

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
2018**

April 26, 2018

To Our Shareholders:

We are pleased to enclose a check representing the regular cash dividend of \$.15 per share on your HCB Financial Corp. common stock. This dividend is payable today to shareholders of record at the close of business on April 2, 2018.

Our net income for the first three months of 2018 was \$462,000 or \$.43 per common share. One year ago, we reported first quarter earnings of \$433,000 or \$.41 per share, making for a year to year earnings increase of seven percent. Over the past twelve months, total assets grew by four percent to \$326,922,000 while total deposits increased by two percent, now standing at \$271,462,000 at the end of the quarter. Total loans increased twelve percent to \$196,425,000, a new record high for our bank. During the quarter ended March 31, 2018, shareholders' equity rose from the prior year by two percent to \$29,478,000, bringing the book value per share to \$27.65.

As the financials indicate, the quarter brought continued growth in the majority of our key performance areas. The effect of the Federal Reserve's steady increases in interest rates is becoming evident in our financials in several areas. We're seeing an increase in both our interest expense and our interest income, but we've been able to position ourselves thus far to equate these changes to an improvement in our margin. A less positive effect of rising rates is the continued slowing of mortgage refinances. This leaves us with fewer loans available for sale to the secondary market and consequently allowing for only modest improvement in non-interest income compared to first quarter 2017. Overall, we remain pleased with the solid loan growth we've been able to achieve in our loan portfolio and the strength of our balance sheet.

In other significant news, we are pleased to report that our financial strength and stability has once again been recognized by Bauer Financial, Inc. of Coral Gables, Florida, the nation's leading bank rating and research firm. Bauer has awarded Hastings City Bank their 5-Star superior rating for the quarter ended December 31, 2017. This is the 34th consecutive quarter that the bank has been designated by these independent experts to be one of the strongest in the nation. Additionally, for the 10th consecutive year, Hastings City Bank is honored to receive recognition 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 is the key ingredient to creating a culture of exceptional customer service.

Yours truly,



Mark A. Kolanowski
President and CEO

HCB FINANCIAL CORP.

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

Financial Highlights	Year-to-Date March 2018	Year-to-Date March 2017	% Change
Interest Income (inc. loan fees)	\$2,660	\$2,370	12%
Interest Expense	188	132	42%
Loan Loss Provision	15	15	0%
Net Interest Income	\$2,457	\$2,223	11%
Non-Interest Income	628	619	1%
Other Non-Interest Expense	2,603	2,409	8%
Federal Income Tax Provision	20	-	100%
Net Income after Tax	\$462	\$433	7%
Per Share Data			
Average Outstanding Shares	1,066,000		
Net Income per Share	0.43	0.41	5%
Dividends per Share	0.15	0.15	0%
Book Value per Share	27.65	27.21	2%
Balance Sheet Highlights			
(Unaudited) Dollars in thousands, except per share data.			
Assets	\$326,922	\$314,730	4%
Loans (gross)	\$196,425	\$175,817	12%
Deposits	\$271,462	\$267,373	2%
Interest Earning Assets	\$301,082	\$289,086	4%
Shareholders Equity	\$29,478	\$29,004	2%