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# First Quarter Financial Report 2023



April 27, 2023

To Our Shareholders:

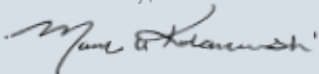
We are pleased to enclose a check representing the regular cash dividend of \$.21 per share on your HCB Financial Corp. common stock. This dividend reflects an increase of \$.02 per share over the regular dividend paid in recent quarters. It is payable today to shareholders of record at the close of business on April 3, 2023.

Our net income for the first three months of 2023 was \$870,000 or \$.84 per common share. One year ago, we reported first quarter earnings of \$800,000 or \$.77 per share, making for a year-to-year earnings increase of 9%. Over the past twelve months, total assets decreased slightly by 2% to \$479,680,000 while total deposits remained relatively flat at \$431,341,000 at the end of the quarter. Total loans increased 43% to \$335,014,000. While credit quality remains exceptionally strong, we added \$244,000 to our loan loss reserve account as a result of this growth. Shareholders' equity declined 1% from the prior year, standing at \$33,457,000. This modest decrease in our equity position was primarily due to the "mark-to-market" unrealized loss identified in our available for sale securities portfolio. We carry all of our securities in this manner, so you will see the full impact of any unrealized loss or gain reflected in the equity numbers we report. For the same reason, our quarter end book value per share of \$32.28 was down from the prior year of \$32.73.

As the financials indicate, we have seen significant year-over-year growth in the lending area. This is due in large part to expanding our presence in Kent County and the opening of our loan production office in Kalamazoo. Our work in both of these markets started in April of last year and we began seeing meaningful growth in the third and fourth quarters of 2022. We have deployed very talented and experienced community bankers in these markets and have been pleased with both the quality and quantity of their work thus far. Our success in these markets is also the major contributing factor to the positive earnings development for the quarter.

In other significant news, we are pleased to report that for the 15th consecutive year, Highpoint Community Bank is honored to receive recognition as one of "West Michigan's Best and Brightest Companies to Work For". We attribute this distinction to our commitment to our employees and an excellent work experience, which are the key ingredients in creating a culture of exceptional customer service.

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 2023	Year-to-Date March 2022	% Change
Interest Income (inc. loan fees)	\$4,166	\$3,342	25%
Interest Expense	380	241	58%
Loan Loss Provision	244	15	1527%
Net Interest Income	\$3,542	\$3,086	15%
Non-Interest Income	684	697	-2%
Other Non-Interest Expense	3,327	2,902	15%
Federal Income Tax Provision	29	81	-64%
Net Income after Tax	\$870	\$800	9%

## Per Share Data

Average Outstanding Shares	1,036,600	1,036,600	
Net Income per Average Outstanding Shares	.84	.77	9%
Dividends per Average Outstanding Shares	.21	.19	11%
Book Value per Outstanding Shares End of Period	32.28	32.73	-1%

## Balance Sheet Highlights

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

Assets	\$479,680	\$491,325	-2%
Loans (gross)	\$335,014	\$233,694	43%
Deposits	\$431,341	\$432,455	0%
Interest Earning Assets	\$463,248	\$468,824	-1%
Shareholders Equity	\$33,457	\$33,926	-1%