

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
2017**

April 27, 2017

To Our Shareholders:

We are very pleased to enclose a check representing a cash dividend of \$.15 per share on your HCB Financial Corp. common stock. This amount is consistent with the increased dividend that was paid in the fourth quarter of 2016, which represented a 7.1% increase over the \$.14 per share that we had been paying since April of 2015. Our steady improvement in performance has made it possible to continue a dividend payout at this increased level. The dividend is payable today to shareholders of record at the close of business on April 3, 2017.

Our net income for the first three months of 2017 was \$433,000 or \$.41 per common share. One year ago, we reported first quarter earnings of \$427,000 or \$.40 per share, making for a year to year earnings increase of one percent. Over the past twelve months, total assets went up two percent to \$314,730,000 while total deposits remained virtually unchanged, standing at \$267,373,000 at the end of the quarter. Total loans increased four percent to \$175,817,000. An over accrual in our tax position has allowed for the absence of a federal income tax provision for the current quarter. During the quarter ended March 31, 2017, shareholders' equity rose from the prior year by one percent to \$29,004,000, bringing the book value per share to \$27.21.

As the financials indicate, the quarter brought modest growth in most of our key performance areas. The Federal Reserve's recent increases in interest rates have slowed mortgage refinances and our secondary market volume from levels we recently experienced, leaving our non-interest income flat for the early months of 2017. Overall, we continue to experience solid loan growth in our loan portfolio. With the support of favorable economic conditions, we would anticipate that trend to continue.

In other significant news, Bauer Financial, Inc. has awarded Hastings City Bank its coveted Superior 5-Star Rating for the 30th consecutive quarter. In Bauer's estimation, our bank is a "prime example of a community bank excelling at what a community bank was meant to do". Additionally, for the 9th consecutive year, Hastings City Bank has been recognized as one of "West Michigan's Best and Brightest Companies to Work For". We attribute this distinction to our commitment to our employees and an excellent work experience which, in turn, creates a culture of excellent customer service.

As always, we thank you for your interest and support.

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 2017	Year-to-Date March 2016	% Change
Interest Income (inc. loan fees)	\$2,370	\$2,335	1%
Interest Expense	132	145	-9%
Loan Loss Provision	15	20	-25%
Net Interest Income	\$2,223	\$2,170	2%
Non-Interest Income	619	620	0%
Other Non-Interest Expense	2,409	2,333	3%
Federal Income Tax Provision	-	30	-100%
Net Income after Tax	\$433	\$427	1%

Per Share Data

Average Outstanding Shares	1,066,000		
Net Income per Share	0.41	0.40	2%
Dividends per Share	0.15	0.14	7%
Book Value per Share	27.21	27.03	1%

Balance Sheet Highlights

(Unaudited) Dollars in thousands, except per share data.

Assets	\$314,730	\$309,364	2%
Loans (gross)	\$175,817	\$168,610	4%
Deposits	\$267,373	\$267,574	0%
Interest Earning Assets	\$289,086	\$282,412	2%
Shareholders Equity	\$29,004	\$28,818	1%