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# Second Quarter Financial Report 2025



July 29, 2025

To Our Shareholders:

Enclosed is the regular quarterly cash dividend of \$.35 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, 2025.

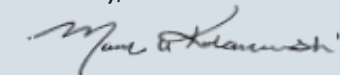
Net income for the six months ended June 30, 2025, was \$3,144,000 or \$3.08 per share. This represents a 5% improvement from the first half of 2024 with earnings of \$3,001,000 or \$2.92 per share. The largest contributing factor to our increased year-over-year earnings came from an 11% improvement in our net interest income, offsetting a 12% decrease in non-interest income and a 7% increase in other non-interest expense. During the twelve months ended June 30, 2025, total assets increased 22% to \$659,128,000. Total deposits increased 23% to \$605,032,000. Total loans increased by 8%, standing at \$343,640,000 at the end of June. Shareholders' equity increased 14% year-over-year to \$44,999,000, bringing the book value of our common shares to \$44.12 per share.

Overall, our performance for the first half of the year exceeded our expectations. Net income for the first half of the year stands at a new record high. Our loan growth has been a mix of high-quality commercial loans, residential real estate and personal loans. Our deposit growth has come from an increase in both core and non-core deposits. Credit quality has remained strong with delinquencies at historically low levels.

As announced at our annual shareholder meeting, we have entered into an agreement with Legacy Trust, a trust services only bank headquartered in Grand Rapids MI, to offer trust and wealth management services to our customers. Under the terms of our agreement, existing HCB trust and wealth management customers have effectively become Legacy Trust clients. On July 1<sup>st</sup>, wealth management senior vice president Jeff Steeby became a Legacy Trust employee. Jeff will be working in our Hastings office, serving trust and wealth management customers locally as we always have, but now with expanded expertise, services and resources that Legacy Trust has to offer. We are confident that our customers will benefit greatly from this new arrangement, and we look forward to working with the Legacy Trust team for years to come.

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 2025	Year-to-Date June 2024	% Change
Interest Income (inc. loan fees)	\$14,005	\$12,577	11%
Interest Expense	3,951	3,884	2%
Loan Loss Provision	<u>580</u>	<u>156</u>	<u>272%</u>
Net Interest Income	\$9,474	\$8,537	11%
Non-Interest Income	1,518	1,722	-12%
Other Non-Interest Expense	7,318	6,841	7%
Federal Income Tax Provision	<u>530</u>	<u>417</u>	<u>27%</u>
Net Income after Tax	<u>\$3,144</u>	<u>\$3,001</u>	<u>5%</u>

### Per Share Data

Average Outstanding Shares	1,020,000	1,029,423	
Outstanding Shares End of Period	1,020,000	1,023,664	
Net Income per Average Outstanding Shares	3.08	2.92	6%
Dividends per Average Outstanding Shares	.70	.52	35%
Book Value per Outstanding Shares End of Period	44.12	38.52	15%

### Balance Sheet Highlights

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

Assets	\$659,128	\$539,766	22%
Loans (gross)	\$343,640	\$318,531	8%
Deposits	\$605,032	\$491,547	23%
Interest Earning Assets	\$636,797	\$520,746	22%
Shareholders Equity	\$44,999	\$39,436	14%