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Third Quarter Financial Report

2022



October 26, 2022

To Our Shareholders:

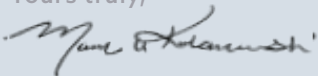
We are pleased to enclose our regular quarterly cash dividend of \$.19 per share on your HCB Financial Corp. common stock. This dividend is payable today to shareholders of record at the close of business on October 3, 2022.

Our net income for the first nine months of 2022 was \$2,074,000, 8% more than earnings of \$1,921,000 for the same three quarters of 2021. The principal factor in this increase was an 8% improvement in net interest income related to overall loan growth. Non-interest income declined 7%, or \$151,000, compared to last year. This was primarily due to a decline in mortgage activity brought about by a rapid rise in interest rates and a scarce supply of available housing.

During the nine months ended September 30, 2022 total assets increased 9% to \$492,090,000. This is the result of a continued increase in demand deposits, bringing our total deposits to \$434,751,000. Our loans totaled \$284,550,000 at the end of the quarter, a 19% improvement from the prior year. Robust commercial loan activity coming from our business development efforts in Kent County and our new Kalamazoo loan production office is the primary reason for our growth. At the end of September, shareholders' equity stood at \$32,115,000, 10% less than one year ago, bringing the book value of our common shares to \$30.98 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.

Attached, you will find a copy of our recent press release announcing the appointment of Nathan E. Tagg and Chad R. Paalman to our Board of Directors. We are so pleased that Nathan and Chad have agreed to lend their time and talent to our organization. I know that we will benefit from their contributions for years to come. In other notable activity during the quarter, Highpoint Community Bank was once again recognized by the rating agency Bauer Financial as a top (5-Star) rated bank. This is our 52nd consecutive quarter earning the top rating and our 12th consecutive quarter earning Bauer's designation as an "Exceptional Performance Bank". Finally, I would be remiss if I did not mention that today marks the 136th anniversary of our bank. We are proud of our history and look forward to providing our brand of banking for many years to come. Thank you for your continued support.

Yours truly,



Mark A. Kolanowski
President and CEO

HCB FINANCIAL CORP:

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

Financial Highlights	Year-to-Date September 2022	Year-to-Date September 2021	% Change
Interest Income (inc. loan fees)	\$9,948	\$9,395	6%
Interest Expense	737	836	-12%
Loan Loss Provision	<u>70</u>	<u>120</u>	<u>-42%</u>
Net Interest Income	\$9,141	\$8,439	8%
Non-Interest Income	2,135	2,286	-7%
Other Non-Interest Expense	9,073	8,639	5%
Federal Income Tax Provision	<u>129</u>	<u>165</u>	<u>-22%</u>
Net Income after Tax	<u>\$2,074</u>	<u>\$1,921</u>	<u>8%</u>

Per Share Data

Average Outstanding Shares	1,036,600	1,057,000	
Outstanding Shares End of Period	1,036,600	1,036,600	
Net Income per Average Outstanding Shares	2.00	1.82	10%
Dividends per Average Outstanding Shares	.57	.57	0%
Book Value per Outstanding Shares End of Period	30.98	34.54	-10%

Balance Sheet Highlights

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

Assets	\$492,090	\$452,441	9%
Loans (gross)	\$284,550	\$239,254	19%
Deposits	\$434,751	\$390,107	11%
Interest Earning Assets	\$473,642	\$427,643	11%
Shareholders Equity	\$32,115	\$35,799	-10%