

October 15, 2019

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, 2019.

**HCFSI (In Thousands)**

Net Income for our holding company through September 30, 2019 was \$1,609 as compared to \$1,451 for the same period last year. Return on Average Equity was 7.95% and Return on Average Assets was 0.97% compared to 7.91% and 0.92% respectively at September 30, 2018. Book value of your common stock is \$49.04 per share and Earnings per Share are \$2.82. At September 30, 2019 the share-holder equity is \$28,191.

**HCB (In Thousands)**

Net Income through the end of the third quarter 2019 was \$1,679 compared to \$1,512 for the same period last year. September 30, 2019 Return on Average Equity was 8.77% with Return on Average Assets of 1.03% compared to 8.62% and 0.98% respectively at September 30, 2018. Total assets at the end of the third quarter were \$235,094 versus \$224,631 in 2018. Total loans ended the third quarter at \$143,855 while total deposits were \$200,284.

**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 actual year over year. The improved performance is a result of the continued growth we are experiencing in our loan portfolio, growth in our investment portfolio, and a decrease in operating expenses. YTD 2019 net interest margin was 3.87% compared to 3.83% at the end of the third quarter 2018. Total outstanding loans at the end of September 2019 were \$143.9 million compared to \$142.0 million at September 2018 month end.

The bank balance sheet growth was the largest contributor to overall profitability in the 3<sup>rd</sup> quarter. Our total of \$235,094 is the largest asset size your bank has reached. The deposit growth has been primarily in the stable core deposits portion of the bank. The “Locally Owned for Better Banking” campaign has continued to make a valuable impact in the market. We continue to face strong competition from the “tax subsidized” credit unions along with the larger regional banks but we still see very positive results because of your professional team of “Community Bankers”. At the branch level, West Branch has continued to outperform its deposit growth budget for the year as branch traffic continues to rise.

On a national level, both political and economic pressure is forcing the Federal Reserve to lower its prime rate. The lower rates should spur real estate refinancing and additional investments from our commercial clients. Your management team is prepared as it continues to monitor the interest rate landscape closely to make the necessary changes to keep your bank profitable. Closer to home the local economy remains stable. The retail sector and the auto dealers had a strong summer spurred on by low unemployment and strong consumer confidence

**Cash Dividend Declared**

Your Board of Directors declared a cash dividend of \$0.38 per share to shareholders of record at October 4, 2019. This represents the 103<sup>rd</sup> consecutive quarter in which a cash dividend has been paid to our shareholders. The dividend was paid on October 15, 2019. 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  
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**HCFSI Consolidated Balance Sheet**  
(000's Omitted)

**HCFSI Consolidated Report of Income**  
(000's Omitted)

**Huron Community Bank**  
**Financial Highlights**

	(Unaudited) 9/30/2019	(Unaudited) 9/30/2018	Nine Months Ended	(Unaudited) 9/30/2019	(Unaudited) 9/30/2018		(Unaudited) 9/30/2019	(Unaudited) 9/30/2018
<b>ASSETS</b>						<b>PROFITABILITY</b>		
Cash & Due From Banks	\$ 45,040	\$ 40,908	Interest on Loans	\$ 5,477	\$ 5,197	Net Income (In thousands)	\$ 1,679	\$ 1,512
Investment Securities	36,272	32,331	Interest on Investments	1,167	814	Return on Assets - Year-to-date annualized	1.03%	0.98%
Total Loans	143,854	142,019	<b>TOTAL INTEREST INCOME</b>	<b>6,644</b>	<b>6,011</b>	Return on Equity - Year-to-date annualized	8.77%	8.62%
Allowance for Loan Loss	(1,835)	(1,907)	INTEREST EXPENSE	752	490	Net Interest Margin - Year-to-date annualized	3.87%	3.83%
Net Loans	142,019	140,112	<b>NET INTEREST INCOME</b>	<b>5,892</b>	<b>5,521</b>			
Bank Premises & Equipment	2,847	2,595	Fees on Loans	343	285	<b>SELECTED BALANCES (In Thousands)</b>		
Accrued Interest Receivable	753	739	Other Income	744	768	Total Assets	\$ 235,094	\$ 224,631
Intangible Assets	405	405	Total Other Operating Income	1,086	1,053	Total Loans	\$ 143,855	\$ 142,020
Other Assets	8,701	8,462	Salaries and Benefits (net)	2,826	2,769	Total Deposits	\$ 200,284	\$ 191,751
<b>TOTAL ASSETS</b>	<b>\$ 236,037</b>	<b>\$ 225,552</b>	Fixed Expense	642	587	Stockholder's Equity	\$ 26,942	\$ 23,922
			Variable Expense	1,553	1,555			
<b>LIABILITIES &amp; EQUITY</b>			Loan Loss Provision	58	(76)			
Total Deposits	\$ 200,129	\$ 191,591	Loss (Gain) on Assets	(26)	14			
Repurchase Agreements	3,740	8,089	Other Operating Expense	5,053	4,849			
FHLB Borrowings	0	0	<b>NET INCOME BEFORE INCOME TAXES</b>	<b>1,925</b>	<b>1,725</b>			
Other Liabilities	4,048	856	FEDERAL INCOME TAXES	316	274			
<b>TOTAL LIABILITIES</b>	<b>207,918</b>	<b>200,537</b>	<b>NET INCOME</b>	<b>\$ 1,609</b>	<b>\$ 1,451</b>			
Common Stock	573	559	Basic Earnings Per Share	\$ 2.82	\$ 2.61			
Surplus	18,366	17,604	Book Value Per Share	\$ 49.04	\$ 44.76			
Retained Earnings	8,736	7,373	Cash Dividends Declared Per Share	\$ 1.14	\$ 0.90			
Unrealized Gain(Loss) Inv. Sec. AFS	443	(520)						
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>28,119</b>	<b>25,015</b>						
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 236,037</b>	<b>\$ 225,552</b>						

**HURON COMMUNITY FINANCIAL SERVICES, INC.**

**BOARD OF DIRECTORS**

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