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# Third Quarter Financial Report

2023



October 26, 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 October 4, 2023.

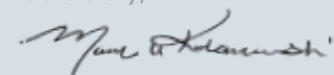
Net income for the nine months ended September 30, 2023, was \$3,542,000 or \$3.42 per share. This represents a 71% improvement from one year earlier with earnings of \$2,074,000 or \$2.00 per share. The largest contributing factor to our increased year-over-year earnings comes from a 32% improvement in our net interest income. During the twelve months ended September 30, 2023, total assets increased 19% to \$587,070,000. Total deposits increased by 23% to now stand at \$536,095,000. Total loans increased 14%, standing at \$323,960,000 at the end of September. 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 \$34,966,000, 9% more than it was one year ago, and brought the book value of our common shares to \$33.73 per share.

Our performance for the first nine months of the year has greatly exceeded our expectations. Net income stands at a record high, earning more in this nine-month period than we have ever achieved in a full twelve-month annual reporting period. Rising interest rates, a larger commercial loan portfolio and a significant increase in deposits all played a role in our improved earnings. We continue to see the benefits of expanding our presence in Kent County and entering the Kalamazoo market in both our balance sheet and income statement.

As I mentioned last quarter, bank liquidity and shrinking deposits have made national headlines throughout the year. This has not been an issue for us. We have been able to retain our core deposits, which alone is a considerable achievement in this environment. We have also been entrusted with additional core customer deposits that, in some cases, may be earmarked for other purposes in the near term. When measuring and planning our future liquidity needs, we take this into account, recognizing that our deposit balances can significantly vary over time.

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 September 2023	Year-to-Date September 2022	% Change
Interest Income (inc. loan fees)	\$15,390	\$9,948	55%
Interest Expense	2,847	737	286%
Loan Loss Provision	<u>491</u>	<u>70</u>	<u>601%</u>
Net Interest Income	\$12,052	\$9,141	32%
Non-Interest Income	2,091	2,135	-2%
Other Non-Interest Expense	10,221	9,073	13%
Federal Income Tax Provision	<u>380</u>	<u>129</u>	<u>195%</u>
Net Income after Tax	<u>\$3,542</u>	<u>\$2,074</u>	<u>71%</u>
<b>Per Share Data</b>			
Average Outstanding Shares	1,036,600	1,036,600	
Net Income per Average Outstanding Shares	3.42	2.00	71%
Dividends per Average Outstanding Shares	.63	.57	11%
Book Value per Outstanding Shares End of Period	33.73	30.98	9%
<b>Balance Sheet Highlights</b>			
Assets	\$587,070	\$492,090	19%
Loans (gross)	\$323,960	\$284,550	14%
Deposits	\$536,095	\$434,751	23%
Interest Earning Assets	\$570,075	\$473,642	20%
Shareholders Equity	\$34,966	\$32,115	9%