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269.795.3338

310 N Main St
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9265 Cherry Valley
Caledonia, MI 49316
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156 W Superior
Wayland, MI 49348
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124 W Michigan Ave
Marshall, MI 49068
269.558.0994

259 E Michigan Ave
Kalamazoo, MI 49007
269.366.3300

highpointcommunitybank.com

Transfer Agent
HC B Financial Corp
Continental Stock Transfer & Trust Company
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Fourth Quarter Financial Report

2024



January 29, 2025

To Our Shareholders:

I am pleased to enclose a quarterly cash dividend of \$.35 per share and a special year-end dividend of an additional \$.20 per share (a total of \$.55 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, 2025. Dividends per average outstanding shares declared in 2024 totaled \$1.36, a 25% increase compared to \$1.09 declared in 2023.

Unaudited net income for 2024 was \$6,006,000 or \$5.85 per average outstanding share. This is a 20% increase from earnings in 2023 of \$5,015,000 or \$4.84 per average outstanding share. Total assets at year-end were \$627,900,000, 12% greater than they were one year ago. Total deposits increased 13% with a 2024 year-end balance at \$575,453,000. Total loans were \$327,177,000, an increase of 4% over the course of the past year. Shareholders' equity rose 14% with a year-end balance of \$42,358,000, bringing the book value of our common shares to \$41.53 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. 2024 was another record-setting year for net income, surpassing the six-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, steady loan growth from our expanded presence in Kent and Kalamazoo County continues to add higher yielding commercial loans to our loan portfolio mix. Second, while the Federal Reserve began dropping interest rates last year, we were still able to make good use of short-term, temporary deposits as meaningful short-term assets. These two factors, combined, are the main contributors to our 8% increase in net interest income for the year. Looking at the balance sheet, overall deposit activity remains strong for the fifth 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 2025.

Our Annual Meeting is scheduled to be held at 1:00 p.m. on April 16, 2025, in the Main Office of Highpoint Community Bank. Prior to the meeting, we will be sending you our 2024 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,



Mark A. Kolanowski
President and CEO

HCB FINANCIAL CORP.

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

| Financial Highlights | Year-to-Date December 2024 | Year-to-Date December 2023 | % Change |
|----------------------------------|-------------------------------|-------------------------------|----------|
| Interest Income (inc. loan fees) | \$26,436 | \$21,668 | 22% |
| Interest Expense | 8,054 | 4,641 | 74% |
| Loan Loss Provision | 264 | 321 | -18% |
| Net Interest Income | \$18,118 | \$16,706 | 8% |
| Non-Interest Income | 3,275 | 2,921 | 12% |
| Other Non-Interest Expense | 14,475 | 14,003 | 3% |
| Federal Income Tax Provision | 912 | 609 | 50% |
| Net Income after Tax | \$6,006 | \$5,015 | 20% |

Per Share Data

| | | | |
|---|-----------|-----------|-----|
| Average Outstanding Shares | 1,026,203 | 1,036,600 | |
| Outstanding Shares End of Period | 1,020,000 | 1,036,600 | |
| Net Income per Average Outstanding Shares | 5.85 | 4.84 | 21% |
| Dividends per Average Outstanding Shares | 1.36 | 1.09 | 25% |
| Book Value per Outstanding Shares End of Period | 41.53 | 35.91 | 16% |

Balance Sheet Highlights

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

| | | | |
|-------------------------|-----------|-----------|-----|
| Assets | \$627,900 | \$561,378 | 12% |
| Loans (gross) | \$327,177 | \$315,897 | 4% |
| Deposits | \$575,453 | \$507,166 | 13% |
| Interest Earning Assets | \$607,441 | \$544,520 | 12% |
| Shareholders Equity | \$42,358 | \$37,227 | 14% |