

April 16, 2007

To Our Shareholders:

The enclosed check represents the regular quarterly cash dividend of \$.18 per share on your HCB Financial Corp. common stock. This dividend is payable today to shareholders of record at the close of business on April 2, 2007.

Net income for the first three months of 2007 was \$526,000 or \$.53 per share. In the First Quarter of 2006, net income was \$534,000 or \$.54 per share, making the year-to-year decline in earnings one percent.

The primary reason for the slight drop in earnings was the “disappearing” yield curve. As our retail deposits mature, we reprice them at higher short-term rates but the yields on our loans and investments do not go up because long-term rates remain flat. This is why our interest income went up only 11 percent during the quarter while our interest expense increased 34 percent.

We experienced modest growth since the end of the first quarter last year. Total assets went up one percent to \$239,617,000, total loans also went up one percent to \$143,689,000, and total deposits went up three percent to \$187,951,000. Shareholders’ equity was \$26,265,000 on March 31, 2007, three percent more than it was one year earlier.

During the first quarter, we received a recovery from a commercial loan on which we recognized a loss in 2005. This event, in part, allowed us to accelerate the depreciation of certain computer hardware and software made obsolete by an upgrade to our check processing system. The new check processing system will allow us to ensure that we have the capability of providing a full range of contemporary banking services to all of our customers. It will also accommodate many improvements in the check clearing processes used by the Federal Reserve System and our correspondent banks.

Overall, we are pleased with our performance so far this year. While slightly behind last year, we are ahead of our projections. If you have any comments or questions about our bank or our financial results, please feel free to direct them to any director or senior officer.

Sincerely,



Mark A. Kolanowski
President & CEO

HCB FINANCIAL CORP.

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

Financial Highlights	Year-to-Date	Year-to-Date	% Change
	March 2007	March 2006	
Interest Income (inc. loan fees)	\$3,100	\$2,786	11%
Interest Expense	\$1,403	\$1,046	34%
Loan Loss Provision (recovery)	(\$150)	\$0	n/a
Net Interest Income	\$1,847	\$1,740	6%
Non-Interest Income	\$527	\$489	8%
Non-Interest Expense	\$1,743	\$1,587	10%
Federal Income Tax Provision	\$105	\$108	3%
Net Income after Tax	\$526	\$534	-1%

Per Share Data

Average Outstanding Shares	990,000		
Net Income per Share	0.53	0.54	-2%
Dividends per Share	0.18	0.18	0%
Book Value per Share	26.53	25.68	3%

Balance Sheet Highlights

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

Assets	\$239,617	\$236,531	1%
Loans (gross)	\$143,689	\$142,833	1%
Deposits	\$187,951	\$182,886	3%
Interest Earning Assets	\$219,860	\$215,218	2%
Shareholders Equity	\$26,265	\$25,422	3%

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