

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

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
Toll Free 1.800.509.5586 or 1.212.845.3206

First Quarter Financial Report

2021



April 27, 2021

To Our Shareholders:

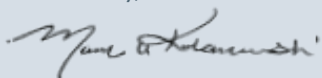
We are pleased to enclose a check representing the regular cash dividend of \$.19 per share on your HCB Financial Corp. common stock. This dividend reflects an increase of \$.02 per share over the regular dividend paid in recent quarters. It is payable today to shareholders of record at the close of business on April 1, 2021.

Our net income for the first three months of 2021 was \$658,000 or \$.62 per common share. One year ago, we reported first quarter earnings of \$531,000 or \$.50 per share, making for a year-to-year earnings increase of 24%. Over the past twelve months, total assets grew by 30% to \$435,764,000 while total deposits increased by 37%, now standing at a record high \$373,841,000 at the end of the quarter. Total loans increased 14% to \$258,415,000, also a record high. During the quarter ended March 31, 2021, shareholders' equity rose from the prior year by 6% to \$35,859,000, bringing the book value per share to \$33.64.

As the financials indicate, the quarter brought continued growth in the majority of our key performance areas. It is important to note that some of the growth on our balance sheet can be attributed to two rounds of the Paycheck Protection Program (PPP) over the last year. We currently have \$29,241,000 of PPP loans on our books that will likely be forgiven, as this government program allows, and closed in the coming months. We also attribute some of our deposit balance increase to PPP proceeds that eventually will be used to fund employer expenses as prescribed by the program. There are several factors contributing to our positive earnings development in the quarter. The most notable would be income derived from the sale of new mortgage originations into the secondary market. This is driving our 36% increase in non-interest income compared to last year. Overall, we are pleased to see core growth in our balance sheet aside from PPP, and better than anticipated earnings coming from a variety of sources.

In other significant news, we are pleased to report that our financial strength and stability has once again been recognized by Bauer Financial, Inc. of Coral Gables, Florida, the nation's leading bank rating and research firm. Bauer has awarded Highpoint Community Bank their 5-Star superior rating for the 46th consecutive quarter. The fact that we have earned this rating for more than ten consecutive years gives HCB an even higher designation from the rating firm as an "Exceptional Performance Bank". Additionally, for the 13th consecutive year, Highpoint Community Bank is honored to receive recognition as one of "West Michigan's Best and Brightest Companies to Work For". We attribute this distinction to our commitment to our employees and an excellent work experience which is the key ingredient to creating a culture of exceptional customer service.

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 March 2021 | Year-to-Date March 2020 | % Change |
|----------------------------------|----------------------------|----------------------------|-------------|
| Interest Income (inc. loan fees) | \$3,036 | \$2,901 | 5% |
| Interest Expense | 300 | 329 | -9% |
| Loan Loss Provision | <u>60</u> | <u>40</u> | <u>50%</u> |
| Net Interest Income | \$2,676 | \$2,532 | 6% |
| Non-Interest Income | 845 | 621 | 36% |
| Other Non-Interest Expense | 2,801 | 2,596 | 8% |
| Federal Income Tax Provision | <u>62</u> | <u>26</u> | <u>138%</u> |
| Net Income after Tax | <u>\$658</u> | <u>\$531</u> | <u>24%</u> |

Per Share Data

| | | | |
|----------------------------|-----------|-------|-----|
| Average Outstanding Shares | 1,066,000 | | |
| Net Income per Share | 0.62 | 0.50 | 24% |
| Dividends per Share | 0.19 | 0.17 | 12% |
| Book Value per Share | 33.64 | 31.76 | 6% |

Balance Sheet Highlights

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

| | | | |
|-------------------------|-----------|-----------|-----|
| Assets | \$435,764 | \$334,968 | 30% |
| Loans (gross) | \$258,415 | \$226,078 | 14% |
| Deposits | \$373,841 | \$273,200 | 37% |
| Interest Earning Assets | \$412,493 | \$305,808 | 35% |
| Shareholders Equity | \$35,859 | \$33,857 | 6% |