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Caledonia, MI 49316
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Third Quarter Financial Report

2021



October 27, 2021

To Our Shareholders:

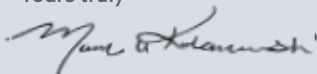
We are pleased to enclose the regular quarterly cash dividend of \$.19 per share on your HCB Financial Corp. common stock. This dividend is payable today to shareholders of record at the close of business on October 4, 2021.

Our net income for the first nine months of 2021 was \$1,921,000, 9% more than earnings of \$1,758,000 for the same three quarters of 2020. The principal factors in this increase were a 10% improvement in net interest income and a 6% improvement in our non-interest income. Net interest income benefited from a reduction in our loan loss provision expense and an increase in loan fee income derived primarily from Paycheck Protection Program (PPP) loan forgiveness. Consumer activity such as the secondary market mortgage sales and debit card transactions contributed to the improved non-interest income.

During the nine months ended September 30, 2021, total assets increased 19% to \$452,441,000. This is a result of a continued increase in demand deposits, bringing our total deposits to \$390,107,000. PPP loan forgiveness also contributed to an 8% decline in total loans, standing at \$239,254,000. At the end of September, shareholders equity stood at \$35,799,000 and the book value of our common shares was \$33.85 per share. Our equity, per share data and average outstanding shares have all been impacted by our successful stock repurchase program. During the past quarter, we were able to retire 29,400 shares of common stock.

Yesterday marked the 135th anniversary of our bank. From humble beginnings in 1886 just a block away from our headquarters today, a group of 35 local investors formed Hastings City Bank to meet the needs of a growing community. Today, Highpoint Community Bank carries on that legacy by offering local, personal financial services with innovative multi-channel banking technologies to a growing customer base. From the start, our approach has remained the same; to provide the very best we have to offer through an exceptional customer experience. The way we bank has changed over the years. Our commitment to our customers and the communities we serve has not. We take this opportunity to thank you for your continued support.

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 September 2021	Year-to-Date September 2020	% Change
Interest Income (inc. loan fees)	\$9,395	\$9,012	4%
Interest Expense	836	929	-10%
Loan Loss Provision	<u>120</u>	<u>445</u>	<u>-73%</u>
Net Interest Income	\$8,439	\$7,638	10%
Non-Interest Income	2,286	2,154	6%
Other Non-Interest Expense	8,639	7,911	9%
Federal Income Tax Provision	<u>165</u>	<u>123</u>	<u>34%</u>
Net Income after Tax	<u>\$1,921</u>	<u>\$1,758</u>	<u>9%</u>

Per Share Data

Average Outstanding Shares	1,057,700	1,066,000	
Net Income per Share	1.82	1.65	10%
Dividends per Share	0.58	0.51	14%
Book Value per Share	33.85	33.12	2%

Balance Sheet Highlights

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

Assets	\$452,441	\$381,550	19%
Loans (gross)	\$239,254	\$259,214	-8%
Deposits	\$390,107	\$319,784	22%
Interest Earning Assets	\$427,643	\$352,818	21%
Shareholders Equity	\$35,799	\$35,311	1%