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Home Banking Center
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highpointcommunitybank.com

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Third Quarter Financial Report

2019



October 24, 2019

To Our Shareholders:

We are pleased to enclose the regular quarterly cash dividend of \$.17 per share on your HCB Financial Corp. common stock. This dividend is payable today to shareholders of record at the close of business on October 1, 2019.

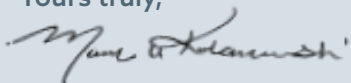
Our net income for the first nine months of 2019 was \$1,678,000, 8% more than earnings of \$1,550,000 for the same three quarters of 2018. The principal factors in this increase were stronger interest income driven by a 5% increase in loans, a reduced federal tax liability and holding non-interest expenses to a modest 2% increase.

At the end of September, our total assets were \$330,927,000, 3% more than they were one year earlier. Deposit growth has been particularly challenging for us this year and we have trailed the prior year at the end of the first two quarters of 2019. Being up ever so slightly at the end of this quarter at \$270,330,000 has been a minor victory for our team. Our shareholders' equity is up 10% to \$32,981,000, bringing book value to \$30.94 per share.

Fourth quarter will bring about another major initiative as we end a productive and historic year at our bank. After successfully launching the Highpoint Community Bank brand in January, we will now focus on the installation of a state of the art core processing software system on October 25th. We are excited about the efficiencies, along with improvements to our products and services, that this new technology will bring. We've worked hard to educate our customers on these initiatives and are always available to answer any remaining questions that you may have. As always, please feel free to contact me or one of our officers at any time.

Thank you for your continued support.

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 September 2019	Year-to-Date September 2018	% Change
Interest Income (inc. loan fees)	\$8,570	\$8,124	5%
Interest Expense	826	598	38%
Loan Loss Provision	50	45	11%
Net Interest Income	<u>\$7,694</u>	<u>\$7,481</u>	<u>3%</u>

Non-Interest Income	2,004	1,995	0%
Other Non-Interest Expense	7,968	7,778	2%
Federal Income Tax Provision	52	148	-65%
Net Income after Tax	<u>\$1,678</u>	<u>\$1,550</u>	<u>8%</u>

Per Share Data

Average Outstanding Shares	1,066,000		
Net Income per Share	1.57	1.45	8%
Dividends per Share	0.51	0.45	13%
Book Value per Share	30.94	28.06	10%

Balance Sheet Highlights

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

Assets	\$330,927	\$321,822	3%
Loans (gross)	\$212,740	\$202,388	5%
Deposits	\$270,330	\$269,078	0%
Interest Earning Assets	\$301,948	\$295,835	2%
Shareholders Equity	\$32,981	\$29,911	10%