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# Second Quarter Financial Report

2024



July 22, 2024

To Our Shareholders:

Enclosed is the regular quarterly cash dividend of \$.26 per share on your HCB Financial Corp. common stock. It is payable today to shareholders of record at the close of business on July 1, 2024.

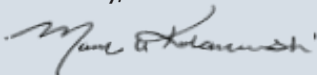
Net income for the six months ended June 30, 2024, was \$3,001,000 or \$2.92 per share. This represents a 29% improvement from the first half of 2023 with earnings of \$2,333,000 or \$2.25 per share. The largest contributing factors to our increased year-over-year earnings come from a 7% improvement in our net interest income, a 25% improvement in non-interest income and other non-interest expense holding with a 1% increase. During the twelve months ended June 30, 2024, total assets declined 1% to \$539,766,000. Total deposits were relatively unchanged at \$491,547,000. Total loans decreased 1%, standing at \$318,531,000 at the end of June. Credit quality has remained strong with delinquencies at historically low levels. Shareholders' equity increased 15% year-over-year to \$39,436,000, bringing the book value of our common shares to \$38.52 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. While outstanding loans are down slightly from the prior year, our loan portfolio mix now represents a more balanced mix of high-quality commercial loans as a percentage of the overall portfolio. Commercial loan growth is being driven by our expanded presence in the Kent County and Kalamazoo markets. Higher short-term interest rates have provided additional improvement in our net interest income, turning our excess liquidity from both core and temporary deposits into a meaningful short-term earning asset.

In recent months, we have noted numerous trades of our stock in the open market at prices well below our book value. While this discrepancy is somewhat puzzling, especially in light of our recent performance, it may present an opportunity for anyone interested in buying our stock. We will continue to look for such opportunities to leverage our stock repurchase program which was announced earlier this year. Retiring shares below book value is tremendously beneficial to all existing shareholders and we believe a good use of our capital.

As always, we thank you for investing in us and welcome your comments or questions. 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 2024	Year-to-Date June 2023	% Change
Interest Income (inc. loan fees)	\$12,577	\$9,690	30%
Interest Expense	3,884	1,318	195%
Loan Loss Provision	<u>156</u>	<u>425</u>	<u>-63%</u>
Net Interest Income	\$8,537	\$7,947	7%
Non-Interest Income	1,722	1,383	25%
Other Non-Interest Expense	6,841	6,768	1%
Federal Income Tax Provision	<u>417</u>	<u>229</u>	<u>82%</u>
Net Income after Tax	<u>\$3,001</u>	<u>\$2,333</u>	<u>29%</u>

## Per Share Data

Average Outstanding Shares	1,029,423	1,036,600	
Outstanding Shares End of Period	1,023,664	1,036,600	
Net Income per Average Outstanding Shares	2.92	2.25	30%
Dividends per Average Outstanding Shares	.52	.42	24%
Book Value per Outstanding Shares End of Period	38.52	33.08	16%

## Balance Sheet Highlights

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

Assets	\$539,766	\$543,406	-1%
Loans (gross)	\$318,531	\$322,128	-1%
Deposits	\$491,547	\$493,740	0%
Interest Earning Assets	\$520,746	\$526,742	-1%
Shareholders Equity	\$39,436	\$34,289	15%