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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  
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# Second Quarter Financial Report

2020



July 28, 2020

To Our Shareholders:

Enclosed is the regular quarterly cash dividend of \$.17 per share on your HCB Financial Corp. common stock. It is payable today to shareholders of record at the close of business on June 30, 2020.

It would be fair to say that almost every aspect of our quarterly performance has been impacted by the coronavirus pandemic. Net income for the six months ended June 30, 2020, was \$1,079,000 or \$1.01 per share. This is 2% less than earnings in the first half of 2019 which were \$1,098,000 or \$1.03 per share. The largest contributing factor to this slight decline in earnings was an increase of \$245,000 in our loan loss provision expense over the prior year. Credit quality remains strong. However, we felt this to be prudent given the current economic uncertainty and how the pandemic may affect our borrowers in the future. Interest expense also increased during the quarter as customers returned to more traditional interest-bearing investments such as CD's.

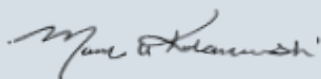
During the twelve months ended June 30, 2020, total assets increased by 13% to \$357,966,000. Total deposits increased by 17% to stand at \$296,750,000 at mid-year. Total loans grew to \$257,463,000 at the end of June, representing a 22% improvement. Shareholders' equity reached \$34,747,000, 7% more than it was one year ago, and brought the book value of our common shares to \$32.60 per share.

A major contributing factor to our loan growth for the quarter was the result of our participation in the government stimulus Paycheck Protection Program (PPP). Highpoint Community Bank was proud to assist over 300 of our business customers in obtaining a PPP loan. Cumulatively, we funded over \$30,000,000 of these loans during the quarter and did so in a very efficient and effective manner. A portion of these loans has remained on our books in the form of deposits, as borrowers initially deposited these proceeds that will eventually be used to cover payroll and other expenses.

Our entire team has done an excellent job responding to our customer's needs throughout this pandemic and adapting quickly to change we never imagined. We have had to learn to work differently, sometimes remotely, or behind plexiglass, or wearing a mask. While these obstacles are designed to distance ourselves from our customers for everyone's protection, they have not distanced us from the relationship we have with our customers and the communities we serve. This is what makes community banking truly different and makes us gratified to be a part of the industry. Often crisis can bring out the best in people and we have certainly seen that with our staff.

If you have any comments, questions, or suggestions, please feel free to contact me or any member of our leadership team. We are always pleased to hear from you.

Yours truly,



Mark A. Kolanowski

President and

Chief Executive Officer

## HCB FINANCIAL CORP:

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

Financial Highlights	Year-to-Date June 2020	Year-to-Date June 2019	% Change
Interest Income (inc. loan fees)	\$6,013	\$5,717	5%
Interest Expense	630	522	21%
Loan Loss Provision	<u>280</u>	<u>35</u>	<u>700%</u>
Net Interest Income	\$5,103	\$5,160	-1%
Non-Interest Income	1,298	1,307	-1%
Other Non-Interest Expense	5,265	5,345	-1%
Federal Income Tax Provision	<u>57</u>	<u>24</u>	<u>138%</u>
Net Income after Tax	<u>\$1,079</u>	<u>\$1,098</u>	<u>-2%</u>

### Per Share Data

Average Outstanding Shares	1,066,000		
Net Income per Share	1.01	1.03	-2%
Dividends per Share	0.34	0.34	0%
Book Value per Share	32.60	30.48	7%

### Balance Sheet Highlights

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

Assets	\$357,966	\$316,979	13%
Loans (gross)	\$257,463	\$210,542	22%
Deposits	\$296,750	\$252,890	17%
Interest Earning Assets	\$330,825	\$287,294	15%
Shareholders Equity	\$34,747	\$32,494	7%