

## 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  
HC B 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  
2014**

**To Our Shareholders:**

We are pleased to enclose the regular quarterly cash dividend of \$.13 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, 2014.

Our net income for the first nine months of 2014 was \$1,059,000, 24 percent more than earnings of \$854,000 for the same three quarters of 2013. The principal factors in this increase were an eight percent increase in interest income accompanied by a 15 percent reduction in interest expense. An eight percent growth in earning assets was the source of the rise in interest income while a gradual decline in the rates paid on older Certificates of Deposit as they matured over the past year accounts for the reduction in interest expense.

At the end of September, our total assets were the highest they have ever been at \$293,951,000, eight percent more than they were one year earlier. Total deposits were \$257,671,000; also a new record and a nine percent increase over the total at the end of the third quarter one year ago. We do not expect to retain all of these new deposits over the long term because some large amounts have been entrusted to us for temporary safekeeping. However, this favorable situation has enabled us to increase outstanding loans by seven percent to \$151,566,000 and interest earning assets by eight percent to \$269,270,000. Our shareholders' equity is up five percent to \$26,526,000, bringing book value to \$24.88 per share.

Reflecting the exceptional financial strength that makes customers comfortable when depositing large sums in Hastings City Bank, Bauer Financial, Inc., the nation's leading bank rating firm, recently awarded our bank its coveted 5-Star Superior Bank Rating for the 20th consecutive quarter. This last award was based on our June 30, 2014, financial data.

Thank you for your continued support. Please let us know if you have any comments, questions or suggestions.

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 2014</b>	<b>Year-to-Date September 2013</b>	<b>% Change</b>
Interest Income (inc. loan fees)	\$6,272	\$5,799	8%
Interest Expense	429	506	-15%
Loan Loss Provision	(44)	—	—
<b>Net Interest Income</b>	<b>\$5,887</b>	<b>\$5,293</b>	<b>11%</b>
Non-Interest Income	1,846	1,842	0%
Other Non-Interest Expense	6,534	6,211	5%
Federal Income Tax Provision	140	70	100%
<b>Net Income after Tax</b>	<b>\$1,059</b>	<b>\$854</b>	<b>24%</b>
<b>Per Share Data</b>			
Average Outstanding Shares	1,066,000		
Net Income per Share	0.99	0.80	24%
Dividends per Share	0.39	0.39	0%
Book Value per Share	24.88	23.59	5%
<b>Balance Sheet Highlights</b>			
(Unaudited) Dollars in thousands, except per share data.			
Assets	\$293,951	\$272,943	8%
Loans (gross)	\$151,566	\$141,869	7%
Deposits	\$257,671	\$236,327	9%
Interest Earning Assets	\$269,270	\$250,089	8%
Shareholders Equity	\$26,526	\$25,145	5%