

October 17, 2017

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, 2017.

**HCFSI (In Thousands)**

Net Income for our holding company through September 30, 2017 was \$1,107 as compared to \$1,063 for the same period last year. Return on Average Equity was 6.01% and Return on Average Assets was 0.74% compared to 5.95% and 0.74% respectively at September 30, 2016. Book value of your common stock is \$44.47 and Earnings per Share are \$1.97. At September 30, 2017 the share-holder equity is \$24,744.

**HCB (In Thousands)**

Net Income through the end of the third quarter 2017 was \$1,296 compared to \$1,182 for the same period last year. September 30, 2017 Return on Average Equity was 7.45% with Return on Average Assets of 0.88% compared to 7.00% and 0.84% respectively at September 30, 2016. Total assets at the end of the third quarter were \$214,637 versus \$206,223 in 2016. Total loans ended the third quarter at \$141,600 while total deposits were \$183,427.

**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 growth in our investment portfolio, and a decrease in operating expenses. Net interest margin (NIM) was impacted by a move in the Fed Fund Rates. YTD 2017 NIM was 3.75% compared to 3.71% at the end of the third quarter 2016. Total outstanding loans at the end of September 2017 were \$141.6 million compared to \$140.2 million at September 2016 month end. The third quarter also showed a strong improvement in our Asset Quality ratios.

Your Board of Directors and Management Staff are pleased to announce that on September 29, 2017 Huron Community Bank (HCB) entered into a "Purchase of Assets and Assumption of Liabilities Agreement" with First Federal of Northern Michigan (FFNM) to purchase the assets and liabilities of First Federal's Oscoda branch. HCB will acquire approximately \$11 million in deposits, loans and cash. The transaction does not include any buildings, equipment or property. Pending regulatory approval we anticipate the deal will close on or near December 15, 2017.


**Cash Dividend Declared**

Your Board of Directors declared a cash dividend of \$0.28 per share to shareholders of record at October 5, 2017. This represents the 95th consecutive quarter in which a cash dividend has been paid to our shareholders. The dividend was paid on October 16, 2017. 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!

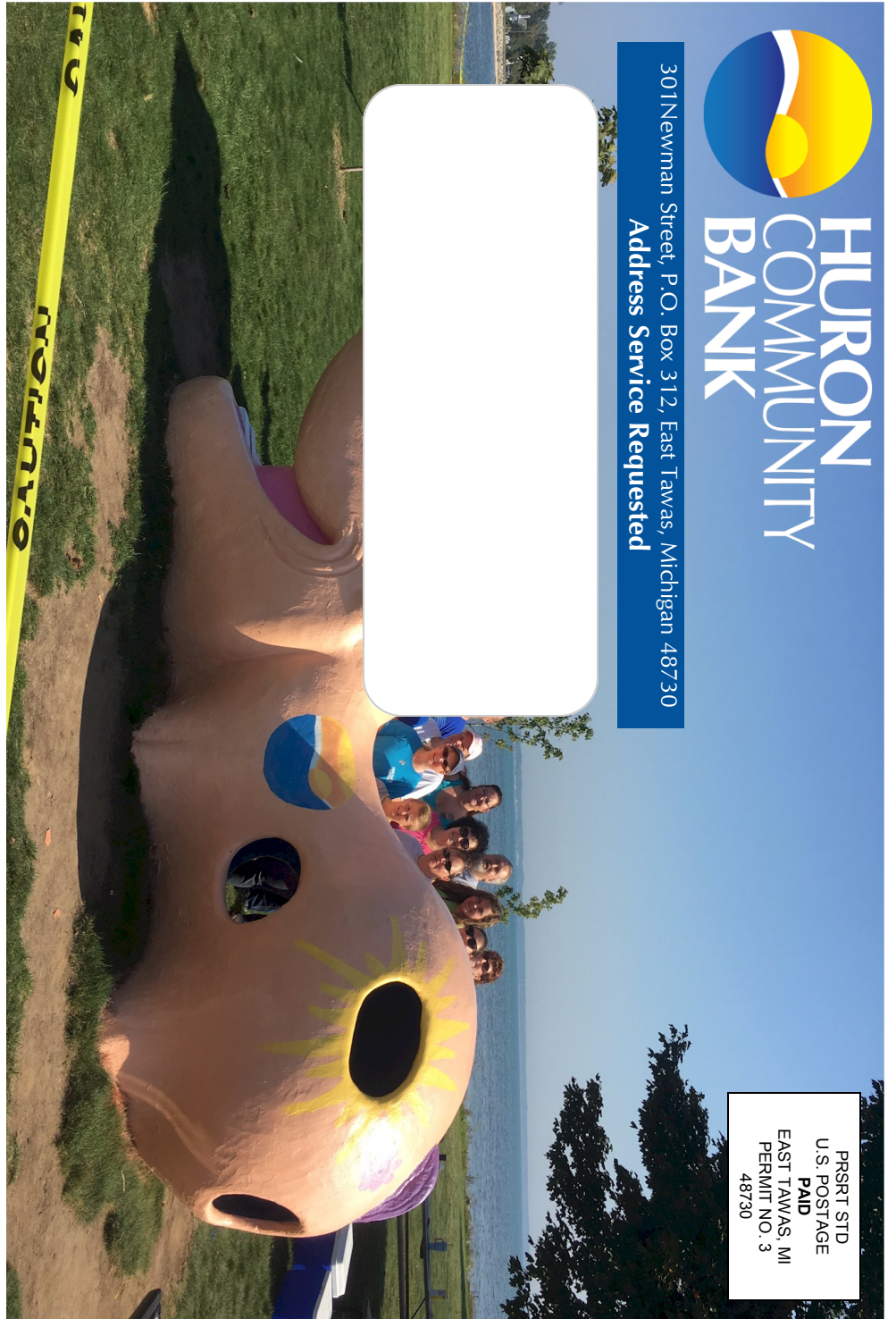
As always I encourage you to reach out to me if you should have any questions or concerns. We appreciate your continued support and investment in HCFSI/HCB and "Community Banking" as we continue to make a difference in people's lives.

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

Sincerely,



Jeff Loomis  
President & CEO



**HURON  
COMMUNITY  
BANK**

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**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)
	9/30/2017	9/30/2016		9/30/2017	9/30/2016		9/30/2017	9/30/2016
Cash & Due From Banks	\$ 33,322	\$ 27,923	Interest on Loans	\$ 4,879	\$ 4,676	Net Income (In thousands)	\$ 1,296	\$ 1,182
Investment Securities	30,482	28,774	Interest on Investments	524	454	Return on Assets - Year-to-date annualized	0.88%	0.84%
Total Loans	141,599	140,212	<b>TOTAL INTEREST INCOME</b>	<b>5,403</b>	<b>5,130</b>	Return on Equity - Year-to-date annualized	7.45%	7.00%
Allowance for Loan Loss	(1,959)	(1,885)	INTEREST EXPENSE	298	258	Net Interest Margin - Year-to-date annualized	3.75%	3.71%
Net Loans	139,640	138,328	<b>NET INTEREST INCOME</b>	<b>5,105</b>	<b>4,872</b>	SELECTED BALANCES (In Thousands)		
Bank Premises & Equipment	2,742	2,731	Fees on Loans	327	316	Total Assets	\$ 214,637	\$ 206,223
Accrued Interest Receivable	589	478	Other Income	545	711	Total Loans	\$ 141,600	\$ 140,213
Intangible Assets	405	405	Total Other Operating Income	872	1,027	Total Deposits	\$ 183,427	\$ 175,747
Other Assets	8,602	8,775	Salaries and Benefits (net)	2,425	2,409	Stockholder's Equity	\$ 23,605	\$ 22,989
<b>TOTAL ASSETS</b>	<b>\$ 215,784</b>	<b>\$ 207,414</b>	Fixed Expense	623	639			
			Variable Expense	1,355	1,302			
LIABILITIES & EQUITY			Loan Loss Provision	85	110			
Total Deposits	\$ 183,411	\$ 175,706	Loss (Gain) on Assets	(34)	45			
Repurchase Agreements	6,858	6,903	Other Operating Expense	4,454	4,504			
FHLB Borrowings	0	0	<b>NET INCOME BEFORE INCOME TAXES</b>	<b>1,523</b>	<b>1,394</b>			
Other Liabilities	771	622	FEDERAL INCOME TAXES	416	296			
<b>TOTAL LIABILITIES</b>	<b>191,040</b>	<b>183,231</b>	<b>NET INCOME</b>	<b>\$ 1,107</b>	<b>\$ 1,098</b>			
Common Stock	556	558	Basic Earnings Per Share	\$ 1.97	\$ 1.97			
Surplus	17,490	17,595	Book Value Per Share	\$ 44.47	\$ 43.32			
Retained Earnings	6,471	5,699	Cash Dividends Declared Per Share	\$ 0.84	\$ 0.81			
Unrealized Gain(Loss) Inv. Sec. AFS	227	331						
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>24,744</b>	<b>24,184</b>						
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 215,784</b>	<b>\$ 207,414</b>						

**HURON COMMUNITY FINANCIAL SERVICES, INC.**

**BOARD OF DIRECTORS**

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Wayne D. Bigelow, Vice Chairman  
Thomas B. Huck  
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Gary J. Thibault  
Jeffrey B. Loomis

**DIRECTORS EMERITUS**

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