

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



**FINANCIAL
CORP.**

**SECOND QUARTER FINANCIAL REPORT
2016**

July 28, 2016

To Our Shareholders:

Once again, 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 June 30, 2016.

Our business continues to move forward on a steady course. Net income for the first six months of 2016 was \$844,000 or \$.79 per share. This was two percent less than our earnings for the same period last year when they were \$862,000 or \$.81 per share. Over the twelve months ended June 30, 2016, total assets increased two percent to \$306,306,000. During the same period, total deposits went up three percent to \$257,619,000 and total loans went up ten percent to \$168,800,000. At the end of the first half, shareholders' equity stood at \$29,391,000, seven percent more than it had been one year earlier. On June 30, 2016, the book value of our common stock was \$27.57 per share.

We were especially pleased to note the ten percent increase in total loans over the past year. Business activity is definitely picking up in the markets we serve and contributed to a five percent increase in net interest income. In a different, more normalized interest rate environment, an increase commensurate with the higher volume could have been realized. Non-interest income was down slightly because there are fewer homes available for sale in our markets and mortgage volume was off proportionately. All things considered, however, we are pleased with our performance and optimistic about our prospects for the remainder of 2016.

This year marks the 130th Anniversary of the opening of Hastings City Bank. Although the business of banking has changed greatly over the past 130 years, one thing has not changed: our focus on superior customer service. To mark this anniversary, we will host an old-fashioned ice cream social at our Hastings Main Office immediately following the downtown Hastings Summerfest Parade on Saturday, August 27th. We hope that our shareholders, customers, friends and neighbors will join us in the celebration.

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 June 2016	Year-to-Date June 2015	% Change
Interest Income (inc. loan fees)	\$4,633	\$4,420	5%
Interest Expense	289	311	-7%
Loan Loss Provision	29	-	100%
Net Interest Income	\$4,315	\$4,109	5%
Non-Interest Income	1,300	1,313	-1%
Other Non-Interest Expense	4,711	4,460	6%
Federal Income Tax Provision	60	100	-40%
Net Income after Tax	\$844	\$862	-2%
Per Share Data			
Average Outstanding Shares	1,066,000		
Net Income per Share	0.79	0.81	-2%
Dividends per Share	0.28	0.28	0%
Book Value per Share	27.57	25.71	7%
Balance Sheet Highlights			
(Unaudited) Dollars in thousands, except per share data.			
Assets	\$306,306	\$299,816	2%
Loans (gross)	\$168,800	\$153,462	10%
Deposits	\$257,619	\$251,071	3%
Interest Earning Assets	\$279,227	\$271,813	2%
Shareholders Equity	\$29,391	\$27,409	7%