

HCB Locations:

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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
2017**

July 27, 2017

To Our Shareholders:

Enclosed is the regular quarterly cash dividend of \$.15 per share on your HCB Financial Corp. common stock. It is payable today to shareholders of record at the close of business on June 30, 2017.

Our year-to-date performance has been better than we had projected in our Annual Plan. Net income for the six months ended June 30, 2017, was \$941,000 or \$.88 per share. This represents an 11% improvement from the first half of 2016 with earnings of \$844,000 or \$.79 per share. The largest contributing factor to our increased year-over-year earnings comes from a 6% improvement in our net interest income. While the Federal Reserve has taken action over the past year to increase interest rates, our improved margin has occurred primarily from changes in our loan mix as we have experienced growth in higher yielding commercial loans.

We are also pleased to report that total assets grew by 3% since June 30, 2016, to \$315,903,000 while total deposits went up 2% during the same twelve months to \$262,081,000. Total loans increased by 5% to \$176,670,000 in the same period. At mid-year, shareholders' equity stood at \$29,847,000, making the book value of each of our shares \$28.00, a 2% increase in the past year.

While mortgage volume has been steady, a lack of inventory in our market area has negatively impacted new home purchases. In addition, we are also experiencing a moderate slowdown in mortgage refinancing following a modest increase in mortgage rates. These are the key factors leading to our non-interest income remaining flat for the first half of the year. We anticipate this trend to continue into the second half of the year.

We have continued to experience excellent loan quality during the past six months. We have, however, made increases to our loan loss provision to accommodate the growth in our loan portfolio.

If you have any comments, questions or suggestions, we hope that you will contact any director or senior officer to discuss them. We are always pleased to hear from you.

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 2017	Year-to-Date June 2016	% Change
Interest Income (inc. loan fees)	\$4,889	\$4,633	6%
Interest Expense	286	289	-1%
Loan Loss Provision	50	29	72%
Net Interest Income	\$4,553	\$4,315	6%
Non-Interest Income	1,300	1,300	0%
Other Non-Interest Expense	4,847	4,711	3%
Federal Income Tax Provision	65	60	8%
Net Income after Tax	\$941	\$844	11%

Per Share Data

Average Outstanding Shares	1,066,000		
Net Income per Share	0.88	0.79	11%
Dividends per Share	0.30	0.28	7%
Book Value per Share	28.00	27.57	2%

Balance Sheet Highlights

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

Assets	\$315,903	\$306,306	3%
Loans (gross)	\$176,670	\$168,800	5%
Deposits	\$262,081	\$257,619	2%
Interest Earning Assets	\$288,407	\$279,227	3%
Shareholders Equity	\$29,847	\$29,391	2%