

## HCB Locations:

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

\*\*\*

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

\*\*\*

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

\*\*\*

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

\*\*\*

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

\*\*\*

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

\*\*\*

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

\*\*\*

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

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

\*\*\*

Transfer Agent  
HCB Financial Corp.  
c/o American Stock Transfer &  
Trust Company, LLC  
6201 15th Avenue  
Brooklyn, NY 11219  
Toll-Free 1-800-937-5449  
or 1-718- 921-8124



Hastings City Bank

*Here For You Since 1886*

---



---

**FOURTH QUARTER FINANCIAL REPORT  
2015**

January 27, 2016

**To Our Shareholders:**

Enclosed is our check representing the regular quarterly dividend of \$.14 per share and a special year-end extra dividend of \$.04 per share (a total of \$.18 per share) on your HCB Financial Corp. common stock. These dividends are payable today to shareholders of record at the close of business on December 30, 2015.

Unaudited net income for 2015 was \$1,725,000 or \$1.62 per share. This is 12 percent more than our earnings in 2014 when they were \$1,544,000 or \$1.45 per share. Total assets at year-end were \$302,392,000, one percent less than they were one year ago, total deposits were \$261,617,000, up one percent, year-end to year-end, and total loans were \$163,199,000, a six percent increase over the course of the past year. Shareholders' equity at year-end was \$28,188,000, four percent more than it was at the end of 2014. Our book value per share now stands at \$26.44.

We are noting improvement in almost every aspect of our business. Retail deposit activity is quite satisfactory. Loan demand is growing steadily. Loan quality is good, which has eliminated the need for the recording of a Provision for Loan Losses for the year while instead we can rely upon reserves set aside in prior years. Mortgage originations are up, providing most of the seven percent increase in non-interest income. In reality, however, our net income will not return to levels seen years ago until the Federal Reserve allows interest rates to rise enough that community banks can generate traditional net interest margins. We simply cannot predict when such actions by the Fed's Open Market Policy Committee will occur.

We should also note that the HCB Financial Corp. Board of Directors has authorized renewal of our Stock Repurchase Program. This program will allow management to purchase up to 30,000 HCB shares on the open market in 2016.

As usual, we will be sending you our 2015 Annual Report with full details of our operations prior to the Annual Meeting in April.

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 December 2015</b>	<b>Year-to-Date December 2014</b>	<b>% Change</b>
Interest Income (inc. loan fees)	\$8,917	\$8,486	5%
Interest Expense	604	580	4%
Loan Loss Provision	—	(133)	-100%
Net Interest Income	\$8,313	\$8,039	3%
Non-Interest Income	2,678	2,507	7%
Other Non-Interest Expense	9,056	8,762	3%
Federal Income Tax Provision	210	240	-13%
<b>Net Income after Tax</b>	<b>\$1,725</b>	<b>\$1,544</b>	<b>12%</b>

**Per Share Data**

Average Outstanding Shares	1,066,000		
Net Income per Share	1.62	1.45	12%
Dividends per Share	0.60	0.57	5%
Book Value per Share	26.44	25.29	5%

**Balance Sheet Highlights**

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

Assets	\$302,392	\$304,369	-1%
Loans (gross)	\$163,199	\$153,891	6%
Deposits	\$261,617	\$258,082	1%
Interest Earning Assets	\$275,385	\$276,996	-1%
Shareholders Equity	\$28,188	\$27,121	4%