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Caledonia, MI 49316
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124 W Michigan Ave
Marshall, MI 49068
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259 E Michigan Ave
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highpointcommunitybank.com

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Fourth Quarter Financial Report

2022



January 27, 2023

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 \$.15 per share (a total of \$.34 per share) on your HCB Financial Corp. common stock. These are payable today to shareholders of record at the close of business on January 2, 2023. Dividends per share declared in 2022 totaled \$.91, a 6% increase compared to \$.86 declared in 2021.

Unaudited net income for 2022 was \$3,063,000 or \$2.95 per average outstanding share. This is a 30% increase from earnings in 2021 of \$2,360,000 or \$2.24 per average outstanding share. Total assets at year-end were \$472,144,000, 2% greater than they were one year ago. Total deposits increased 4% with a 2022 year-end balance at \$418,739,000. Total loans were \$313,377,000, an increase of 30% over the course of the past year. Shareholders' equity declined 7% with a year-end balance of \$32,918,000. This decrease in our equity position was primarily due to the "mark-to-market" unrealized loss identified in our available for sale securities portfolio. For the same reason, our year-end 2022 book value per share of \$31.76 was down from the prior year-end of \$34.11.

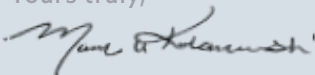
We are pleased with all aspects of our business this past year. 2022 was a record-setting year for net income, far exceeding our internal projections. This was due in part to the loan growth generated from expanding our presence in Kent County and entering the Kalamazoo market during the course of the year. A sharp increase in rates along with a shortfall in available housing inventory caused mortgage originations to slow from prior year highs. This was a major contributing factor to a decline in our non-interest income. Loan quality remains strong with very little delinquency or charge-off activity. This has led to a drop in our loan loss provision expense for the year. Deposit activity remains strong for the third consecutive year, with growth occurring in both retail and commercial core deposit accounts.

The HCB Financial Corp. Board of Directors has authorized the 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 2023.

Our Annual Meeting is scheduled to be held at 1:00 p.m. on April 19, 2023, in the Main Office of Highpoint Community Bank. Prior to the meeting, we will be sending you our 2022 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,

Yours truly,



Mark A. Kolanowski
President and CEO

HCB FINANCIAL CORP:

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

Financial Highlights	Year-to-Date December 2022	Year-to-Date December 2021	% Change
Interest Income (inc. loan fees)	\$14,070	\$12,335	14%
Interest Expense	1,100	1,076	2%
Loan Loss Provision	<u>70</u>	<u>150</u>	<u>-53%</u>
Net Interest Income	\$12,900	\$11,109	16%
Non-Interest Income	2,770	3,100	-11%
Other Non-Interest Expense	12,397	11,695	6%
Federal Income Tax Provision	<u>210</u>	<u>154</u>	<u>36%</u>
Net Income after Tax	<u>\$3,063</u>	<u>\$2,360</u>	<u>30%</u>

Per Share Data

Average Outstanding Shares	1,036,600	1,052,387	
Outstanding Shares End of Period	1,036,600	1,036,600	
Net Income per Average Outstanding Shares	2.95	2.24	32%
Dividends per Average Outstanding Shares	0.91	0.86	6%
Book Value per Outstanding Shares End of Period	31.76	34.11	-7%

Balance Sheet Highlights

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

Assets	\$472,144	\$462,546	2%
Loans (gross)	\$313,377	\$240,642	30%
Deposits	\$418,739	\$400,845	4%
Interest Earning Assets	\$453,176	\$438,499	3%
Shareholders Equity	\$32,918	\$35,358	-7%