

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

Fourth Quarter Financial Report

2021



January 27, 2022

To Our Shareholders:

I am pleased to enclose a quarterly cash dividend of \$.19 per share and a special year-end dividend of an additional \$.10 per share (a total of \$.29 per share) on your HCB Financial Corp. common stock. These are payable today to shareholders of record at the close of business on December 30, 2021. Dividends per share declared in 2021 totaled \$.86 compared to \$.85 declared in 2020.

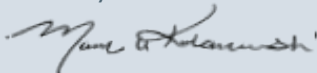
Unaudited net income for 2021 was \$2,360,000 or \$2.24 per average outstanding share. This is a 13% decrease from earnings in 2020 of \$2,708,000 or \$2.54 per average outstanding share. Total assets at year-end were \$462,546,000, 17% greater than they were one year ago. Total deposits increased 20% with a 2021 year-end balance at \$400,845,000. Total loans were \$240,642,000, down 1% over the course of the past year. Shareholders' equity was also down 1% with a year-end balance of \$35,358,000. This modest decrease in our equity position was primarily due to our successful repurchase and retirement of 29,400 shares of our stock during the year. Our year-end 2021 book value per share of \$34.11 was a 2% improvement from the prior year-end at \$33.55.

We are pleased with all aspects of our business this past year. While net income was below our record-setting level of 2020, it far exceeded our internal projections for the year. We participated in another round of the Paycheck Protection Program (PPP), assisting 717 customers in receiving funds. Aside from PPP, we had solid loan activity throughout the year. However, we saw nearly \$10,000,000 in prescribed PPP loan forgiveness take place, contributing to a modest decrease in year-end outstanding loans. As expected, mortgage originations slowed from prior year highs with a shortfall in available inventory, contributing to our decline in non-interest income. Loan quality remains strong with very little delinquency or charge-off activity. This has led to a significant drop in our loan loss provision expense for the year. Deposit activity was significant for the second consecutive year, with growth occurring in both retail and commercial core deposit accounts.

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 2022.

Our Annual Meeting is scheduled to be held at 1:00 p.m. on April 20, 2022, in the Main Office of Highpoint Community Bank. Prior to the meeting, we will be sending you our 2021 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 CEO

HCB FINANCIAL CORP.:

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

Financial Highlights	Year-to-Date December 2021	Year-to-Date December 2020	% Change
Interest Income (inc. loan fees)	\$12,335	\$12,428	-1%
Interest Expense	1,076	1,234	-13%
Loan Loss Provision	<u>150</u>	<u>610</u>	<u>-75%</u>
Net Interest Income	\$11,109	\$10,584	5%
Non-Interest Income	3,100	3,460	-10%
Other Non-Interest Expense	11,695	11,175	5%
Federal Income Tax Provision	<u>154</u>	<u>161</u>	<u>-4%</u>
Net Income after Tax	<u>\$2,360</u>	<u>\$2,708</u>	<u>-13%</u>

Per Share Data

Average Outstanding Shares	1,052,387	1,066,000	
Outstanding Shares End of Period	1,036,600	1,066,000	
Net Income per Average Outstanding Shares	2.24	2.54	-12%
Dividends per Average Outstanding Shares	.86	0.85	1%
Book Value per Outstanding Shares End of Period	34.11	33.55	2%

Balance Sheet Highlights

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

Assets	\$462,546	\$395,398	17%
Loans (gross)	\$240,642	\$243,942	-1%
Deposits	\$400,845	\$333,606	20%
Interest Earning Assets	\$438,499	\$369,157	19%
Shareholders Equity	\$35,358	\$35,759	-1%