

## HCB Locations:

150 West Court Street  
Hastings, Michigan 49058  
269-945-2401

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435 Arlington Street  
Middleville, Michigan 49333  
269-795-3338

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111 East Capital Avenue  
Bellevue, Michigan 49021  
269-763-9418

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310 North Main Street  
Nashville, Michigan 49073  
517-852-0790

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9265 Cherry Valley  
Caledonia, Michigan 49316  
616-891-0010

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156 West Superior  
Wayland, Michigan 49348  
269-792-6201

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124 West Michigan Avenue  
Marshall, Michigan 49068  
269-558-0994

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Home Banking Center  
269-948-2000 or  
Toll-Free 1-888-HCB-HCB1

[hastingscitybank.com](http://hastingscitybank.com)

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Transfer Agent  
HCB Financial Corp.  
c/o Broadridge Corporate Issuer Solutions  
P.O. Box 1342  
Brentwood, NY 11717  
Toll-Free 1-855-449-0975



Hastings City Bank

*Here For You Since 1886*

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**THIRD QUARTER FINANCIAL REPORT  
2015**

October 28, 2015

**To Our Shareholders:**

It is our pleasure to enclose a check representing the regular quarterly cash dividend of \$.14 per share on your HCB Financial Corp. common stock. This dividend is payable today to shareholders of record at the close of business on September 30, 2015.

Net income for the nine months ended on September 30, 2015, was \$1,282,000, 21% more than earnings for the same period in 2014. Total assets grew two percent over the past one year ended September 30, 2015, to \$299,535,000. Total deposits went up one percent during the same period to \$259,292,000 and total loans increased four percent, standing at \$156,900,000 as the third quarter ended. Shareholders' equity was five percent more than it had been one year earlier, reaching \$27,951,000 at the end of the third quarter. This brought the book value of each HCB common share to \$26.22.

The national and local economies are growing at about a two percent annual rate. Our business is growing at a similar pace, although current loan demand is moving ahead somewhat faster. The four percent growth in our loan portfolio and a nine percent increase in non-interest income arising from good mortgage loan volume were key factors in our earnings improvement. We had hoped that the Federal Reserve Open Market Policy Committee would have begun restoring a more normal interest rate environment when it met in September. They did not. Therefore, we are now focusing on the Fed's two remaining meetings this year and hoping that our nation's central bank will take action on rates at either or both of them. It is challenging for a community bank such as Hastings City Bank to earn traditional returns on assets and equity without concurrent opportunities to generate traditional net interest margins.

As always, we would welcome your comments, questions, and suggestions. Just contact any of our senior officers or directors at your convenience.

Yours truly,



Mark A. Kolanowski  
President and  
Chief Executive Officer

**HCB FINANCIAL CORP.**

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

<b>Financial Highlights</b>	<b>Year-to-Date September 2015</b>	<b>Year-to-Date September 2014</b>	<b>% Change</b>
Interest Income (inc. loan fees)	\$6,651	\$6,272	6%
Interest Expense	464	429	8%
Loan Loss Provision	—	(44)	-100%
Net Interest Income	\$6,187	\$5,887	5%
Non-Interest Income	2,012	1,846	9%
Other Non-Interest Expense	6,762	6,534	3%
Federal Income Tax Provision	155	140	11%
<b>Net Income after Tax</b>	<b>\$1,282</b>	<b>\$1,059</b>	<b>21%</b>

**Per Share Data**

Average Outstanding Shares	1,066,000		
Net Income per Share	1.20	0.99	21%
Dividends per Share	0.42	0.39	8%
Book Value per Share	26.22	24.88	5%

**Balance Sheet Highlights**

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

Assets	\$299,535	\$293,951	2%
Loans (gross)	\$156,900	\$151,566	4%
Deposits	\$259,292	\$257,671	1%
Interest Earning Assets	\$274,840	\$269,270	2%
Shareholders Equity	\$27,951	\$26,526	5%