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Third Quarter Financial Report

2020



October 27, 2020

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, 2020.

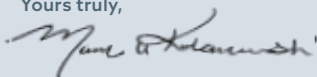
Our net income for the first nine months of 2020 was \$1,758,000, five percent more than earnings of \$1,678,000 for the same three quarters of 2019. A principal factor in this growth was a seven percent increase in non-interest income. This is the result of higher than anticipated real estate loan volume and sales to the secondary market. We were also able to hold other non-interest expense to a one percent decline for the quarter, which also attributed to our favorable performance. Net interest income declined one percent from the prior year. This was driven by taking \$395,000 in loan loss provision above our 2019 accrual amount. While credit quality remains strong, there remains a great amount of uncertainty regarding the true financial ramifications of the COVID-19 pandemic on our borrowers.

At the end of September, we recorded record highs in all of our balance sheet highlight areas. Our total assets were at \$381,550,000, 15% more than they were one year earlier. Total deposits were \$319,784,000, 18% above where they stood at the end of the third quarter one year ago. Outstanding loans reached a gross total of \$259,214,000 at the end of the quarter, which reflects a 22% increase from a year ago. The loan and deposit numbers are impacted by our participation in the government stimulus Paycheck Protection Program. We funded over \$30 million of these loans with a large portion of those loan proceeds remaining on our books in the form of deposits. As we enter the forgiveness phase of the program, we anticipate seeing those numbers decline. Shareholders' equity stood at \$35,311,000 at quarter end, seven percent above the prior year.

I continue to be impressed with how our team has responded throughout this pandemic. They have done an outstanding job. We continue to look for "silver linings" where we can. One positive aspect that we have noted is that our customers have come to appreciate how we have been able to serve their needs in a variety of ways. More customers than ever are using our mobile technology and our interactive teller machines (ITMs). They enjoy the convenience that these products offer. Additionally, they like knowing that when it is time to talk or sit down with their banker, we are there for them in person as well.

October 26th was the 134th anniversary of the bank's founding. We are proud to be among the few companies across this country that can claim such an achievement. We recognize and thank you, our shareholders, for the extremely important role you have had in our success. Because of your continued support, we have accomplished this milestone together.

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 2020	Year-to-Date September 2019	% Change
Interest Income (inc. loan fees)	\$9,012	\$8,570	5%
Interest Expense	929	826	12%
Loan Loss Provision	<u>445</u>	<u>50</u>	<u>790%</u>
Net Interest Income	\$7,638	\$7,694	-1%
Non-Interest Income	2,154	2,004	7%
Other Non-Interest Expense	7,911	7,968	-1%
Federal Income Tax Provision	<u>123</u>	<u>52</u>	<u>137%</u>
Net Income after Tax	<u>\$1,758</u>	<u>\$1,678</u>	<u>5%</u>

Per Share Data

Average Outstanding Shares	1,066,000		
Net Income per Share	1.65	1.57	5%
Dividends per Share	0.51	0.51	0%
Book Value per Share	33.12	30.94	7%

Balance Sheet Highlights

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

Assets	\$381,550	\$330,927	15%
Loans (gross)	\$259,214	\$212,740	22%
Deposits	\$319,784	\$270,330	18%
Interest Earning Assets	\$352,818	\$301,948	17%
Shareholders Equity	\$35,311	\$32,981	7%