

## 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*

---



**FINANCIAL  
CORP.**

---

**FOURTH QUARTER FINANCIAL REPORT  
2016**

January 26, 2017

**To Our Shareholders:**

I am pleased to enclose a quarterly cash dividend of \$.15 per share and a special year-end dividend of \$.05 per share (a total of \$.20 per share) on your HCB Financial Corp. common stock. These are payable today to shareholders of record at the close of business on January 2, 2017.

Worth noting is that our quarterly cash dividend of \$.15 is an increase from \$.14 per share, or 7.1%, from prior quarters in 2016. Additionally, this is the third consecutive year that our performance allowed for the Board of Directors to declare a special year-end dividend.

Unaudited net income for 2016 was \$1,783,000 or \$1.67 per share. This is three percent more than our earnings in 2015 when they were \$1,725,000 or \$1.62 per share. Total assets at year-end were \$309,562,000, two percent greater than they were one year ago. Total deposits were virtually unchanged with a 2016 year-end balance at \$261,258,000. Total loans were \$174,862,000, representing a seven percent increase over the course of the past year. Shareholders' equity at year-end was \$28,615,000, two percent more than it was at the end of 2015. Our year end 2016 book value per share was at \$26.84.

We are pleased that all aspects of our business performed well this past year. Loan demand continues to grow at a steady, controlled pace. Loan quality remains good, but consistent year-over-year loan growth has prompted the need for recording a modest Loan Loss Provision in 2016. Mortgage originations increased this past year, providing most of the four percent increase in non-interest income. Retail deposit activity is quite satisfactory as we replaced some temporary safekeeping deposits with core deposits throughout the year.

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 2017.

Our Annual Meeting will be held at 1:00 p.m. on April 19, 2017, in the Main Office of Hastings City Bank. Prior to the meeting we will be sending you our 2016 Annual Report, including the audited financial statements. Our directors, senior officers and I look forward to seeing as many of you there as possible.

Sincerely,



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 2016</b>	<b>Year-to-Date December 2015</b>	<b>% Change</b>
Interest Income (inc. loan fees)	\$9,337	\$8,917	5%
Interest Expense	571	604	-5%
Loan Loss Provision	60	-	100%
Net Interest Income	\$8,706	\$8,313	5%
Non-Interest Income	2,780	2,678	4%
Other Non-Interest Expense	9,523	9,056	5%
Federal Income Tax Provision	180	210	-14%
<b>Net Income after Tax</b>	<b>\$1,783</b>	<b>\$1,725</b>	<b>3%</b>
<b>Per Share Data</b>			
Average Outstanding Shares	1,066,000		
Net Income per Share	1.67	1.62	3%
Dividends per Share	0.62	0.60	3%
Book Value per Share	26.84	26.44	2%
<b>Balance Sheet Highlights</b>			
(Unaudited) Dollars in thousands, except per share data.			
Assets	\$309,562	\$302,270	2%
Loans (gross)	\$174,862	\$163,199	7%
Deposits	\$261,258	\$260,547	0%
Interest Earning Assets	\$283,083	\$275,385	3%
Shareholders Equity	\$28,615	\$28,188	2%