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Second Quarter Financial Report

2022



July 27, 2022

To Our Shareholders:

Enclosed is the regular quarterly cash dividend of \$.19 per share on your HCB Financial Corp. common stock. It is payable today to shareholders of record at the close of business on July 6, 2022.

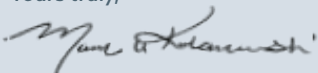
Net income after tax for the six months ended June 30, 2022 was \$1,140,000 or \$1.10 per share. This represents a 17% decline from the first half of 2021 with earnings of \$1,379,000 or \$1.29 per share. The largest contributing factors to the change in our year-over-year earnings comes from a 12% decrease in our non-interest income (primarily due to a decline in mortgage volume), combined with a 5% increase in our other non-interest expense (driven by increases in both employee and electronic services expenses), partially offset by a 17% decrease in interest expense (resulting from a change in our deposit mix and repricing of maturing time deposits).

During the twelve months ended June 30, 2022, total assets increased 9% to \$472,410,000. This is a result of a continued increase in demand deposits, bringing total deposits to \$415,113,000. Total loans were virtually flat from the prior year, standing at \$241,160,000 at the end of June. Shareholders' equity stood at \$32,076,000, 12% less than it was one year ago, bringing the book value of our common shares to \$30.94 per share. The decrease in shareholders' equity can be attributed to the "mark-to-market" unrealized loss identified in our available for sale securities portfolio.

I would like to bring to your attention several important changes in our operations that are taking place. After careful consideration, we have made the decision to close our Bellevue branch effective October 6th. With changes in consumer preferences and banking technology, along with the proximity of our Marshall and Nashville locations, we are confident that we can effectively serve the Bellevue community without a brick-and-mortar presence. We recently shared this information with our Bellevue customers and staff along with our commitment to making this transition as seamless as possible for everyone involved. Another important development this past quarter was the opening of our loan production office in Kalamazoo. On May 16th we officially opened the office located at 259 E. Michigan Avenue in downtown Kalamazoo. With an emphasis on small business lending, the office is currently staffed by Lanny L. Scoby, SVP/Market President and Eric D. Drogosch, AVP/Business Development Officer. Both of these gentlemen have extensive backgrounds in commercial lending as well as many years of experience in the region. Also, in May we were pleased to announce the hiring of Jeffrey R. Steeby as SVP/Wealth Management. Jeff is an experienced trust, investment, and wealth management professional with ties to both the Grand Rapids and Kalamazoo markets. He will be teaming up with Randy Teegardin in our Trust and Wealth Management Department to help expand and lead the department into the future. We will keep you updated on these changes and their effects on our business as we move forward. If you recall from my comments at April's share-holders meeting, all three of these initiatives align very well with the strategic objectives that were shared.

If you have any comments, questions or suggestions, we hope that you will contact any director or senior officer to discuss them. We are always pleased to hear from you.

Yours truly,



Mark A. Kolanowski
President and CEO

HCB FINANCIAL CORP.:

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

Financial Highlights	Year-to-Date June 2022	Year-to-Date June 2021	% Change
Interest Income (inc. loan fees)	\$6,235	\$6,276	-1%
Interest Expense	480	577	-17%
Loan Loss Provision	<u>30</u>	<u>90</u>	<u>-67%</u>
Net Interest Income	\$5,725	\$5,609	2%
Non-Interest Income	1,392	1,573	-12%
Other Non-Interest Expense	5,939	5,665	5%
Federal Income Tax Provision	<u>38</u>	<u>138</u>	<u>-72%</u>
Net Income after Tax	<u>\$1,140</u>	<u>\$1,379</u>	<u>-17%</u>

Per Share Data

Average Outstanding Shares	1,036,600	1,066,000	
Net Income per Share	1.10	1.29	-15%
Dividends per Share	.38	.38	0%
Book Value per Share	30.94	34.09	-9%

Balance Sheet Highlights

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

Assets	\$472,410	\$431,900	9%
Loans (gross)	\$241,160	\$242,339	0%
Deposits	\$415,113	\$368,711	13%
Interest Earning Assets	\$453,699	\$407,685	11%
Shareholders Equity	\$32,076	\$36,343	-12%