

HCB Locations:

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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



**FOURTH QUARTER FINANCIAL REPORT
2017**

January 25, 2018

To Our Shareholders:

I am pleased to enclose a quarterly cash dividend of \$.15 per share and a special year-end dividend of \$.10 per share (a total of \$.25 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, 2018.

This is the fourth consecutive year in which the Board of Directors has declared a special year-end dividend. We are particularly pleased that we were able to increase the amount by \$.05 per share from the year prior. This brings the total dividends declared in 2017 to \$.70 per share, which is a 13% increase from \$.62 per share declared in 2016.

Unaudited net income for 2017 was \$2,054,000 or \$1.93 per share. This is a 15% improvement from our earnings in 2016 of \$1,784,000 or \$1.67 per share. Total assets at year-end were \$326,077,000, five percent greater than they were one year ago. Total deposits increased slightly with a 2017 year-end balance at \$264,806,000. Total loans were \$196,815,000, representing a 13% increase over the course of the past year. Shareholders' equity at year-end was \$29,887,000, four percent more than it was at the end of 2016. Our year end 2017 book value per share was at \$28.04.

As a result of tax reform legislation being announced late last month, please note that we anticipate some adjustments being made to our unaudited financial statements to fully comply with GAAP (generally accepted accounting principles). However, we do not anticipate these changes to materially impact our 2017 results.

We continue to be pleased with all aspects of our business performance. During the past year, we've experienced strong loan growth from opportunities representing risk profiles and returns that we find acceptable. Our Trust and Investment Group achieved solid growth in assets under management in 2017. Their success will be instrumental in contributing to our future non-interest income. Competition for retail deposits has intensified, yet we've been able to generate growth in this area as well.

The HCB Financial Corp. Board of Directors has authorized renewal of our Stock Repurchase Program. Should opportunities occur, this program will allow management to purchase up to 30,000 HCB shares on the open market in 2018.

Our Annual Meeting will be held at 1:00 p.m. on April 18, 2018, in the Main Office of Hastings City Bank. Prior to the meeting we will be sending you our 2017 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 CEO

HCB FINANCIAL CORP.

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

Financial Highlights	Year-to-Date December 2017	Year-to-Date December 2016	% Change
Interest Income (inc. loan fees)	\$9,985	\$9,339	7%
Interest Expense	588	572	3%
Loan Loss Provision	95	60	58%
Net Interest Income	\$9,302	\$8,707	7%
Non-Interest Income	2,714	2,779	-2%
Other Non-Interest Expense	9,732	9,522	2%
Federal Income Tax Provision	230	180	28%
Net Income after Tax	\$2,054	\$1,784	15%

Per Share Data

Average Outstanding Shares	1,066,000		
Net Income per Share	1.93	1.67	15%
Dividends per Share	0.70	0.62	13%
Book Value per Share	28.04	26.84	4%

Balance Sheet Highlights

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

Assets	\$326,077	\$309,562	5%
Loans (gross)	\$196,815	\$174,862	13%
Deposits	\$264,806	\$261,258	1%
Interest Earning Assets	\$299,077	\$283,083	6%
Shareholders Equity	\$29,887	\$28,614	4%

Note: The above amounts do not include the impact of the tax reform bill (H.R.1) that was enacted on December 22, 2017.