

### HCB Locations:

150 W Court St  
Hastings, MI 49058  
269.945.2401

435 Arlington St  
Middleville, MI 49333  
269.795.3338

111 E Capital Ave  
Bellevue, MI 49021  
269.763.9418

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

Home Banking Center  
269.948.2000 or  
1.888.442.4221

[highpointcommunitybank.com](http://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

2021



July 28, 2021

**To Our Shareholders:**

Enclosed is the regular quarterly cash dividend of \$.19 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, 2021.

Net income for the six months ended June 30, 2021, was \$1,379,000 or \$1.29 per share. This represents a 28% improvement from the first half of 2020 with earnings of \$1,079,000 or \$1.01 per share. The largest contributing factor to our increased year-over-year earnings comes from a 21% improvement in our non-interest income. Consumer activity such as new mortgages and debit card transactions significantly improved compared to what occurred during the first half of 2020, the height of the pandemic.

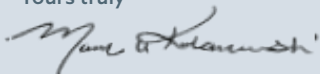
During the twelve months ended June 30, 2021, total assets increased 21% to \$431,900,000. This is a result of a continued increase in demand deposits, bringing total deposits to now stand at \$368,711,000. Total loans decreased 6%, standing at \$242,339,000 at the end of June. Shareholders' equity reached \$36,343,000, 5% more than it was one year ago, and brought the book value of our common shares to \$34.09 per share.

Overall, our year-to-date performance has been better than we had projected in our Annual Plan. While loan growth is down on a year-over-year basis, much of this was anticipated. We have seen a decrease of over \$10,000,000 in Paycheck Protection Program (PPP) loans on our books. We are normally disappointed to see loans decrease, but this case is different. Our borrowers have likely received forgiveness on this debt according to the terms of the PPP, creating stronger local businesses and bolstering the opportunity for continued economic improvement. An additional decline in loans is attributable to the refinancing of mortgages. Loans that we may have held on our books have now been refinanced and sold into the secondary market. Due to the current low long-term interest rate environment, we opted not to continue to hold these loans in our portfolio.

Highpoint Community Bank is celebrating 135 years of community banking this year. As we plan celebrations with our HCB team and the community, we recognize our longevity is the result of shareholder support and a commitment to providing our customers with unparalleled relationship banking. Our mission has not changed since 1886 - meeting financial needs while elevating the communities we serve.

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 Chief Executive Officer

## HCB FINANCIAL CORP:

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

Financial Highlights	Year-to-Date June 2021	Year-to-Date June 2020	% Change
Interest Income (inc. loan fees)	\$6,276	\$6,013	4%
Interest Expense	577	630	-8%
Loan Loss Provision	<u>90</u>	<u>280</u>	<u>-68%</u>
Net Interest Income	\$5,609	\$5,103	10%
Non-Interest Income	1,573	1,298	21%
Other Non-Interest Expense	5,665	5,265	8%
Federal Income Tax Provision	<u>138</u>	<u>57</u>	<u>142%</u>
Net Income after Tax	<u>\$1,379</u>	<u>\$1,079</u>	<u>28%</u>

### Per Share Data

Average Outstanding Shares	1,066,000		
Net Income per Share	1.29	1.01	28%
Dividends per Share	0.38	0.34	12%
Book Value per Share	34.09	32.60	5%

### Balance Sheet Highlights

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

Assets	\$431,900	\$357,966	21%
Loans (gross)	\$242,339	\$257,463	-6%
Deposits	\$368,711	\$296,750	24%
Interest Earning Assets	\$407,685	\$330,825	23%
Shareholders Equity	\$36,343	\$34,747	5%