

October 18, 2016

Dear Shareholders and Friends, Ladies and Gentlemen,

We are pleased to present to you selected financial highlights of Huron Community Financial Services, Inc. (HCFSI) and Huron Community Bank (HCB) for the period ending September 30, 2016.

HCFSI (In Thousands)

Net Income for our holding company through September 30, 2016 was \$1,063 as compared to \$892 for the same period last year. Return on Average Equity was 5.95% and Return on Average Assets was 0.74% compared to 5.08% and 0.61% respectively at September 30, 2015. Book value of your common stock is \$43.32 and Earnings per Share are \$1.91. At September 30, 2016 the share-holder equity is \$24,184.

HCB (In Thousands)

Net Income through the end of the third quarter 2016 was \$1,182 compared to \$959 for the same period last year. September 30, 2016 Return on Average Equity was 7.00% with Return on Average Assets of 0.84% compared to 5.75% and 0.66% respectively at September 30, 2015. Total assets at the end of the third quarter were \$206,223 versus \$205,898 in 2015. Total loans ended the third quarter at \$140,213 while total deposits were \$175,747.

Year to Date Financial Performance

The third quarter continues to show solid performance for our bank. Third quarter results for net income were ahead of both budget forecast and actual year over year. The improved performance is a result of the continued growth we are experiencing in our loan portfolio, a decrease in operating expenses, and continued improvement in our Net Interest Margin. YTD 2016 net interest margin was 3.71% compared to 3.48% at the end of the third quarter 2015. Total outstanding loans at the end of September 2016 were \$140.2 million compared to \$132.8 million at September 2015 month end. The third quarter also showed a strong improvement in Asset Quality ratios.

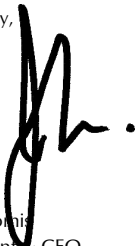
Commercial loan demand has been steady through the first three quarters. We are seeing a good mix of commercial real estate transactions along with a few new equipment purchases. The retailers in our communities continue to post solid profits as well. Our newest location in West Branch has been a good source of new mortgage business as well as landing additional business clients in the West Branch market. Mortgage volume remains stable in the region with a majority of the activity coming from home purchases. With rates still at historic lows we are also seeing continued refinance and consolidation activity. On a national level, with the advent of Brexit, interest rates remain low and few economists are predicting any significant increase in those rates over the balance of the year.

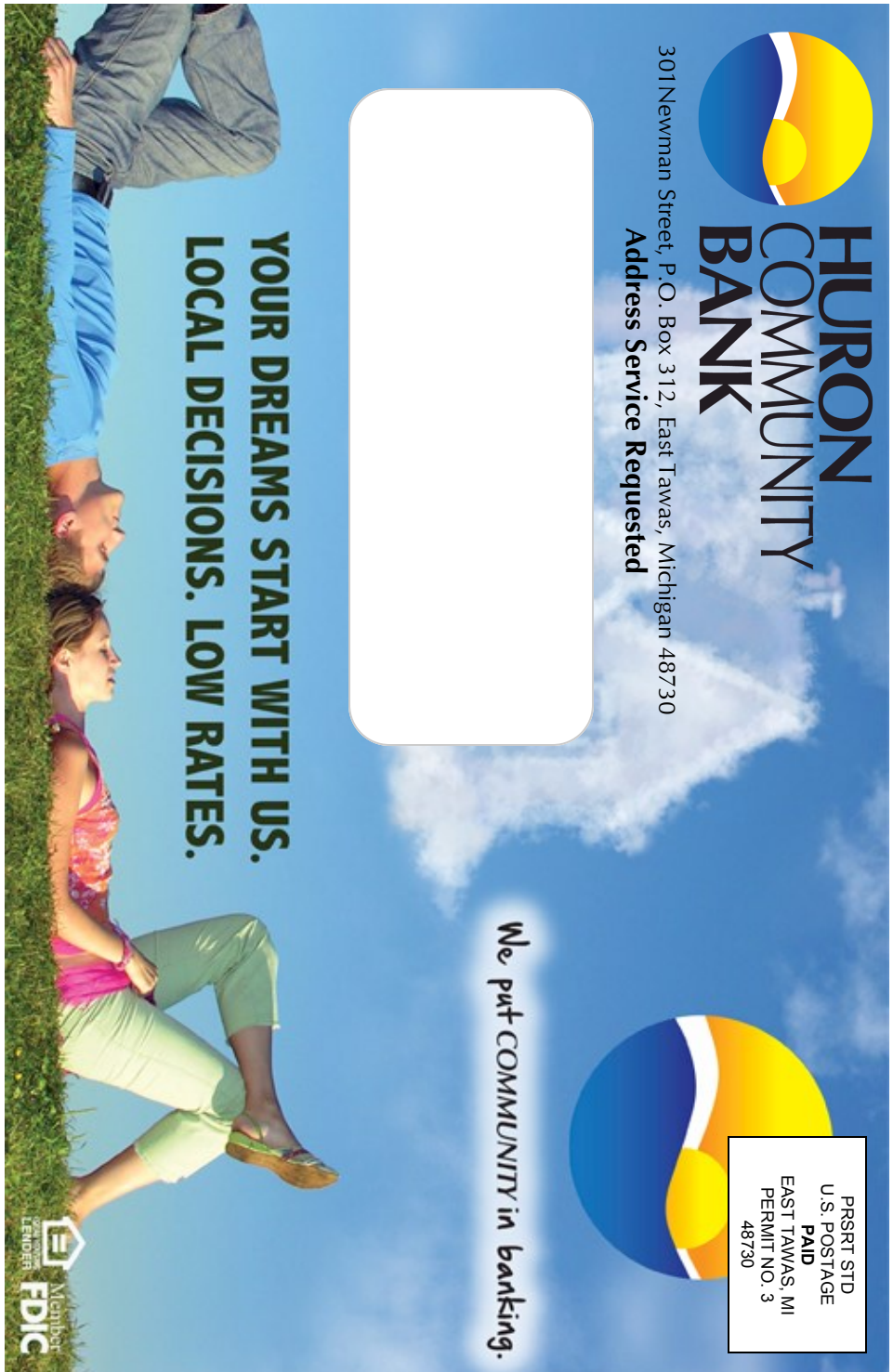
Cash Dividend Declared

Your Board of Directors declared a cash dividend of \$0.27 per share to shareholders of record at October 5, 2016. This represents the 91st consecutive quarter in which a cash dividend has been paid to our shareholders. The dividend was paid on October 15, 2016. If you are not already enrolled in our dividend reinvestment program I would encourage you to do so. It is a great way to increase investment in the bank!

As always I encourage you to reach out to me if you should have any questions or concerns. We appreciate your continued support and investment in HCFSI/HCB and "Community Banking" as we continue to make a difference in people's lives.

The ladies and gentlemen of HCB thank you for your support and welcome your comments.

Sincerely,

Jeff Loomis
President & CEO



**HURON
COMMUNITY
BANK**

301 Newman Street, P.O. Box 312, East Tawas, Michigan 48730
Address Service Requested

**YOUR DREAMS START WITH US.
LOCAL DECISIONS. LOW RATES.**

We put **COMMUNITY** in banking.

Member
Lender
FDIC

PRSR STD
U.S. POSTAGE
PAID
EAST TAWAS, MI
PERMIT NO. 3
48730

HCFSI Consolidated Balance Sheet
(000's Omitted)

HCFSI Consolidated Report of Income
(000's Omitted)

Huron Community Bank
Financial Highlights

ASSETS	(Unaudited)	(Unaudited)	Nine Months Ended	(Unaudited)	(Unaudited)	PROFITABILITY	(Unaudited)	(Unaudited)
	9/30/2016	9/30/2015		9/30/2016	9/30/2015		9/30/2016	9/30/2015
Cash & Due From Banks	\$ 27,923	\$ 28,218	Interest on Loans	\$ 4,676	\$ 4,477			
Investment Securities	28,774	34,060	Interest on Investments	454	470	Net Income (In thousands)	\$ 1,182	\$ 959
Total Loans	140,212	132,792	TOTAL INTEREST INCOME	5,130	4,947	Return on Assets - Year-to-date annualized	0.84%	0.66%
Allowance for Loan Loss	(1,885)	(1,634)	INTEREST EXPENSE	292	289	Return on Equity - Year-to-date annualized	7.00%	5.75%
Net Loans	138,328	131,158	NET INTEREST INCOME	4,837	4,658	Net Interest Margin - Year-to-date annualized	3.71%	3.48%
Bank Premises & Equipment	2,731	2,722	Fees on Loans	316	452	SELECTED BALANCES (In Thousands)		
Accrued Interest Receivable	478	525	Other Income	711	1,059		Total Assets	\$ 206,223
Intangible Assets	405	405	Total Other Operating Income	1,027	1,511	Total Loans	\$ 140,213	\$ 132,792
Other Assets	8,775	10,100	Salaries and Benefits (net)	2,409	2,315	Total Deposits	\$ 175,747	\$ 173,783
TOTAL ASSETS	\$ 207,414	\$ 207,187	Fixed Expense	639	617	Stockholder's Equity	\$ 22,989	\$ 22,464
LIABILITIES & EQUITY			Variable Expense	1,302	1,679	<p>HURON COMMUNITY FINANCIAL SERVICES, INC.</p> <p><u>BOARD OF DIRECTORS</u> Alan J. Stephenson, Chairman Wayne D. Bigelow, Vice Chairman Thomas B. Huck David H. Cook Matthew W. Buresh Mark D. Elliott Gary J. Thibault Jeffrey B. Loomis</p> <p><u>DIRECTORS EMERITUS</u> Richard M. Harris Earl T. O'Loughlin Howard C. Look Robert D. Hodges Monty L. Kruttlin Robert M. Beneson</p>		
			Loan Loss Provision	110	400			
			Loss (Gain) on Assets	45	(1)			
			Other Operating Expense	4,504	5,010			
			NET INCOME BEFORE INCOME TAXES	1,360	1,159			
			FEDERAL INCOME TAXES	296	267			
			NET INCOME	\$ 1,063	\$ 892			
			Basic Earnings Per Share	\$ 1.91	\$ 1.61			
			Book Value Per Share	\$ 43.32	\$ 42.79			
			Cash Dividends Declared Per Share	\$ 0.81	\$ 0.75			
Total Deposits	\$ 175,706	\$ 173,627	NET INCOME	\$ 1,063	\$ 892			
Repurchase Agreements	6,903	9,328	Other Operating Expense	4,504	5,010			
FHLB Borrowings	0	0	NET INCOME BEFORE INCOME TAXES	1,360	1,159			
Other Liabilities	622	367	FEDERAL INCOME TAXES	296	267			
TOTAL LIABILITIES	183,231	183,322	NET INCOME	\$ 1,063	\$ 892			
Common Stock	558	558	Basic Earnings Per Share	\$ 1.91	\$ 1.61			
Surplus	17,595	17,573	Book Value Per Share	\$ 43.32	\$ 42.79			
Retained Earnings	5,699	5,534	Cash Dividends Declared Per Share	\$ 0.81	\$ 0.75			
Unrealized Gain(Loss) Inv. Sec. AFS	331	200						
TOTAL SHAREHOLDERS EQUITY	24,184	23,865						
TOTAL LIABILITIES & EQUITY	\$ 207,414	\$ 207,187						

East Tawas Office
301 Newman Street
East Tawas, MI 48730
(989) 362-6700
(989) 362-8982 FAX

Tawas City Office
410 East Lake Street
Tawas City, MI 48763
(989) 362-8671
(989) 362-3743 FAX

Oscoda Office
5077 North US-23
Oscoda, MI 48750
(989) 739-9125
(989) 739-0370 FAX

Lincoln Office
327 Traverse Bay Road
Lincoln, MI 48742
(989) 736-6727
(989) 736-3451 FAX

AuGres Office
3150 East Huron
AuGres, MI 48703
(989) 876-8068
(989) 876-6599 FAX

Harrisville Office
423 East Main Street
Harrisville, MI 48740
(989) 724-6719
(989) 724-6755 FAX

West Branch Office
2210 South M76
West Branch, MI 48861
(989) 362-6700
(989) 343-0811 (FAX)