET1):	36,968	13.05%	19,825	7.00%	18,409	6.50%
Tier 1 (core) capital to average assets:	36,968	7.75%	19,073	4.00%	23,841	5.00%

NOTE 11 - FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Securities: The fair value for securities is determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Discounted cash flows are calculated using spread to swap and Treasury curves that are updated to incorporate loss severities, volatility, credit spread, and optionality. During times when trading is more liquid, broker quotes are used, if available, to validate the model. Rating agency and industry research reports as well as defaults and deferrals on individual securities are reviewed and incorporated into the calculations. Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables within this schedule may include changes in fair value that were attributable to both observable and unobservable inputs.

Collateral-Dependent Loans Held for Investment: The fair values of collateral-dependent loans held for investment are generally based on recent real estate valuations. These valuations may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Periodically, in cases where the carrying value exceeds the fair value of the collateral less cost to sell, a charge is recognized in the form of a charge-off.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate valuations, which are updated no less frequently than annually. These valuations may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Valuations for both collateral-dependent loans and real estate owned are performed by certified general appraisers (for commercial properties), certified residential appraisers, or state licensed appraisers whose qualifications and licenses have been reviewed and verified by the Company. Once received, an administrator level employee or higher reviews the assumptions and approaches utilized in the valuation as well as the resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On an annual basis, the Company compares the actual selling price of collateral that has been sold to the most recent valuation to determine what additional adjustment should be made to the valuation to arrive at fair value. The most recent analysis performed indicated that a discount of 20% should be applied.

NOTE 11 - FAIR VALUE (Continued)

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value measurements at December 31 using:

2023	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**
U.S. Govt and federal agency	**$ 11,838,603**	**$ 1,948,281**	**$ 9,890,322**	**$ -**
State and municipal	**44,982,984**	**-**	**14,610,561**	**30,372,423**
Mortgage-backed, residential	**8,519,043**	**-**	**8,519,043**	**-**
Corporate	**6,005,041**	**-**	**6,005,041**	**-**
Certificate of Deposit	**2,595,199**	**-**	**2,595,199**	**-**
Available-for-sale securities	**$ 73,940,870**	**$ 1,948,281**	**$ 41,620,166**	**$ 30,372,423**

2022				
U.S. Govt and federal agency	$ 12,665,357	$ 1,940,625	$ 10,724,732	$ -
State and municipal	58,031,590	-	23,778,423	34,253,167
Mortgage-backed, residential	10,736,490	-	10,736,490	-
Corporate	8,737,541	-	8,737,541	-
Certificate of Deposit	2,558,434	-	2,558,434	-
Available-for-sale securities	$ 92,729,412	$ 1,940,625	$ 56,535,620	$ 34,253,167

There were no realized gains or losses on the sale of Level 3 assets for year-end 2023 or 2022, which would be reported in the net gain on sale of available-for-sale securities.

The following table shows the change in fair value of Level 3 investments for the year-end 2023 and 2022:

Change in Fair Value of Level 3 Investments:	**2023**	2022
Balance, January 1	**$ 34,253,167**	$ 26,955,868
Total realized losses included in income	**-**	-
Total unrealized gains/(losses) included in other comprehensive income	**483,400**	(1,794,576)
Net purchases, sales, calls and maturities	**(4,364,144)**	9,091,875
Balance, December 31	**$ 30,372,423**	$ 34,253,167

NOTE 11 - FAIR VALUE (Continued)

Assets measured at fair value on a non-recurring basis are summarized below:

As of December 31, 2023, there were no collateral-dependent loans measured at fair value on a non-recurring basis.

December 31, 2022	Level 1	Level 2	Level 3
Impaired Loans			
Residential mortgages	$ -	$ -	$ 238,057
Commercial			
Real estate secured	-	-	186,467
Non-real estate secured	-	-	-
Total impaired loans	-	-	424,524
Other Real Estate Owned			
Commercial real estate	-	-	-
Total impaired loans / other real estate owned	$ -	$ -	$ 424,524

As previously discussed, the fair values of collateral dependent loans carried at fair value are determined by third party appraisals. Management makes adjustments to these appraised values based on the age of the appraisal. The fair value of the collateral is adjusted for estimated costs to sell if the Company intends to sell rather than operate the collateral. Quantitative information about level 3 fair value measurements is presented if there are large or complex classes of financial instruments measured at fair value on a non-recurring basis. No such information is deemed significant for 2023 or 2022.

NOTE 11 - FAIR VALUE (Continued)

The methods and assumptions, not previously presented, that are used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, short-term borrowings, and accrued interest receivable and payable. The methods for determining the fair values for securities were described previously. For fixed and variable rate loans, fair value is based upon the exit price notion where projected cash flows are discounted using interest rates and credit adjustments from a market participants perspective. For interest-bearing deposits and for deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life. Fair value of debt is based on current rates for similar financing. The fair value of off-balance sheet items is not considered material.

The carrying amounts, estimated fair values of financial instruments, and fair value level are summarized as follows:

		2023		2022	
	Fair Value Level	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Assets:					
Cash and cash equivalents	1	**$ 151,710,926**	**$ 151,711,000**	$ 44,453,796	$ 44,454,000
Interest-bearing deposits	2	**3,969,000**	**3,862,000**	4,465,000	3,995,000
Securities - available-for-sale	1	**1,948,281**	**1,948,000**	1,940,625	1,941,000
Securities - available-for-sale	2	**41,620,166**	**41,620,000**	56,535,620	56,536,000
Securities - available-for-sale	3	**30,372,423**	**30,372,000**	34,253,167	34,253,000
Federal Home Loan Bank stock	3	**1,512,100**	**1,512,000**	1,512,100	1,512,000
Loans, net	3	**312,974,175**	**280,995,000**	311,223,552	270,461,000
Accrued interest receivable	2	**1,780,480**	**1,780,000**	1,755,888	1,756,000
Liabilities:					
Deposits (Non Time Deposits)	1	**$ 432,872,952**	**$ 378,617,000**	$ 398,706,860	$ 363,110,000
Time Deposits	2	**74,293,461**	**74,165,000**	20,031,931	20,838,000
Federal Home Loan Bank advances	2	**14,000,000**	**13,449,000**	19,000,000	21,674,000
Accrued interest payable	2	**730,865**	**731,000**	31,439	31,000

Building Connections, Strengthening Communities

This past year, HCB made giving back and celebrating customers a priority. Through charitable giving, volunteerism, and customer engagement, we are committed to having a positive impact on our communities.

Remembering Bob Picking

Robert Picking joined HCB in 1975 and led the organization as President, CEO, and Chairman of the Board of Directors from 1979 until 2002, being awarded director emeritus status upon his retirement. He was fun loving, an avid U of M fan, and his professional contributions to both Barry County and the Michigan banking community are still felt today.

Robert Picking

April 25, 1936 ~ September 11, 2023




DIRECTORS

Joseph J. Babiak, Jr.
Retired, President and C.E.O.
Hastings Mutual Insurance Company

Brian N. Calley
President and C.E.O.
Small Business Association of Michigan

Matthew R. Garber
Family Physician
Corewell Spectrum Health

Joan M. Heffelbower
Retired, Chief Financial Officer
Highpoint Community Bank

Barbara L. Hunt
Accounting Manager
Bethany Christian Services

Mark A. Kolanowski
President and C.E.O.
Highpoint Community Bank

Chad R. Paalman
C.E.O.
Nuwave Technology Partners

W. Scott McKeown
Retired, Partner
McKeown & Kraai, PLC

Nathaniel E. Tagg
Partner, Attorney at Law
Tripp, Tagg and Storrs

OFFICERS

Mark A. Kolanowski
President and C.E.O.

Timothy S. Tierney
Executive Vice President
Retail Banking

Khaja (Jay) Ahmed
Senior Vice President
Market President - Kent County

Linda G. Engle
Senior Vice President
Market President - Marshall

Kimberly G. Finkbeiner
Senior Vice President
Chief Information Officer

Chelsey A. Foster
Senior Vice President
Business Development

Robert G. Ranes, Jr.
Senior Vice President
Chief Lending Officer

Lanny L. Scoby
Senior Vice President
Market President - Kalamazoo

Jeffrey R. Steeby
Senior Vice President
Wealth Management

Richard L. Zwiernikowski, Jr.
Senior Vice President
Chief Financial Officer

Amanda M. Bechler-Currier
Vice President
Controller and Compliance Officer

Barbara L. Denny
Vice President
Retail Lending

Toni C. Murphy
Vice President
Human Resources

Scott J. McAllister
Vice President
Credit Manager

Ashley E. Van Alstine
Vice President
Branch Administration and Marketing

Eric D. Drogosch
Assistant Vice President
Business Development Officer

Kristen D. Fisher
Assistant Vice President
Senior Branch Manager - Middleville

Rebecca L. Mead
Assistant Vice President
Cash Management

Karen S. Scoby
Assistant Vice President
Business Development Officer

Dawn N. Braden
Retail Operations Officer
BSA Officer

Amanda L. Eavey
Electronic Banking Officer

Jeanette M. Elston
Branch Manager - Caledonia

Kara K. Hayward
Security Officer
Branch Manager - Hastings

Emily R. Lambert
Loan Operations Manager

Robert S. Pawloski
Senior Branch Manager
Wayland

Valorie K. Vaughan
Senior Branch Manager
Marshall

Highpoint Community Bank, a subsidiary of HCB Financial Corp., operates 6 full-service banking offices, a loan production office, and two ITM locations.

Hastings
150 West Court Street

Caledonia
9265 Cherry Valley SE

Kalamazoo Loan Center
259 East Michigan Avenue
Suite 108-B

Middleville
435 Arlington Street

Wayland
156 West Superior Street

State St ITM
1330 West State Street

Nashville
310 North Main Street

Marshall
1124 West Michigan Avenue

Delton ITM
10199 South M-43 Highway

888.422.2280 | highpointcommunitybank.com

highpoint

COMMUNITY BANK