

## HCB Locations:

150 W Court St  
Hastings, MI 49058  
269.945.2401  
1.888.442.4221

435 Arlington St  
Middleville, MI 49333  
269.795.3338

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

259 E Michigan Ave  
Kalamazoo, MI 49007  
269.366.3300

[highpointcommunitybank.com](https://highpointcommunitybank.com)

Transfer Agent  
HCB Financial Corp  
Continental Stock Transfer & Trust Company  
1 State St Plaza, 30th Floor  
New York, NY 10004-1561  
Email [cstmail@continentalstock.com](mailto:cstmail@continentalstock.com)  
Toll Free 1.800.509.5586 or 1.212.845.3206

# Second Quarter Financial Report

2023



July 27, 2023

To Our Shareholders:

Enclosed is the regular quarterly cash dividend of \$.21 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, 2023.

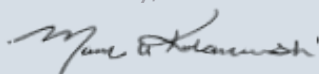
Net income for the six months ended June 30, 2023 was \$2,333,000 or \$2.25 per share. This represents a 105% improvement from the first half of 2022 with earnings of \$1,140,000 or \$1.10 per share. The largest contributing factor to our increased year-over-year earnings comes from a 39% improvement in our net interest income. During the twelve months ended June 30, 2023, total assets increased 15% to \$543,406,000. Total deposits increased by 19% to now stand at \$493,740,000. Total loans increased 34%, standing at \$322,128,000 at the end of June. The increase in our loan loss provision expense relates directly to our loan growth. Credit quality has remained strong with delinquencies at historically low levels. Shareholders' equity reached \$34,289,000, 7% more than it was one year ago, and brought the book value of our common shares to \$33.08 per share.

Overall, our performance for the first half of the year has exceeded our expectations. Net income for the first half of the year stands at a record high. Rising interest rates, a larger commercial loan portfolio and a significant increase in non-interest-bearing deposits all played a role in our improved earnings. Most notably, we are beginning to see the benefits of expanding our presence in Kent County and entering the Kalamazoo market in both our balance sheet and income statement.

While bank liquidity and shrinking deposits have captured the headlines since March of this year, I am pleased to report that we have not experienced difficulties in either of these areas. When measuring and testing our liquidity position, we have always taken a conservative approach. We recognize that deposit balances can vary greatly, and we account for this when determining our liquidity needs. More importantly, our core deposits have remained intact and the feedback we have received from customers has been extraordinarily positive during a difficult period for our industry.

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 2023	Year-to-Date June 2022	% Change
Interest Income (inc. loan fees)	\$9,690	\$6,235	55%
Interest Expense	1,318	480	175%
Loan Loss Provision	<u>425</u>	<u>30</u>	<u>1317%</u>
Net Interest Income	\$7,947	\$5,725	39%
Non-Interest Income	1,383	1,392	-1%
Other Non-Interest Expense	6,768	5,939	14%
Federal Income Tax Provision	<u>229</u>	<u>38</u>	<u>503%</u>
Net Income after Tax	<u>\$2,333</u>	<u>\$1,140</u>	<u>105%</u>

## Per Share Data

Average Outstanding Shares	1,036,600	1,036,600	
Net Income per Average Outstanding Shares	2.25	1.10	105%
Dividends per Average Outstanding Shares	.42	.38	11%
Book Value per Outstanding Shares End of Period	33.08	30.94	7%

## Balance Sheet Highlights

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

Assets	\$543,406	\$472,410	15%
Loans (gross)	\$322,128	\$241,160	34%
Deposits	\$493,740	\$415,113	19%
Interest Earning Assets	\$526,742	\$453,699	16%
Shareholders Equity	\$34,289	\$32,076	7%