

OFFERING MEMORANDUM

**HCB Financial Corp.
Dividend Reinvestment
and Stock Purchase Plan**

COMMON STOCK

(no par value)

The HCB Financial Corp. Dividend Reinvestment and Stock Purchase Plan (the "Plan"), of HCB Financial Corp., a Michigan bank holding company (the "Corporation" or the "Plan Administrator"), provides holders of the Corporation's common stock with a simple and convenient method for purchasing additional shares of Common Stock. Participants in the Plan may acquire shares of Common Stock pursuant to the Plan as detailed in this Offering Memorandum.

HCB FINANCIAL CORP.
DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN
OFFERING MEMORANDUM

October 21, 2015

HCB Financial Corp. (the "Corporation") is offering shareholders of the Corporation the opportunity to purchase additional shares of the Corporation's common stock ("Common Stock"). The HCB Financial Corp. Dividend Reinvestment and Stock Purchase Plan (the "Plan") offers shareholders a simple and convenient method for purchasing additional shares of Common Stock using cash dividends and optional cash investments.

Any Shareholder may elect to participate in the Plan by returning the enclosed Authorization Card or Stock Purchase Form. The Corporation is authorized to sell up to \$1,000,000 of Common Stock in any 12-month period under the Plan. The Plan relies upon an exemption from registration under Rule 504 of Regulation D; accordingly, in no instance may the Corporation sell more than \$1,000,000 of Common Stock in any 12-month period. The price paid for shares of Common Stock will be determined in the manner described in this Offering Memorandum.

This Offering Memorandum is intended to explain the manner in which the Plan operates and how you may purchase shares of Common Stock of the Corporation under the Plan. For a discussion of investment considerations associated with the purchase of the Common Stock please see the "Risk Factors" section below. It is suggested that this Offering Memorandum be retained for future reference.

No person has been authorized to give any information or to make any representation in connection with this offering other than those contained or incorporated by reference in this Offering Memorandum and, if given or made, such information or representation must not be relied upon as having been authorized by the Corporation. Neither the delivery of this Offering Memorandum nor any sale made pursuant to the Plan shall under any circumstances create an implication that there has been no change in the facts set forth herein or the affairs of the Corporation since the date of this Offering Memorandum.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SHARES OF COMMON STOCK OFFERED HEREBY ARE NOT SAVINGS ACCOUNTS, DEPOSITS OR OTHER OBLIGATIONS OF A BANK OR SAVINGS ASSOCIATION AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY. INVESTMENT IN THE COMMON STOCK INVOLVES INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL. IN ADDITION, DIVIDENDS MAY GO UP, DOWN OR CEASE.

OFFERING MEMORANDUM

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Summary of the Plan

The following summary does not purport to be complete and is qualified in its entirety by the more detailed information in the Plan and appearing elsewhere herein. Certain terms in this summary are defined elsewhere in this Offering Memorandum.

The HCB Financial Corp. Dividend Reinvestment and Stock Purchase Plan (the "Plan") (a copy of which is has been attached as Exhibit A to this Offering Memorandum) offers qualified shareholders a simple and convenient method for purchasing additional shares of Common Stock. Additional shares may be acquired by using cash dividends and optional cash investments. The Plan is only available to shareholders who are registered holders of the Corporation's common stock on the books of the Corporation ("Shareholders"). Under the Plan, beneficial owners of Common Stock whose shares are registered in street or nominee names do *not* qualify as Shareholders to participate in the Plan; such beneficial owners may become registered holders by having their shares reissued in their individual name on the books of the Corporation.

Any Shareholder may elect to participate in the Plan by returning the enclosed Authorization Card or Stock Purchase Form. The Corporation is authorized to sell up to 40,000 shares of Common Stock in any one calendar year and, in compliance with Rule 504 of Regulation D of the Securities Act of 1933, as amended, up to \$1,000,000 of Common Stock in any 12-month period under the Plan.

The Corporation is a registered bank holding company organized and existing under the laws of the State of Michigan. The Corporation serves as the holding company for Hastings City Bank, a Michigan banking corporation. Our principal executive office is located at 150 West Court Street, Hastings, MI 49058, and our telephone number is (269) 945-2401. As used in this Offering Memorandum, unless the context requires otherwise, "we," "us," and "our" means the Corporation in its capacity as issuer of Common Stock.

If you are a qualified Shareholder, you may participate in the Plan and become a Participant. The Plan provides you with a convenient method of purchasing shares of Common Stock without paying any brokerage commissions (except in connection with open market purchases by the Administrator) or service charges. The shares purchased under the Plan will be authorized but unissued shares of Common Stock or shares of Common Stock purchased by the Corporation on the open market. The Plan does not represent a change in the Corporation's dividend policy or a guarantee of future dividends, which will continue to depend on earnings, financial and regulatory requirements, as well as other factors. **Please see the "Risk Factors" section beginning on page 11 below.**

Participants in the Plan may acquire shares of Common Stock under the Plan by returning the enclosed Authorization Card and/or Stock Purchase Form and electing to participate via the following options:

- (a) reinvesting all of your cash dividends on Common Stock that is held in your name; or
- (b) reinvesting any portion of your cash dividends (in amounts not less than 10% of your dividends) and continuing to receive a check for the balance of the dividends on your shares of Common Stock that are held in your name; or
- (c) making optional cash investments to the Plan on a periodic basis of not less than \$50 nor more than \$3,000 per quarter.

The price paid for shares of Common Stock will be determined in the manner described below (see Question 9). The Corporation, however, reserves the right to modify the pricing or any other provision of the Plan at any time.

Our Use of Proceeds

We propose to use the net proceeds from the sale of any newly-issued shares of Common Stock pursuant to the Plan, when and as received, for general corporate purposes and working capital. We have no basis for estimating precisely either the number of shares of Common Stock that may be sold under the Plan or the prices at which such shares will be sold.

Frequently Asked Questions

The following questions and answers describe the provisions of the Plan under which we will sell, and you may purchase, shares of Common Stock through the automatic reinvestment of cash dividends paid on shares of Common Stock and pursuant to the optional cash investment feature of the Plan.

1. What is the purpose of the Plan?

The purpose of the Plan is to provide you with a simple and convenient method of investing in shares of Common Stock by reinvesting all or a portion of your cash dividends (not less than 10%) on Common Stock; or by you paying additional periodic optional cash investments of not less than \$50 nor more than \$3,000 per quarter to the Plan. The shares of Common Stock acquired under the Plan will be purchased by the Plan Administrator from authorized but unissued shares held by the Corporation or shares of Common Stock purchased on the open market (see Question 7).

You pay no brokerage commissions or service charges in connection with purchases of Common Stock under the Plan (see Question 3) except in connection with the payment of commissions on open market purchases. The purchase of fractions of shares, as well as full shares, of Common Stock is permitted, and dividends on fractions of shares will be used to purchase additional shares. The Plan avoids the necessity of safekeeping your certificates for shares of Common Stock credited to your account under the Plan. Statements of account will be issued to simplify record keeping.

2. Who administers the Plan?

Continental Stock Transfer and Trust (“CST”) has been appointed by the Corporation to serve as the Plan Administrator and is responsible for administering the Plan. The Plan Administrator administers the Plan, keeps records, sends statements of account activity and performs other duties related to the Plan. Shares of Common Stock purchased under the Plan and held by the Plan Administrator will be registered in the name of its nominee account. In the event that the Plan Administrator should cease to act as agent for any reason, we will make other arrangements as we deem appropriate for the administration of the Plan.

CST’s customer service representatives are available from 8:30 a.m. to 5:30 p.m. (EST) Monday through Friday at 1- (800) 509-5586.

Also, any questions regarding your account may be mailed to:

Continental Stock Transfer and Trust Company 1
State Street – 30th Floor
New York, NY 10004
CST may also be contacted via internet at
drp@continentalstock.com

3. Are there out of pocket expenses?

There are no costs in connection with transactions under the Plan. Under the Plan, we sell authorized but unissued shares of Common Stock directly to the Plan Administrator or purchase shares of Common Stock on the open market (see Question 9). You incur no cost other than the purchase price. Any service charges, such as the Plan Administrator's fee, except for the payment of brokerage commissions for open market purchases are paid by the Corporation.

4. Who is eligible to participate?

If you are a registered holder of Common Stock you are eligible to participate. If you are a beneficial owner of Common Stock whose shares are registered in street or nominee name, you are not eligible to participate. If you wish to participate and you are not a registered holder, you should contact your broker or agent to change the manner in which your shares are held.

5. How do I enroll in the Plan?

You may enroll in the Plan at any time by completing an Authorization Card or Stock Purchase Form and returning it to the Plan Administrator in the manner described in Question 2. Authorization Cards and Stock Purchase Forms may be obtained from the Plan Administrator. Once you enroll in the Plan, you need not submit a new Authorization Card or Stock Purchase Form unless a change in the type of participation is desired. Such a change would include, for instance, a decision to make or stop automatic optional periodic cash payments to the Plan (see Question 7).

The reinvestment of dividends will start with the next dividend payment after receipt of the Authorization Card, provided it is received by the Plan Administrator on or before the record date for that dividend; otherwise, the reinvestment of dividends will be delayed until the next dividend payment date.

Additional optional cash investments from participants of not less than \$50 nor more than \$3,000 per quarter may be made to purchase additional shares of our Common Stock (for further clarification see Question 7).

6. What are my options under the Plan?

The Plan provides for several different options of investment. The enclosed Authorization Card and Stock Purchase Form provide for the purchase of shares of Common Stock through the following investment options:

A. "Full Dividend Reinvestment" directs us to pay to the Plan Administrator all of your cash dividends on all of the shares of Common Stock then or subsequently registered in your name;

B. "Partial Dividend Reinvestment" directs us to pay to the Plan Administrator a percentage of your cash dividends (although not less than 10%) on shares of Common Stock

registered in your name and permits you to continue to receive the balance of the cash dividends paid on the shares of Common Stock registered in your name; and

C. "Optional Cash Investment" permits you to make additional periodic cash investments to the Plan of not less than \$50 nor more than \$3,000 per quarter for the purchase of shares of Common Stock. Payment may be made by check or by automatic bank withdrawal from your United States bank account. The Corporation will apply any optional cash investment received with Stock Purchase Form (see Question 7) to the purchase of shares of Common Stock under the Plan.

Cash dividends on shares of Common Stock credited to your Plan account will be reinvested in accordance with the Plan, unless you direct otherwise.

7. How does the Plan work?

a. Source of Shares

The source of the shares of Common Stock to be purchased under the Plan shall be authorized but unissued shares purchased directly from us by the Plan Administrator or authorized and issued shares purchased by the Plan Administrator on the open market.

b. Dividend Reinvestment

You may reinvest dividends in shares of Common Stock by instructing the Corporation on an Authorization Form to reinvest dividends paid on your shares of Common Stock. The reinvestment of dividends will occur following each dividend payment date. On each dividend payment date, your full or partial cash dividend will be remitted to the Plan Administrator. The Plan Administrator will then reinvest that dividend, as well as the full cash dividend on shares of Common Stock credited to your Plan account, in shares of our Common Stock and will credit whole and fractional shares to your Plan account (computed to 3 decimal places). A fractional share of Common Stock will earn a proportionate share of future dividends. Such purchases will be made by the Plan Administrator promptly, except where temporary curtailment or suspension of purchases is necessary to comply with applicable provisions of federal or state laws.

c. Optional Cash Investment

You may also invest in shares of Common Stock by making optional cash investments to the Plan and instructing the Corporation on a Stock Purchase Form to purchase shares of Common Stock. Participants in the Plan have no obligation to make any optional cash investment. The amount of each optional investment may vary, subject to the minimum investment amount of not less than \$50 and maximum investment amount of not more than \$3,000.

Optional cash investments may be made by check or by automatic bank withdrawal. If all or part of your optional cash investment is not enough to purchase a whole share of Common Stock, a fractional share (computed to 3 decimal places) will be credited to your Plan account and will earn a proportionate share of future dividends. Optional cash investments will be made on each

dividend payment (referred to as an "Investment Date") in accordance with your election form that is in effect before that Investment Date. Any changes to your election form on or after an Investment Date will not be effective until the following dividend payment date (Investment Date). If an optional cash payment is received on or after the applicable Investment Date, or more than thirty (30) days prior to the next Investment Date, the Plan Administrator will return that payment to you. Also, the Plan Administrator will return any cash payments received from you and for which you request a return of that payment if the request is received by the Plan Administrator at least two (2) business days prior to the Investment Date.

An optional cash investment may be made when enrolling by checking the appropriate box on the Stock Purchase Form and either enclosing a check with the Stock Purchase Form or completing the section of the Stock Purchase Form titled "Automatic Bank Withdrawal" with accurate information for your United States bank account, including an account with Hastings City Bank. Thereafter, you may make an optional cash investment by submitting another Stock Purchase Form in the manner described in Question 10 and either including a check with the Stock Purchase Form or completing the section of the Stock Purchase Form titled "Automatic Bank Withdrawal" with accurate information for your United States bank account. Checks must be in United States dollars and should be made payable to the Corporation. If you elect to make optional cash investments by automatic bank withdrawal, the Corporation will process such investment in accordance with your election form that is in effect immediately on or before the record date for the corresponding dividend payment date. We will continue to make such investment until you notify the Corporation to cease such automatic bank withdrawals by giving notice to the Corporation in the manner described in Question 10.

If a Participant's optional cash payment is returned as unpaid, the Plan Administrator reserves the right to debit any un-invested cash. If the optional cash investment has been made, then the Plan Administrator reserves the right to sell the shares that were purchased to satisfy the insufficient funds. If the sale of the shares purchased is not sufficient to satisfy the insufficient funds, the Plan Administrator will sell additional shares from the Participant's account to satisfy the insufficient funds. In addition, additional shares will be sold from the Participant's account to satisfy insufficient funds fee of \$35.

8. What happens if I cease to become a shareholder of record?

If you dispose of all of your shares of Common Stock registered in your name, the Plan Administrator will continue to reinvest the dividends on the shares credited to your Plan account until otherwise notified. Optional cash investments will not be processed following the Corporation's receipt of notice that you are no longer a shareholder of the Corporation. See Question 13 regarding your withdrawal from the Plan.

9. At what price will the Shares be Purchased?

The per-share purchase price of shares of Common Stock purchased pursuant to the Plan will be:

(a) for shares of Common Stock purchased from us, such value determined by a valuation conducted by an independent valuation firm conducted as of the end of the immediately preceding calendar quarter; or

(b) if the Common Stock is purchased on the open market, such value as the Plan Administrator, in good faith, shall negotiate with the potential seller. In making the determination to purchase, the Plan Administrator will consider such factors as the Corporation in its sole and absolute discretion deems relevant.

10. How do I change my investment decision?

You may change your investment options by submitting a new Authorization Card or Stock Purchase Form to the Plan Administrator at the address provided to you by the Plan Administrator. For the dividend reinvestment portion of the Plan, any amendment to a Participant's investment option received by the Plan Administrator on or before the record date shall be effective for the Investment Date associated with that dividend payment.

Any amendment to a Participant's election form for the optional cash investment received by the Plan Administrator before the next dividend payment date shall be effective for that Investment Date. Any amendment to a Participant's election form received by the Plan Administrator on or after the next dividend payment will not be effective until the following Investment Date. You may also make additional optional cash investments by submitting a Stock Purchase Form to the Plan Administrator in the manner set forth in Question 2.

11. Are stock certificates issued?

Certificates for shares of Common Stock purchased for you will be registered in the name of the Plan Administrator's nominee account and will not be issued in your name while you are enrolled in the Plan; however, share certificates may be issued to you with respect to whole shares of Common Stock if you withdraw from participation in the Plan and request a distribution of your Plan account (see Question 15). This practice is intended to protect against loss, theft or destruction of stock certificates. Purchases credited to your Plan account will be confirmed by the Plan Administrator as soon as practicable after such purchases are completed.

You may, if you wish to do so, deposit certificates for Common Stock now or hereafter registered in your name for credit as accrued shares under the Plan. Such certificates will be transferred to the Plan Administrator or its nominee as your agent. There is no charge for this service. Because you will bear the risk of loss in sending the certificates to the Plan Administrator, it is recommended that they be sent by registered mail, return receipt requested, and properly insured. The certificates need not be endorsed.

12. How do I vote my Shares under the Plan?

For each meeting of shareholders, you will receive proxy materials that will enable you to vote both the shares of Common Stock credited to your Plan account as well as the shares of Common Stock that you own outside of the Plan.

13. How and when may I withdraw from the Plan?

You may withdraw from the Plan at any time by giving written notice to the Plan Administrator.

Dividend Reinvestment. A request to withdraw from the dividend reinvestment feature of the Plan will be effective as soon as possible. Any request to withdraw from the Plan received by the Plan Administrator at least three (3) business days prior to a dividend payment date, that dividend will be paid in cash. If the request is received later than the deadline in the previous sentence, you will continue to be enrolled in the dividend reinvestment feature until the next scheduled dividend payment date. Thereafter, your withdrawal from the Plan will be effective.

Optional Cash Payment(s). A request to withdraw from the optional cash investment feature of the Plan will be effective as soon as possible. No investment shall be made on your behalf if your withdrawal is received by the Plan Administrator prior to the record date for the next dividend payment (Investment Date). If the request is received later than the deadline in the previous sentence, the next scheduled automatic bank withdrawal, if any, will be processed, and the request to withdraw will be effective thereafter.

Your request to withdraw will not constitute a request that the Corporation distribute to you your shares in the Plan account. If you have withdrawn from Plan participation, you may make a written request to the Plan Administrator to receive your Plan shares. As soon as practicable following receipt of your distribution request, the Plan Administrator will send you, at no charge, a certificate for the whole shares of Common Stock in your Plan account and a cash payment will be made for any fraction of a share in your Plan account.

14. What are the tax consequences of the plan?

(a) You are advised to consult your own tax advisors with respect to the tax consequences of your participation in the Plan. The reinvestment of cash dividends, or making optional cash investments to the Plan does not relieve you of any income tax payable on such income. In general, we believe that shareholders who participate in the Plan will have the same Federal income tax consequences with respect to dividends payable to them, as any other holder of record of Common Stock. You will be treated for Federal income tax purposes as having received on each dividend payment date, a dividend equal to the full amount of the cash dividend payable with respect to your shares, even though you do not actually receive that amount in cash but, instead, it is applied to the purchase of additional shares of Common Stock for your account under the Plan.

(b) Any service charges paid by us on your behalf should not be subject to income taxes when the Plan Administrator purchases shares of Common Stock on behalf of the Plan.

(c) You will not realize any taxable income upon receipt of certificates for whole shares of Common Stock acquired through the Plan. However, if you receive a cash payment for a fractional share credited to your Plan account, you may have a gain or loss recognized with respect to such fraction. Gain or loss may be recognized by you when whole shares of Common Stock are sold by you after withdrawal from the Plan. The amount of such gain or loss will be the difference between the amount you receive for your shares and the purchase price, or cost, thereof. Such gain or loss will be capital in character if such share is a capital asset in your hands. You should retain the Plan Administrator's statements of your Plan account to determine the tax basis of shares of Common Stock acquired through the Plan.

15. Can the Corporation suspend or modify the Plan?

We reserve the right to interpret and regulate the Plan as we deem desirable or necessary. Notwithstanding any other provision of the Plan, our Board of Directors (or any designated committee thereof) reserves the right to suspend, modify or terminate the Plan at any time, but such action shall have no retroactive effect that would prejudice your interests. It is important to understand that purchases under the Plan are limited to 40,000 shares per calendar year, and the Corporation is required to suspend the Plan in the event that the total purchases under the Plan would exceed \$1,000,000 in any 12 consecutive month period. Notice of any such suspension, modification or termination will be sent to you. The terms and conditions of the Plan and its operation is governed by the laws of the state of Michigan.

16. What are the Corporation's Responsibilities?

Neither we nor the Plan Administrator shall be liable in administering the Plan for any act done in good faith, or for any good faith omission to act, including, without limitation, any claims of liability: (i) arising out of failure to terminate your Plan account upon your death prior to receipt of notice in writing of such death; (ii) with respect to the prices at which shares of Common Stock are purchased for your Plan account or the time when such purchases are made (provided, however, that nothing herein shall be deemed to constitute a waiver of any rights that you might have under the Securities Exchange Act of 1934 or other applicable federal and state securities laws); and (iii) for any fluctuations in the market price after purchase of shares of Common Stock.

17. Are there any restrictions on the resale of my Shares?

The shares of Common Stock purchased under the Plan have not been registered under the Securities Act of 1933 or other securities laws, and will be sold without any such registration in reliance upon the exemption from registration afforded by Rule 504 and Regulation D promulgated under the Securities Act of 1933. Accordingly, the Common Stock is being offered and sold only to certain current shareholders.

Each purchaser of the shares of Common Stock under the Plan shall not resell or otherwise transfer any Common Stock, except pursuant to an effective registration statement under the Securities Act of 1933; or in a transaction exempt from, or not subject to, the registration requirements of the Securities Act of 1933.

Each certificate representing shares of Common Stock sold pursuant to the Plan will bear a legend substantially to the following effect:

THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS. THE SHARES MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, TRANSFERRED, OR OTHERWISE DISPOSED OF WITHOUT AN EFFECTIVE REGISTRATION.

Risk Factors

Investing in our Common Stock involves risk. A prospective investor should, before investing, carefully consider the following risk factors. You will not know the purchase price of the Common Stock at the time you authorize an investment.

You will not know the price of our Common Stock at the time you authorize an investment under the Plan to occur at a future date, such as a future dividend payment date. The price of our Common Stock may fluctuate between the time you authorize an investment under the Plan and the time of actual purchase of the Common Stock. As a result, you may purchase Common Stock at a price higher than the price you anticipated when you first authorized the investment.

Absence of a Public Market and Limited Liquidity

There is no active public trading market for the Common Stock and an active trading market is not expected to develop. Consequently, you may not be able to sell your Common Stock. Moreover, the Common Stock will not be transferable unless it is subsequently registered under the Securities Act of 1933 and applicable state "blue sky" laws, or unless exemptions from registration under the Securities Act of 1933 and such state laws are then available (see Question 17). You should consider carefully the limited liquidity of this investment before participating in the Plan.

We May in the Future Issue Additional Shares of Common Stock

The Board of Directors of the Corporation will continue to have authority to issue additional shares of Common Stock from time to time. Any future issuances of Common Stock may result in dilution of the value of the shares you acquire pursuant to the Plan.

No Assurance of Dividends

As a holding company, our cash flow typically comes from dividends that Hastings City Bank pays to us. Statutory provisions restrict the amount of dividends Hastings City Bank can pay to us. In addition, if Hastings City Bank were to liquidate, its creditors would be entitled to receive distributions from assets to satisfy their claims against it before we, as a holder of an equity interest in Hastings City Bank, would be entitled to receive any of such assets. Accordingly, our ability to pay dividends is substantially dependent on the performance and

earnings of Hastings City Bank. We are also subject to regulatory limitations of the Board of Governors of the Federal Reserve on payment of dividends by bank holding companies in some circumstances.

Moreover, the amount of future dividends is at the discretion of our Board of Directors and principally depends upon our earnings, our financial condition, the capital requirements of Hastings City Bank and other factors. There can be no assurance that we will pay dividends on shares of our Common Stock, and if paid, no assurance regarding the timing and amount of such dividends.

Regulatory Environment

The Corporation and Hastings City Bank are subject to extensive state and federal regulation and supervision. Legislation and regulations have had and will continue to have significant impact on our business. Changes in regulations or government policies could increase our costs of doing business and could adversely affect our results of operations. We are subject to supervision and regulation by the Michigan Department of Insurance and Financial Services and the Federal Reserve System. This supervision and regulation is primarily for the protection of depositors, investors and the public and is not for the protection of shareholders. We are also regulated by the Federal Deposit Insurance Corporation (the "FDIC"), which regulation is intended primarily for the protection of the FDIC insurance funds and depositors. These various banking regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities. Regulations have been implemented in the past that have increased capital requirements, increased insurance premiums and resulted in increased administrative, professional and compensation expenses, and other changes may be made in the future. Any change in the regulatory structure or the applicable statutes or regulations could have a material adverse impact on us. Additional legislation and regulations may be enacted or adopted in the future which could significantly affect the powers, authority and operations of our competitors, which in turn could have a material adverse effect on our operations.

Interest Rate Risks and Economic Conditions

The results of operations for financial institutions, including Hastings City Bank, may be materially and adversely affected by changes in prevailing economic conditions, such as declines in real estate market values, rapid changes in interest rates, and the monetary and fiscal policies of the federal government. Our profitability is in large part a function of the spread between the interest rates earned on investments and loans and the interest rates paid on deposits and other interest-bearing liabilities. Over the last few years, interest rate spreads have generally narrowed due to changing market conditions and competitive pricing pressure, and there can be no assurance that such factors will not continue to exert such pressure or that higher interest rate spreads will return. Like most banking institutions, our net interest spread and margin will be affected by general economic conditions and other factors that influence market interest rates, most of which are outside of our control, and our ability to respond to changes in such rates. At any given time, our assets and liabilities could be such that they are affected differently by a given change in interest rates. As a result, an increase or decrease in rates, the length of loan terms or the mix of adjustable rate loans in our portfolio could have a positive or negative effect on the Corporation's net income or loss, capital and liquidity.

Competition

The banking business in our market area has become increasingly competitive over the past several years, and the level of competition facing us may increase further. We believe we can compete effectively with the existing banks, credit unions and savings institutions through an active business development plan and by offering local access, competitive products and services and more responsive customer service. Recent legislation, court decisions and administrative actions have expanded the areas of business activities in which banks, credit unions and other financial institutions can participate. To the extent that others engage in these activities, we expect the level of competition to increase. Some of our non-bank competitors are not subject to a similar degree of regulation and supervision that we are. Most of the banks, credit unions and other financial institutions with which we compete have capital resources and legal loan limits substantially in excess of those available to us. Some of these institutions can offer certain services to their customers that we presently do not offer directly. To the extent that our competitors expand their operations in our market area, we could be adversely affected.

Geographic Concentration

A substantial majority of our business is with companies and individuals in Barry, Calhoun, Eaton, Kent and Allegan Counties, Michigan. Any decline in the economy of these areas, the state of Michigan or southwest lower Michigan generally, could adversely affect the Corporation.

Allowance for Loan Losses

We monitor and review loan quality regularly. The determination of the overall allowance for loan losses and the amount of additions to the allowance that are charged to earnings on a periodic basis is to a large extent an exercise of management judgment, based on a variety of factors, including assessment of the credit risk of the portfolio, delinquent loans, evaluation of current economic conditions in the market area, actual charge-offs during the year and historical loss experience. While we believe that the current allowance for loan losses is adequate to provide for estimated probable credit losses inherent in our loan portfolio, there is no assurance that the provision is sufficient. The effects on borrowers of a weakening economy and other factors could render our allowance for loan losses insufficient and result in substantial charges to earnings to maintain an adequate allowance.

Special Note Regarding Forward Looking Statements

This Offering Memorandum may contain certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Corporation intends such forward looking statements to be covered by the safe harbor provisions for forward looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of these safe harbor provisions. Forward looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Corporation, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. The Corporation's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations and future prospects of the Corporation and its subsidiary are discussed in this Offering Memorandum. Forward looking statements contained herein speak only as of the date of this Offering Memorandum. Unless required by law, we undertake no obligation to update publicly or revise any forward looking statements to reflect new information or future events or otherwise.

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Exhibit A

HCB FINANCIAL CORP.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN