

Hastings City Bank Offices:

150 West Court Street  
Hastings, Michigan 49058  
269-945-2401

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435 Arlington Street  
Middleville, Michigan 49333  
269-795-3338

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111 East Capital Avenue  
Bellevue, Michigan 49021  
269-763-9418

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310 North Main Street  
Nashville, Michigan 49073  
517-852-0790

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9265 Cherry Valley  
Caledonia, Michigan 49316  
616-891-0010

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156 West Superior  
Wayland, Michigan 49348  
269-792-6201

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Home Banking Center  
269-948-2000 or  
Toll-Free 1-888-HCB-HCB1

HCB Mortgage Company

HCB Loan Center  
6151 Kalamazoo Ave., SE  
Grand Rapids, MI 49508  
616-656-1580

[hastingscitybank.com](http://hastingscitybank.com)



Hastings City Bank

*Here For You Since 1886*

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**SECOND QUARTER FINANCIAL REPORT  
2008**

July 18, 2008

**To Our Shareholders:**

A check representing the \$.18 per share regular quarterly dividend on your HCB Financial Corp. common stock is enclosed. This dividend is payable today to shareholders of record at the close of business on June 30, 2008.

Although virtually all other measures of our financial performance were positive, our first half unaudited net income of \$904,000 was 12 percent less than our earnings of \$1,026,000 for the same six months one year ago. The reason for the decline in income was a \$453,000 swing in the provision for loan losses. This year, reflecting the economic stress on many of our customers rather than specific problem loans, we added \$253,000 to the loan loss reserve. Last year, however, we recognized a \$200,000 recovery on a large commercial loan that we had previously written off.

During the past 12 months, total assets increased by 4 percent to \$245,990,000, total deposits went up 1 percent to \$187,239,000, and total loans grew 1 percent to \$145,334,000. Shareholders' equity held steady at \$26,534,000 as a consequence of our share repurchase program.

We were pleased to begin seeing some relief from the compressed interest margins caused by very low interest rates. Our interest income for the first six months was up by 3 percent while interest expense went down 11 percent. During the same period, our interest earning assets increased by 5 percent. If these trends continue, it bodes well for earnings during the second half of the year if there is no further deterioration in the overall economy.

Economic conditions in both southwestern Michigan and the nation continue to be a concern. While we are still trying to serve our existing customers well, we are cautious when evaluating new business opportunities and constantly monitoring our loan portfolios. Clearly, this is a good time to be a conservative community bank.

Your comments, questions and suggestions are always welcome. Any of our directors, our senior officers, or I would be pleased to discuss them with you at any time.

Sincerely,



Mark A. Kolanowski  
President & CEO

**HCB FINANCIAL CORP.**

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

Financial Highlights	Year-to-Date	Year-to-Date	% Change
	June 2008	June 2007	
Interest Income (inc. loan fees)	\$6,464	\$6,288	3%
Interest Expense	\$2,542	\$2,842	-11%
Loan Loss Provision (recovery)	\$253	(\$200)	-227%
Net Interest Income	\$3,669	\$3,646	1%
Non-Interest Income	\$1,052	\$1,045	1%
Non-Interest Expense	\$3,652	\$3,465	5%
Federal Income Tax Provision	\$165	\$200	-18%
Net Income after Tax	\$904	\$1,026	-12%

**Per Share Data**

Average Outstanding Shares	1,074,094		
Net Income per Share	0.84	0.96	-13%
Dividends per Share	0.36	0.36	0%
Book Value per Share	24.70	24.60	0%

**Balance Sheet Highlights**

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

Assets	\$245,990	\$236,640	4%
Loans (gross)	\$145,334	\$144,369	1%
Deposits	\$187,239	\$185,274	1%
Interest Earning Assets	\$224,024	\$214,353	5%
Shareholders Equity	\$26,534	\$26,419	0%