

October 16, 2007

To Our Shareholders:

With pleasure, we enclose a check representing the regular quarterly cash dividend of \$.18 per share on your HCB Financial Corp. common stock. This dividend is payable today to shareholders of record at the close of business on October 1, 2007.

Our net income for the first three quarters of 2007 was \$1,531,000 or \$1.55 per share. This was a decline of six percent from earnings of \$1,622,000 or \$1.64 per share for the same nine months of 2006. Over the previous twelve months, total assets went up six percent to \$243,469,000. In the same period, total deposits went up nine percent to \$191,886,000 while total loans rose three percent to \$144,598,000. Shareholders equity increased by two percent to \$26,836,000.

Although our earnings are not as robust as we would like, they are slightly better than our internal forecasts and they compare very favorably with our peer institutions. Like all community banks, we are still coping with a narrow spread between short-term and long-term interest rates and weak demand in all segments of our loan business.

On a more positive note, we have been experiencing better growth in assets and deposits and modest loan growth recently. We also have had substantial recoveries this year of losses we recognized in previous years on loans made to a long-time corporate customer. These recoveries have made it unnecessary for us to make the usual provisions from earnings for possible future loan losses as the loans now on our books appear to be performing well.

As you might know, the Board of Directors has declared a ten percent stock dividend payable on November 15, 2007, to shareholders of record at the close of business on October 15, 2007. Shareholders entitled to a fractional share will receive a cash payment instead, calculated on the basis of \$26.50 per share.

The directors, senior officers and I always welcome your comments, questions and suggestions. Feel free to contact any of us whenever you find it convenient.

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
	<u>September 2007</u>	<u>September 2006</u>	
Interest Income (inc. loan fees)	\$9,565	\$8,829	8%
Interest Expense	\$4,353	\$3,488	25%
Loan Loss Provision (recovery)	<u>(\$244)</u>	<u>\$0</u>	<u>n/a</u>
Net Interest Income	\$5,456	\$5,341	2%
Non-Interest Income	\$1,533	\$1,529	0%
Non-Interest Expense	\$5,153	\$4,893	5%
Federal Income Tax Provision	\$305	\$355	-14%
Net Income after Tax	<u>\$1,531</u>	<u>\$1,622</u>	<u>-6%</u>

Per Share Data

Average Outstanding Shares	987,220		
Net Income per Share	1.55	1.64	-5%
Dividends per Share	0.54	0.54	0%
Book Value per Share	27.18	26.70	2%

Balance Sheet Highlights

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

Assets	\$243,469	\$229,794	6%
Loans (gross)	\$144,598	\$140,327	3%
Deposits	\$191,886	\$175,908	9%
Interest Earning Assets	\$222,063	\$209,730	6%
Shareholders Equity	\$26,836	\$26,357	2%

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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

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
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THIRD QUARTER FINANCIAL REPORT
2007