

## 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  
HCBC 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*

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**THIRD QUARTER FINANCIAL REPORT  
2016**

October 26, 2016

**To Our Shareholders:**

We are pleased to enclose 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 October 3, 2016.

Our net income for the first nine months of 2016 was \$1,302,000 or \$1.22 per share, two percent more than earnings of \$1,282,000 or \$1.20 per share for the same period in 2015. Over the twelve months ended September 30, 2016, total assets increased four percent to \$311,899,000. During the same period, total deposits went up three percent to \$266,684,000 and total loans went up 11% to \$173,722,000. At the end of the third quarter, shareholders' equity stood at \$29,586,000, six percent more than it had been one year earlier. On September 30, the book value of our common stock was \$27.75 per share.

We continue to be pleased with the strong loan growth that we have experienced throughout the year. The 11% year-over-year increase is comprised of activity coming from all of our markets and across all of our product lines, from personal lending to larger scale commercial activity. The related five percent increase in net interest income is welcomed relief given the persistent low interest rate environment that is showing no signs of meaningful change.

Today we celebrate the 130th Anniversary of Hastings City Bank. From humble beginnings in 1886, when 35 local investors met the needs of a growing community by offering local, personal financial services, to the innovative multi-channel banking technologies that we offer customers today, our approach has remained the same; to provide the very best we have to offer through an exceptional customer experience. The way we bank has changed over the years. Our commitment to our customers and the communities we serve has not. We take this opportunity to 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 2016</b>	<b>Year-to-Date September 2015</b>	<b>% Change</b>
Interest Income (inc. loan fees)	\$6,946	\$6,651	4%
Interest Expense	431	464	-7%
Loan Loss Provision	38	-	100%
Net Interest Income	\$6,477	\$6,187	5%
Non-Interest Income	2,051	2,012	2%
Other Non-Interest Expense	7,106	6,762	5%
Federal Income Tax Provision	120	155	-23%
<b>Net Income after Tax</b>	<b>\$1,302</b>	<b>\$1,282</b>	<b>2%</b>
<b>Per Share Data</b>			
Average Outstanding Shares	1,066,000		
Net Income per Share	1.22	1.20	2%
Dividends per Share	0.42	0.42	0%
Book Value per Share	27.75	26.22	6%
<b>Balance Sheet Highlights</b>			
(Unaudited) Dollars in thousands, except per share data.			
Assets	\$311,899	\$299,535	4%
Loans (gross)	\$173,722	\$156,900	11%
Deposits	\$266,684	\$259,292	3%
Interest Earning Assets	\$282,766	\$274,840	3%
Shareholders Equity	\$29,586	\$27,951	6%