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9265 Cherry Valley
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156 W Superior
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Marshall, MI 49068
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highpointcommunitybank.com

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Fourth Quarter Financial Report

2023



January 29, 2024

To Our Shareholders:

I am pleased to enclose a quarterly cash dividend of \$.21 per share and a special year-end dividend of an additional \$.25 per share (a total of \$.46 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, 2024. Dividends per share declared in 2023 totaled \$1.09, a 20% increase compared to \$.91 declared in 2022.

Unaudited net income for 2023 was \$5,015,000 or \$4.84 per average outstanding share. This is a 64% increase from earnings in 2022 of \$3,063,000 or \$2.95 per average outstanding share. Total assets at year-end were \$561,378,000, 19% greater than they were one year ago. Total deposits increased 21% with a 2023 year-end balance at \$507,166,000. Total loans were \$315,897,000, an increase of 1% over the course of the past year. Shareholders' equity rose 13% with a year-end balance of \$37,227,000, bringing the book value of our common shares to \$35.91 per share. As always, our equity position reflects any "mark-to-market" unrealized losses or gains identified in our available for sale securities portfolio.

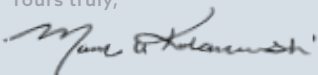
We are pleased with all aspects of our business this past year. 2023 was another record-setting year for net income, surpassing the five-million-dollar mark for the first time in our history and far exceeding our internal projections. There are two main contributing factors driving our improved performance. First, the loan growth generated over the last two years from expanding our presence in Kent County and entering the Kalamazoo market has added higher yielding commercial loans to our loan portfolio mix. Second, a sharp increase in short-term interest rates has allowed us to turn some short-term deposit growth into a meaningful earning asset. These two factors, combined, are the main contributors to our 30% increase in net interest income for the year. Looking at the balance sheet, our overall deposit activity remains strong for the fourth consecutive year, with growth occurring in both retail and commercial core deposit accounts. Loan quality remains strong with delinquency and charge-off activity at historically low levels.

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 40,000 HCB shares on the open market in 2024.

Our Annual Meeting is scheduled to be held at 1:00 p.m. on April 17, 2024, in the Main Office of Highpoint Community Bank. Prior to the meeting, we will be sending you our 2023 Annual Report including the audited financial statements along with voting and 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 2023	Year-to-Date December 2022	% Change
Interest Income (inc. loan fees)	\$21,668	\$14,070	54%
Interest Expense	4,641	1,100	322%
Loan Loss Provision	<u>321</u>	<u>70</u>	<u>359%</u>
Net Interest Income	\$16,706	\$12,900	30%
Non-Interest Income	2,921	2,770	5%
Other Non-Interest Expense	14,003	12,397	13%
Federal Income Tax Provision	<u>609</u>	<u>210</u>	<u>190%</u>
Net Income after Tax	<u>\$5,015</u>	<u>\$3,063</u>	<u>64%</u>

Per Share Data

Average Outstanding Shares	1,036,600	1,036,600	
Net Income per Average Outstanding Shares	4.84	2.95	64%
Dividends per Average Outstanding Shares	1.09	0.91	20%
Book Value per Outstanding Shares End of Period	35.91	31.76	13%

Balance Sheet Highlights

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

Assets	\$561,378	\$472,144	19%
Loans (gross)	\$315,897	\$313,377	1%
Deposits	\$507,166	\$418,739	21%
Interest Earning Assets	\$544,520	\$453,176	20%
Shareholders Equity	\$37,227	\$32,918	13%