

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

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



**FIRST QUARTER FINANCIAL REPORT
2016**

April 29, 2016

To Our Shareholders:

Enclosed is our check representing the regular 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 April 1, 2016.

Our net income for the first three months of 2016 was \$427,000 or \$.40 per share. This was a two percent decline from the first quarter income of \$436,000 or \$.41 per share in 2015. Total assets on March 31, 2016, were \$309,364,000, one percent more than they were one year previously. Total deposits stood at \$267,574,000 at the end of March, a three percent increase over the previous twelve months. Total loans at the end of the quarter were \$168,610,000, 11% more than they had been twelve months earlier. Shareholders' equity was \$28,818,000 at the end of the quarter, five percent more than it had been at the same time last year, bringing the book value of our common shares to \$27.03.

We were very pleased to see an 11% increase in our loan portfolio at the end of the first quarter compared to the same time one year ago. We are definitely seeing stronger loan demand as time goes on. Our primary challenge remains the policy of the Federal Reserve that is keeping interest rates low. This prevents us from earning a traditional net interest margin, which is essential to a significant improvement in earnings. We have also seen a decline in mortgage originations, which has reduced non-interest income. The principal problem in this area appears to be a lack of properties on the market, not a shortage of potential buyers. We have also witnessed a slight increase in non-interest expense due in part to the costs arising from the start-up of our new Dividend Reinvestment and Stock Purchase Plan. Most of these costs are one-time charges related to the initiation of the plan. If you are interested in learning more about the plan, please contact Randy Teegardin, our corporate vice president and secretary.

Finally, we have continued our long-time string (26 consecutive quarters) of Superior 5- Star Ratings by Bauer Financial. They continue to consider Hastings City Bank one of the strongest and safest banks in America.

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 March 2016	Year-to-Date March 2015	% Change
Interest Income (inc. loan fees)	\$2,335	\$2,194	6%
Interest Expense	145	151	-4%
Loan Loss Provision	20	-	100%
Net Interest Income	\$2,170	\$2,043	6%
Non-Interest Income	620	657	-6%
Other Non-Interest Expense	2,333	2,204	6%
Federal Income Tax Provision	30	60	-50%
Net Income after Tax	\$427	\$436	-2%
Per Share Data			
Average Outstanding Shares	1,066,000		
Net Income per Share	0.40	0.41	-2%
Dividends per Share	0.14	0.14	0%
Book Value per Share	27.03	25.72	5%
Balance Sheet Highlights			
(Unaudited) Dollars in thousands, except per share data.			
Assets	\$309,364	\$307,046	1%
Loans (gross)	\$168,610	\$152,246	11%
Deposits	\$267,574	\$260,657	3%
Interest Earning Assets	\$282,412	\$280,898	1%
Shareholders Equity	\$28,818	\$27,417	5%