

## HCB Locations:

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269.945.2401

435 Arlington St  
Middleville, MI 49333  
269.795.3338

111 E Capital Ave  
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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](http://highpointcommunitybank.com)

Transfer Agent  
HCB Financial Corp  
Continental Stock Transfer & Trust Company  
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New York, NY 10004-1561  
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Toll Free 1.800.509.5586 or 1.212.845.3206

# First Quarter Financial Report

2022



April 27, 2022

To Our Shareholders:

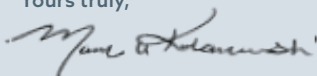
We are pleased to enclose a check representing the regular cash dividend of \$.19 per share on your HCB Financial Corp. common stock. This dividend is payable today to shareholders of record at the close of business on April 4, 2022. It continues the uninterrupted chain of quarterly cash dividends that began in January 1986, when our holding company commenced operations.

First quarter net income on a year-over-year basis has increased 22%. In the first three months of 2022 we have recorded net income after tax of \$800,000 (\$.77 per share) compared to \$658,000 (\$.62 per share) for the same period in 2021. A 15% increase in our net interest income was the main driver of our improved performance for the quarter. Over the past twelve months, total assets grew by 13% to a record high \$491,325,000 while total deposits increased by 16%, now standing at a new record high \$432,455,000 at the end of the quarter. Total loans have decreased 10% to \$233,694,000. This is entirely attributed to more than \$28,000,000 in prescribed payoffs of Paycheck Protection Program (PPP) loans over the course of the year.

On March 16th, The Federal Open Market Committee announced an increase in the federal funds target range and the U.S. prime rate rose for the first time since 2018. We can already see rising interest rates impacting our business in a variety of ways. Initially, we see some negative consequences of a rising interest rate environment. We recorded a 5% decrease in shareholders equity at quarter end of \$33,926,000 with a book value per share of \$32.73. Rising rates created a "mark to market" unrealized loss in our securities portfolio, which is a component of our shareholders equity account. We experienced an 18% decline in non-interest income from the prior year first quarter. This was driven by a decrease in our gain on sale of loans sold into the secondary mortgage market. Rising interest rates, coupled with remarkably low inventory, have put a damper on the housing market and the mortgage volume that we have experienced in recent years. However, barring any negative consequences, we would expect rising interest rates to improve the yields in our investment and loan portfolios and favorably impact our overall performance in the long term.

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 50th 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".

Yours truly,



Mark A. Kolanowski  
President and CEO

## HCB FINANCIAL CORP:

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

Financial Highlights	Year-to-Date March 2022	Year-to-Date March 2021	% Change
Interest Income (inc. loan fees)	\$3,342	\$3,036	10%
Interest Expense	241	300	-20%
Loan Loss Provision	15	60	-75%
Net Interest Income	\$3,086	\$2,676	15%
Non-Interest Income	697	845	-18%
Other Non-Interest Expense	2,902	2,801	4%
Federal Income Tax Provision	81	62	31%
Net Income after Tax	\$800	\$658	22%
<b>Per Share Data</b>			
Average Outstanding Shares	1,036,600	1,066,000	
Net Income per Share	.77	.62	25%
Dividends per Share	.19	.19	0%
Book Value per Share	32.73	33.64	-3%
<b>Balance Sheet Highlights</b>			
(Unaudited) Dollars in thousands, except per share data.			
Assets	\$491,325	\$435,764	13%
Loans (gross)	\$233,694	\$258,415	-10%
Deposits	\$432,455	\$373,841	16%
Interest Earning Assets	\$468,824	\$412,493	14%
Shareholders Equity	\$33,926	\$35,859	-5%