

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



**FINANCIAL
CORP.**

**SECOND QUARTER FINANCIAL REPORT
2018**

July 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 June 29, 2018.

Our year-to-date performance has surpassed our internal projections. Net income for the six months ending June 30, 2018 was \$1,071,000 or \$1.00 per share compared to \$941,000 or \$.88 per share earnings reported on June 30, 2017, which represents a year-over-year increase of 14%. Total assets during the past twelve months increased 1% to \$319,253,000 with total deposits now standing at \$258,828,000, down 1% for the reporting period. Total loans increased 12% to \$198,680,000, continuing a strong performance year-to-date. Shareholder equity remained virtually unchanged as of June 30, 2018 at \$29,777,000 compared to \$29,847,000 the prior year, due primarily to changes in the market value of our investment portfolio. Our book value per share as of June 30, 2018 was at \$27.93.

Financial performance for the first six months of 2018 reflects solid growth in our loan portfolio as well as an increase in our non-interest income. The Federal Reserve has continued on its course of planned interest rate increases which are reflected in both our interest income and interest expense as we have increased deposit rates on customer accounts over the course of the year.

Strategic initiatives have kept our team fully engaged as we strive to increase efficiencies, add new technologies and enhance the customer experience at Hastings City Bank. These investments are reflected in the increase of 6% in other non-interest expense of \$5,142,000 as compared to \$4,847,000 in June, 2017.

We are pleased to announce that we have once again secured the designation of a 5-Star Superior Bank from Bauer Financial, Inc., the nation's leading bank rating and research firm. Hastings City Bank has earned and maintained this top 5-Star rating for 35 consecutive quarters. In addition, our SBA Lending Team received recognition from the U.S. Small Business Administration's Michigan District Office as the SBA Business Development Lender of the Year. This award goes to the institution with the largest increase in loan approvals.

If you have any comments, questions or suggestions, we encourage you to contact any director or senior officer of the bank. We are always pleased to have the opportunity to speak with 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 2018	Year-to-Date June 2017	% Change
Interest Income (inc. loan fees)	\$5,365	\$4,889	10%
Interest Expense	387	286	35%
Loan Loss Provision	30	50	-40%
Net Interest Income	\$4,948	\$4,553	9%
Non-Interest Income	1,340	1,300	3%
Other Non-Interest Expense	5,142	4,847	6%
Federal Income Tax Provision	75	65	15%
Net Income after Tax	\$1,071	\$941	14%

Per Share Data

Average Outstanding Shares	1,066,000		
Net Income per Share	1.00	0.88	14%
Dividends per Share	0.30	0.30	0%
Book Value per Share	27.93	28.00	0%

Balance Sheet Highlights

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

Assets	\$319,253	\$315,903	1%
Loans (gross)	\$198,680	\$176,670	12%
Deposits	\$258,828	\$262,081	-1%
Interest Earning Assets	\$292,686	\$288,407	1%
Shareholders Equity	\$29,777	\$29,847	0%