

## HCB Locations:

150 W Court St  
Hastings, MI 49058  
269.945.2401

435 Arlington St  
Middleville, MI 49333  
269.795.3338

111 E Capital Ave  
Bellevue, MI 49021  
269.763.9418

310 N Main St  
Nashville, MI 49073  
517.852.0790

9265 Cherry Valley  
Caledonia, MI 49316  
616.891.0010

156 W Superior  
Wayland, MI 49348  
269.792.6201

124 W Michigan Ave  
Marshall, MI 49068  
269.558.0994

Home Banking Center  
269.948.2000 or  
1.888.442.4221

[highpointcommunitybank.com](http://highpointcommunitybank.com)

Transfer Agent  
HCB Financial Corp  
Continental Stock Transfer & Trust Company  
1 State St Plaza, 30th Floor  
New York, NY 10004-1561  
Email [cstmail@continentalstock.com](mailto:cstmail@continentalstock.com)  
Toll Free 1.800.509.5586 or 1.212.845.3206

# Fourth Quarter Financial Report

2019



January 28, 2020

To Our Shareholders:

I am pleased to enclose a quarterly cash dividend of \$.17 per share and a special year-end dividend of \$.10 per share (a total of \$.27 per share) on your HCB Financial Corp. common stock. These are payable today to shareholders of record at the close of business on December 31, 2019.

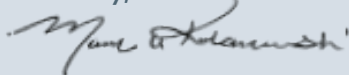
Unaudited net income for 2019 was \$2,278,000 or \$2.14 per share. This is a five percent improvement from our earnings in 2018 of \$2,166,000 or \$2.03 per share. Total assets at year-end were \$324,290,000, two percent greater than they were one year ago. Total deposits also increased two percent with a 2019 year-end balance at \$265,406,000. Total loans were \$219,807,000, representing an eight percent increase over the course of the past year. Shareholders' equity at year-end was \$33,324,000, nine percent more than it was at the end of 2018. Our year end 2019 book value per share was at \$31.26.

We continue to be pleased with all aspects of our business performance. Loan demand has been steady throughout the year and we have been able to achieve solid growth from opportunities representing risk profiles and returns that we find acceptable. Competition for retail deposits has intensified, yet we've been able to generate growth while keeping our overall cost of funds in check. Our Wealth Management Team achieved continued growth in assets under management in 2019 while easily surpassing our internal revenue targets. Their success directly impacts our non-interest income today and broadens our prospects for the future as a full service financial services provider.

The HCB Financial Corp. Board of Directors has authorized renewal of our Stock Repurchase Program. Should opportunities occur, this program will allow management to purchase up to 30,000 HCB shares on the open market in 2020.

Our Annual Meeting will be held at 1:00 p.m. on April 15, 2020, in the Main Office of Highpoint Community Bank. Prior to the meeting we will be sending you our 2019 Annual Report, including the audited financial statements. Our directors, senior officers and I look forward to seeing as many of you there as possible.

Sincerely,



Mark A Kolanowski  
President and Chief Executive Officer

## HCB FINANCIAL CORP:

(Unaudited) Dollars in thousands, except per share data.

Financial Highlights	Year-to-Date December 2019	Year-to-Date December 2018	% Change
Interest Income (inc. loan fees)	\$11,580	\$10,935	6%
Interest Expense	1,156	816	42%
Loan Loss Provision	65	60	8%
Net Interest Income	<u>\$10,359</u>	<u>\$10,059</u>	<u>3%</u>
Non-Interest Income	2,710	2,692	1%
Other Non-Interest Expense	10,706	10,340	4%
Federal Income Tax Provision	85	245	-65%
Net Income after Tax	<u>\$2,278</u>	<u>\$2,166</u>	<u>5%</u>

## Per Share Data

Average Outstanding Shares	1,066,000		
Net Income per Share	2.14	2.03	5%
Dividends per Share	0.78	0.72	8%
Book Value per Share	31.26	28.74	9%

## Balance Sheet Highlights

(Unaudited) Dollars in thousands, except per share data.

Assets	\$324,290	\$318,733	2%
Loans (gross)	\$219,807	\$203,973	8%
Deposits	\$265,406	\$260,123	2%
Interest Earning Assets	\$296,315	\$292,681	1%
Shareholders Equity	\$33,324	\$30,641	9%