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Caledonia, MI 49316
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highpointcommunitybank.com

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FOURTH Quarter Financial Report

2020



January 28, 2021

To Our Shareholders:

I am pleased to enclose a quarterly cash dividend of \$.17 per share and a special year-end dividend of an additional \$.17 per share (a total of \$.34 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, 2020. Dividends per share declared in 2020 totaled \$.85, a 9% increase compared to \$.78 declared in 2019.

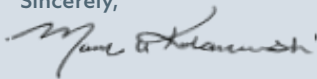
Unaudited net income for 2020 was \$2,708,000 or \$2.54 per share. This is a 19% increase over our earnings in 2019 of \$2,278,000 or \$2.14 per share. Total assets at year-end were \$395,398,000, 22% greater than they were one year ago. Total deposits increased 26% with a 2020 year-end balance at \$333,606,000. Total loans were \$243,942,000, representing an 11% increase over the course of the past year. Shareholders' equity at year-end was \$35,759,000, 7% more than it was at the end of 2019. Our year-end 2020 book value per share was at \$33.55.

We are pleased with all aspects of our business this past year. We were able to successfully navigate through the unprecedented COVID-19 pandemic, achieving record-breaking results along the way. Our participation in the Paycheck Protection Program (PPP) contributed to our earnings and our loan growth while bringing meaningful relief to hundreds of our customers. Aside from the PPP, overall loan demand remained strong throughout the year. Mortgage originations surpassed all expectations, providing a major portion of the 28% increase in non-interest income recorded for the year. Loan quality remains solid, but growth and continued economic uncertainty have prompted the need for recording a substantial loan loss provision in 2020. Deposit activity was substantial with growth occurring in both retail and commercial core deposit accounts.

The HCB Financial Corp. Board of Directors has authorized renewal of a Stock Repurchase Program. This program will allow management the option to purchase up to 50,000 HCB shares on the open market in 2021.

Our Annual Meeting will be held at 1:00 p.m. on April 21, 2021. The meeting will be held virtually with the possibility of adding "in person" attendance. Prior to the meeting, we will be sending you our 2020 Annual Report including the audited financial statements and the attendance instructions. Our directors, senior officers and I look forward to having as many of you attend 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 2020	Year-to-Date December 2019	% Change
Interest Income (inc. loan fees)	\$12,428	\$11,580	7%
Interest Expense	1,234	1,156	7%
Loan Loss Provision	<u>610</u>	<u>65</u>	<u>838%</u>
Net Interest Income	\$10,584	\$10,359	2%
Non-Interest Income	3,460	2,710	28%
Other Non-Interest Expense	11,175	10,706	4%
Federal Income Tax Provision	<u>161</u>	<u>85</u>	<u>89%</u>
Net Income after Tax	<u>\$2,708</u>	<u>\$2,278</u>	<u>19%</u>

Per Share Data

Average Outstanding Shares	1,066,000		
Net Income per Share	2.54	2.14	19%
Dividends per Share	0.85	0.78	9%
Book Value per Share	33.55	31.26	7%

Balance Sheet Highlights

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

Assets	\$395,398	\$324,290	22%
Loans (gross)	\$243,942	\$219,807	11%
Deposits	\$333,606	\$265,406	26%
Interest Earning Assets	\$369,157	\$296,315	25%
Shareholders Equity	\$35,759	\$33,324	7%