HURON COMMUNITY FINANCIAL SERVICES, INC.

HOLDING COMPANY FOR

301 Newman Street
East Tawas, Michigan 48730
Phone (989) 362-6700

COMMON STOCK
$5,000,000 per each 12
month period
(aggregated with all other offerings made pursuant to Section 3(b) of the
Securities Act of 1933, as amended)

FOR SALE PURSUANT TO THE HURON COMMUNITY FINANCIAL SERVICES, INC.
AUTOMATIC DIVIDEND REINVESTMENT PLAN

Huron Community Financial Services, Inc. (the "Company") hereby offers for sale up to $5,000,000 of its common stock (the "Common Stock") every 12 months to residents of the States of Michigan and Florida, pursuant to the Company's Automatic Dividend Reinvestment Plan.

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OF OR GIVE ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION; HOWEVER, THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION.

The securities offered hereby involve a high degree of risk. See **"Risk Factors"** on page 3 for certain items you should consider prior to making an investment in the Common Stock. This Offering made on a "best efforts - no minimum" basis and has no fixed termination date. No proceeds raised pursuant to this offering will be held in escrow or in trust pending the termination of the Offering.

The Date of This Offering Circular is April 18, 2022.

THE SECURITIES 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, THE DEPOSIT INSURANCE FUND OR ANY OTHER GOVERNMENT AGENCY.

THE SECURITIES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK. THERE IS NO ASSURANCE THAT OUR OPERATIONS WILL BE PROFITABLE OR THAT LOSSES WILL NOT OCCUR. INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED OR APPROVED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO BROKER-DEALER, SALESMAN, AGENT OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFERING HEREBY MADE OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR OR EFFECTIVE LITERATURE.

THIS IS A BEST EFFORTS OFFERING, AND THE ISSUER HAS THE EXCLUSIVE RIGHT TO SELECT POTENTIAL OFFEREES UNDER THE OFFERING. ONLY THOSE SHAREHOLDERS RESIDING IN THE STATES OF MICHIGAN AND FLORIDA ARE PERMITTED TO PARTICIPATE IN THE OFFERING AT THIS TIME. THE ISSUER RESERVES THE RIGHT TO ACCEPT OR REJECT ANY SUBSCRIPTION AND WILL PROMPTLY NOTIFY THE SUBSCRIBER OF ACCEPTANCE OR REJECTION. THERE IS NO ASSURANCE THAT THIS OFFERING WILL BE FULLY SUBSCRIBED, AND THE ISSUER HAS NO INTENTION OF RETURNING ANY FUNDS RELATED TO ACCEPTED SUBSCRIPTIONS. THE ISSUER ALSO RESERVES THE RIGHT TO WITHDRAW OR CANCEL THE OFFERING AT ANY TIME WITHOUT NOTICE.

THE OFFERING PRICE HAS BEEN ARBITRARILY SELECTED BY THE ISSUER. THERE IS NO ESTABLISHED SECONDARY TRADING MARKET FOR THESE SECURITIES, AND LITTLE LIKELIHOOD OF SUCH A MARKET DEVELOPING IN THE NEAR FUTURE. UNLESS A MARKET IS ESTABLISHED, PURCHASERS MIGHT NOT BE ABLE TO SELL THEIR SECURITIES. MOREOVER, THE SECURITIES OFFERED HEREBY ARE NOT FREELY TRANSFERABLE BECAUSE SUCH SECURITIES ARE SUBJECT TO CERTAIN RIGHTS OF REFUSAL GRANTED TO THE COMPANY UNDER THE COMPANY'S RESTATED ARTICLES OF INCORPORATION. A LEGEND INDICATING THIS RESTRICTION ON TRANSFER HAS BEEN PLACED ON ALL OUTSTANDING CERTIFICATES EVIDENCING SUCH SECURITIES. AS A RESULT OF THE FOREGOING RESTRICTIONS, PURCHASERS OF THESE SECURITIES SHOULD INTEND TO HOLD THEIR INVESTMENT FOR AN EXTENDED PERIOD AND BE ABLE TO WITHSTAND THE TOTAL LOSS OF THEIR INVESTMENT.

SUMMARY OF THE OFFERING CIRCULAR

The following summarizes certain information contained elsewhere in this Offering Circular. You should read this summary only in conjunction with the complete text of this Offering Circular and its Exhibits.

The Company and the Bank

The Company, a registered financial holding company, conducts all of its business activities through its sole wholly-owned bank subsidiary, Huron Community Bank (the "Bank"). Since 1927, the Bank has been a community bank. It now serves Tawas City, East Tawas, Lincoln, Oscoda, AuGres, Harrisville, and West Branch, Michigan.

The Offering

Securities Offered	Up to $5,000,000 of shares of the Company's Common Stock per each 12 month period, subject to aggregation with all other sales made by the Company during the period pursuant to an exemption under Section 3(b)(1) of the Securities Act of 1933.
Offering Price	The Company's Board of Directors, in its absolute discretion, has established the offering price of $64.00 per share, which offering price may not represent the fair market value of the Shares. See "The Offering."
Common Stock Outstanding	592,735 shares as of April 18, 2022.
Restrictions on Transfer	The Shares will be subject to the Company's right of first refusal granted under the Company's Restated Articles of Incorporation and will bear legends to that effect.
Plan of Distribution	The Shares are being offered on a "best efforts, no minimum" basis to existing shareholders residing in the States of Michigan and Florida under the Company's Automatic Dividend Reinvestment Plan (the "Plan"). This offering is being made pursuant to a claim of exemption from registration under the Federal securities laws pursuant to Section 3(b)(1) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 504 of Regulation D thereunder. See "The Offering."

Risk Factors

An investment in the securities hereby offered is speculative and involves a high degree of risk, including risks related to the Company's stock and risks associated with the Company's business. The several risk factors discussed in this Offering Circular, along with the other matters discussed in this Offering Circular, should be considered in making an investment decision. See "Risk Factors."

Use of Proceeds

While the Company has no specific plans for the investment of the proceeds of this Offering, it anticipates that the majority of the net proceeds will be used to further capitalize the Bank in order to fund its general corporate purposes, including, but not necessarily limited to, the continued support of residential and commercial lending activity in the communities it serves. See "Use of Proceeds."

RISK FACTORS

An investment in the Company's common stock is subject to risks inherent to the Company's business. Described below are certain risks and uncertainties that management has identified as material. Before making an investment decision, investors should carefully consider the risks and uncertainties described below together with all the other information included in this offering document.

If any of the following risks actually occur, the Company's financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of the Company's common stock could decline significantly, and investors would lose all or part of their investment.

Risks Related to the Company's Stock

No Public Market. There is no public market for the Common Stock and it is not likely that a public market will develop in the foreseeable future. Consequently, the Company cannot make any assurances as to the liquidity, marketability or price stability of the Common Stock.

Limited Transferability. The Common Stock is subject to a significant restriction on transferability contained in the Restated Articles of Incorporation of the Company, which gives the Company a right of first refusal in respect of any proposed sale or transfer of the Common Stock. For more information regarding this restriction, see "Description of Capital Stock - Limited Transferability of Capital Stock." Since the shares will not be freely transferable, they should be acquired for investment purposes only and not with a view toward transfer or resale.

Offering Price. The Company in its discretion has established the offering price of $64.00 per share. Although the offering price per share is based in part on a valuation of the Common Stock as of December 31, 2021, the offering price per share has no direct relationship to earnings or any other independently established "market price" for the Common Stock. Consequently, the offering price may not reflect the actual fair market value of the Company's Common Stock.

Dividend Restrictions. We are dependent primarily upon the earnings of the Bank for funds to pay dividends on the Common Stock. The payment of dividends by us is also subject to regulatory restrictions. As a result, any payment of dividends in the future will be dependent, in large part, on our ability to satisfy these regulatory restrictions and our subsidiaries' earnings, capital requirements, financial condition and other factors. Although our financial earnings and financial condition have allowed us to declare and pay regular cash dividends to our shareholders, there can be no assurance that

our dividend policy or size of dividend distribution will continue in the future. Our failure to pay dividends on the Common Stock could have a material adverse effect on the value of the Common Stock.

Anti-Takeover Measures. The Restated Articles contain provisions that could discourage the acquisition of control of the Company without the support of the Board of Directors of the Company. The number of shares of Common Stock now or in the future held by the management of the Company and the Bank may have a similar effect. These factors may impede the takeover of the Company without the approval of the Board of Directors of the Company, may result in the Company being less attractive to potential acquirer's and may result in stockholders receiving less for their shares than otherwise might be available.

Risks Related to the Company's Business

Economic Risk. The Company's success depends significantly on the general economic conditions of the State of Michigan. Unlike larger regional or national banks that are more geographically diversified, the Company provides banking and financial services to customers primarily in Northeast Michigan. The local economic conditions in these areas have a significant impact on the demand for the Company's products and services as well as the ability of the Company's customers to repay loans, the value of the collateral securing loans, and the stability of the Company's deposit funding sources.

The Company's primary markets experienced a significant economic downturn during the "great recession" that started in 2007, spurred in some measure by the collapse of the U.S. automobile industry and exacerbated by the overall turmoil in the financial services sector. As a consequence of the U.S. recession, businesses across a wide range of industries faced serious difficulties due to the lack of consumer spending and the lack of liquidity in the global credit markets. Unemployment also increased significantly. While the broader U.S. economy has been in a sustained recovery since 2009, there continues to be some weakness in business and economic conditions in the markets in which we do business. These conditions could adversely affect our businesses by, among other things, decreasing the demand for loans and other products and services that we offer, and increasing the number of borrowers who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us.

Market volatility. Over the past few years, the capital and credit markets have been experiencing volatility and disruption. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain borrowers without regard to their underlying financial strength. If such levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our businesses, financial condition and results of operations.

Lending Risk. There are inherent risks associated with the Company's lending activities. These risks include, among other things, the impact of changes in interest rates and changes in economic conditions in the markets where the Company operates as well as those across the State of Michigan and the United States. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. The Company is also subject to various laws and regulations that affect its lending activities. Failure to comply with applicable laws and regulations could subject the Company to regulatory enforcement action that could result in the assessment of significant civil money penalties against the Company.

The primary focus of the Bank is centered on commercial business loans which generally involve somewhat greater risk than residential mortgage loans. Commercial business loans may be unsecured or secured by special purpose or rapidly depreciating assets, such as equipment, inventory and receivables,

which may not provide an adequate source of repayment on defaulted loans. In addition, commercial business loans are dependent on the borrower's continuing financial strength and management ability, as well as market conditions for various products, services and commodities. For these reasons, commercial business loans generally provide higher yields than residential loans but also require more administrative and management attention. Loan terms, including the fixed or adjustable interest rate, the loan maturity and the collateral considerations, vary significantly and are often negotiated on an individual loan basis.

A significant portion of the Bank's loan portfolio is also secured by one-to-four family residential real estate. These types of loans have historically been viewed as lower risk of default than commercial and industrial or consumer loans. Recent market declines in values of both residential and commercial properties have elevated the risks for loans secured by real estate. An increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for loan losses, and an increase in loan charge-offs, all of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company maintains an Allowance for Loan Losses (the "Allowance"), which is a reserve established through a provision for loan losses charged to expense, that represents Management's best estimate of probable loan losses that have been incurred within the existing portfolio of loans. The Allowance, in the judgment of Management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The level of the Allowance reflects Management's continuing evaluation of loan loss experience, current loan portfolio quality, present economic, political, and regulatory conditions, and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the Allowance inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, and other factors, both within and outside of the Company's control, may require an increase in the Allowance. In addition, bank regulatory agencies periodically review the Company's Allowance and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different from those of management.

Interest Rate Risk. The Company's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest earned on interest earning assets such as loans and securities and interest paid on interest bearing liabilities such as deposits and borrowings. Interest rates are highly sensitive to many factors that are beyond the Company's control, including general economic and market conditions and policies of various governmental and regulatory agencies and, in particular, the Board of Governors of the Federal Reserve System. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Company receives on loans and investment securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect the Company's ability to originate loans and obtain deposits and the fair values of the Company's financial assets and liabilities. If the interest rates paid on deposits and other borrowings increase at a faster rate or decrease at a slower rate than the interest rates received on loans and investments, the Company's net interest income, and therefore earnings, could be adversely affected.

Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on the Company's results of operations, any substantial, unexpected, or prolonged change in market interest rates or in the term structure of interest rates could have a material adverse effect on the Company's financial condition and results of operations.

Regulatory Risk. The Company is subject to extensive federal and state regulation and supervision primarily intended to protect depositors' funds, federal deposit insurance funds, and the banking system as a whole. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy, and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations, and policies for possible changes. Changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, could affect the Company in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products the Company may offer and/or increase the ability of non-banks to offer competing financial products and services, among other things. Failure to comply with laws, regulations, or policies could result in sanctions by regulatory agencies, civil money penalties, and/or reputation damage, which could have a material adverse effect on the Company's business, financial condition, and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

During the great recession, there was a meaningful deterioration of the worldwide credit markets, which created significant challenges for financial institutions both in the United States and around the world. Dramatic declines in the housing market, marked by falling home prices and increasing levels of mortgage foreclosures, caused significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. The United States Government instituted a number of programs designed to increase credit availability, provide liquidity during the crisis and stabilize the banking system, some of which have started to be reversed. However, there may be additional governmental reform legislation enacted to provide greater supervision and regulation of the banking and financial service industry over the coming years. It is impossible to predict how these possible reforms may affect our ability to implement our business plans. These actions are intended to stabilize and improve the financial condition, risk profile, and capital adequacy of the industry and such financial institutions, but there can be no assurances that such actions will have the intended effects.

FDIC insurance premiums. The FDIC insures deposits held by FDIC-insured financial institutions, including the Bank. The FDIC charges the insured financial institutions premiums to maintain the Deposit Insurance Fund at a certain level. During the great recession, there were increased bank failures, which caused the FDIC to increase insurance premium rates and impose special assessments designed to rebuild the Deposit Insurance Fund and help maintain public confidence in the banking system. The FDIC also revised the risk-based formula used to determine the premiums due from financial institution under the insurance program. Those increases and assessments increased the Company's insurance expense, which in turn negatively affected our net income. However, recently the Deposit Insurance Fund has recovered and been strengthened and the deposit premiums have been reduced and in some cases resulted in refunds of premium payments. A reversal of this trend and additional premium increases or special assessments could increase the Company's insurance expense going forward.

Competition. The banking business is highly competitive. The Company competes with other commercial banks, savings and loan associations, credit unions, mortgage banking companies, securities brokerage companies, insurance companies, and money market mutual funds operating in Michigan and elsewhere. Many of these competitors have substantially greater resources and lending limits than the Company and offer certain services that the Company does not currently provide. In addition, non-depository institution competitors are generally not subject to the extensive regulation applicable to both the Company and the Bank.

Failure or Circumvention of Controls and Procedures. Management regularly reviews and updates the Company's internal controls and corporate governance policies and procedures. Any system

of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, results of operations, and financial condition.

Attraction and Retention of Key Personnel. Our success depends upon the continued service of our senior management team and upon our ability to attract and retain qualified financial services personnel. Competition for qualified employees is intense. We cannot assure you that we will be able to retain our existing key personnel or attract additional qualified personnel. If we lose the services of our key personnel, or are unable to attract additional qualified personnel, our business, financial condition and results of operations could be adversely affected.

Cautionary Statement Regarding "Forward-Looking" Information. This offering circular may include statements regarding our business and prospects, such as projections of future performance, statements of management's plans and objectives, forecasts of market trends, and other matters that are forward-looking statements. Statements containing the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimates," "projects," "believes," "expects," "anticipates," "intends," "target," "goal," "plans," "objective," "should" (or any similar expressions) identify forward-looking statements.

Our future results, including results related to forward-looking statements, involve a number of risks and uncertainties. No assurance can be given that the results reflected in any forward-looking statements will be achieved. Our forward-looking statements are based upon assumptions that are sometimes based upon estimates, data, communications and other information from suppliers, government agencies and other sources that may be subject to revision. Further, any forward-looking statement speaks only as of the date on which it is made, and new factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

DESCRIPTION OF THE COMPANY AND THE BANK

General

The Company is a registered financial holding company incorporated in Michigan in 1988. In early 1989, the Company purchased all of the issued and outstanding shares of capital stock of the Bank. All of the Company's traditional banking activities are conducted through the Bank, which was incorporated as a Michigan banking corporation in 1927 under the name "Peoples State Bank." Over the years, it has operated under the names "Michigan Bank - Huron" and, since 1989, "Huron Community Bank."

The Bank is a community bank serving Tawas City, East Tawas, Lincoln, Harrisville, Au Gres, Oscoda, and West Branch, Michigan and surrounding areas. The Bank is engaged in the business of commercial banking and exercises the powers of a full-service commercial bank (with the exception of trust services), and offers automated teller machines, drive-through banking facilities and Saturday banking hours at most of the Bank's locations. At the present time, the Bank continues to concentrate its efforts on core bank activities such as growing its deposit base and making mortgage, consumer and commercial loans.

Business Activities

Loan Portfolio. The Bank's primary lending focus is on commercial loans, particularly loans to small and medium sized businesses, but it also provides mortgage loans, home equity loans, installment loans, overdraft protection and credit cards. Despite its commercial lending focus, the Bank has also been one of the leading mortgage lenders in the Michigan Counties of Iosco and Alcona. The Bank does not engage in any sub-prime lending.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if principal or interest is considered doubtful. When a loan is placed in nonaccrual status, all accrued and unpaid interest is charged against interest income.

The Bank's Allowance for Loan Losses represents management's estimate of inherent credit losses in the Bank's loan portfolio. Because it is an estimate that is based on assumptions that are highly uncertain, if different assumptions were used or if any of the assumptions used were to change, there could be a material impact on the presentation of the Company's financial condition. These assumptions include, but are not limited to, collateral values and the effect of economic conditions on the financial condition of the borrowers. To determine the Allowance for Loan Losses, the Bank estimates losses on all loans that are not classified as non-accrual or renegotiated by applying historical loss rates to those loans. In addition, all loans that are nonaccrual or renegotiated are individually tested for impairment. Any amount of monetary impairment is included in the Allowance for Loan Losses on a loan by loan basis.

Investment Portfolio. The Bank maintains a conservative investment portfolio which includes agency bonds, investment-grade bonds, Federal Home Loan Bank stock, and Federal Reserve Bank stock.

Deposits. The Bank offers a full range of deposit products, including business checking, consumer checking, savings, certificate of deposit (to include jumbo CDs), individual retirement accounts, money market accounts and municipal investment accounts. The Bank's deposits are insured to the applicable limits by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation (the "FDIC").

Market Area Information

General. The Bank has its main office in East Tawas, Michigan approximately 115 miles north of Flint and operates seven branch offices in the Michigan Counties of Alcona, Arenac, Iosco, and Ogemaw Counties. The Bank owns all offices except West Branch which is leased. All locations have a drive-through facility except Harrisville and West Branch. The complete address of each of the Bank's banking offices is provided in the table below.

Office Address	City	Date Established
Alcona County, Michigan		
423 East Main Street	Harrisville	7/17/1998
327 Traverse Bay Road	Lincoln	6/16/1993
Arenac County, Michigan		
3150 East Huron Road, Sims Township	Au Gres	10/28/1985
Iosco County, Michigan		
301 Newman Street	East Tawas	6/14/1927
5077 North Huron Road	Oscoda Township	9/22/1975
410 Lake Street	Tawas City	4/7/1961
Ogemaw County, Michigan		
2210 South M-76	West Branch	7/24/2017

Competition

The Bank competes primarily with commercial banks, savings and loan associations, and credit unions located in and around its primary market area, but it also competes with other commercial banks, savings and loan associations, credit unions, mortgage banking companies, securities brokerage companies, insurance companies, and money market mutual funds operating in Michigan and elsewhere. Many of these competitors have substantially greater resources and lending limits than the Company and the Bank and offer certain services that the Company and the Bank do not currently provide.

Employees

Currently, the only employees of the Company are its officers. As of April 18, 2022, the Bank had 67 full-time employees and 1 part-time employees. The Bank provides a number of benefits for its full-time employees, including health and life insurance, pensions, workers' compensation, social security, paid vacations, and numerous bank services.

SUPERVISION AND REGULATION

Banking is a complex, highly regulated industry. Consequently, the growth and earnings performance of the Company and the Bank can be affected, not only by management decisions and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. The effect of these statutes, regulations and policies and any changes to any of them can be significant and cannot be predicted.

Financial institutions and their holding companies are extensively regulated under federal and state law. Consequently, our growth and earnings performance can be affected not only by management decisions and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. Those authorities include, but are not limited to, the Board of Governors of the Federal Reserve System (the “Federal Reserve”), the Federal Deposit Insurance Corporation (the “FDIC”), the Michigan Department of Insurance and Financial Services (the “DIFS”), the Internal Revenue Service, and state taxing authorities. The effect of such statutes, regulations and policies and any changes thereto can be significant and cannot be predicted. The primary goals of the bank regulatory scheme are to maintain a safe and sound banking system and to facilitate the conduct of sound monetary policy. The system of supervision and regulation applicable to the Company and the Bank establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC’s deposit insurance fund, the Bank’s depositors and the public, rather than the shareholders and creditors.

The following is a summary of the laws and regulations that apply to the Company and the Bank. This summary does not purport to be complete, and it may not contain all of the information pertinent to each investor. The operations of the Company and the Bank may be affected by legislative and regulatory changes as well as by changes in the policies of various regulatory authorities.

Huron Community Financial Services, Inc.

General. The Company, as the sole stockholder of the Bank, is a bank holding company. As a bank holding company, the Company is registered with, and is subject to regulation by, the FRS under the Bank Holding Company Act of 1956 (the "BHCA") as amended. In accordance with FRS policy, the Company is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank. Under the BHCA, the Company is subject to periodic examination by the FRS and is required to file with the FRS periodic reports of its operations and such additional information as the FRS may require. The Company is also subject to regulation by the Division under Ohio law.

Investments and Activities. Under the BHCA, a bank holding company must obtain FRS approval before acquiring substantially all the assets of any bank or bank holding company or ownership or control of any voting shares of any bank or bank holding company if, after such acquisition, it would own or control, directly or indirectly, more than five percent (5%) of the voting shares of such bank or bank holding company. The BHCA also prohibits the Company, with certain limited exceptions, from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company which is not a bank or bank holding company, and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. The principal exception to this prohibition allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the FRS to be so closely related to banking as to be a proper incident thereto.

Affiliate Transactions. Various governmental requirements, including Sections 23A and 23B of the Federal Reserve Act and Regulation W related to those provisions, limit borrowings by holding companies and other non-bank subsidiaries from affiliated insured depository institutions, and also limit other transactions between holding companies and their non-bank subsidiaries and their affiliated insured depository institutions. Section 23A of the Federal Reserve Act generally requires that an insured depository institution's loan to its non-bank affiliates be secured, and Section 23B of the Federal Reserve Act generally requires that an insured depository institution's transactions with its non-bank affiliates be on arms-length terms.

Control Acquisitions. The Change in Bank Control Act prohibits a person or group of persons from acquiring "control" of a bank holding company unless the FRS has been notified and has not objected to the transaction. Under the rebuttable presumption established by the FRS, the acquisition of 10% or more of a class of voting stock of a bank holding company would, under the circumstances set forth in the presumption, generally constitute the acquisition of control of a bank holding company.

Gramm-Leach-Bliley Act. The Financial Services Modernization Act of 1999, better known as the Gramm-Leach-Bliley Act (the "GLBA"), permits bank holding companies to become "financial holding companies" and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. A bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized, well managed and has at least a satisfactory rating under the Community Reinvestment Act. No regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the FRS. The GLBA defines "financial in nature" to include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and

activities that the FRS has determined to be closely related to banking. The Company has not elected to become a financial holding company under this regulatory framework.

Huron Community Bank

General. The Bank is a Michigan banking corporation and member of the Federal Reserve System. The Bank is therefore regulated by DIFS as well as the FRS. The regulatory agencies have the authority to regularly examine the Bank, which is subject to all applicable rules and regulations promulgated by its supervisory agencies. In addition, the deposits of the Bank are insured by the Federal Deposit Insurance Corporation up to applicable limits through the Deposit Insurance Fund ("DIF") and, therefore, the Bank is subject to FDIC regulations.

Deposit Insurance. The Bank's deposits are insured by the FDIC for a maximum of $250,000 per account title. For this protection, the Bank pays semi-annual statutory assessments and complies with the rules and regulations of the FDIC. The FDIC has adopted a risk-based assessment system using a bank's average consolidated total assets less its average tangible equity during the assessment period as the primary metric, with adjustments to insurance premiums based on the particular bank's risk classification. Institutions assigned to higher risk classifications (that is, institutions that pose a higher risk of loss to the deposit insurance fund) pay assessments at higher rates than institutions that pose a lower risk. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators. In addition, the FDIC can impose special assessments in certain instances. The FDIC may terminate its insurance of deposits if it finds that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

DIFS Assessments. Michigan banks are required to pay supervisory fees to the DIFS to fund their operations. The amount of supervisory fees paid by a bank is based upon the bank's total assets.

Regulatory Capital Requirements. The FRS, DIFS and FDIC require banks and holding companies to maintain minimum capital ratios. The Bank is required to maintain minimum levels of capital in accordance with FRS capital adequacy guidelines. If capital falls below minimum guideline levels, the Bank, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses. Beginning in 2015, the Bank was required to measure capital adequacy using Basel III accounting. Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. Reporting under the new rules began with the March 2015 quarterly regulatory filings. The capital requirements described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, the regulations provide that additional capital may be required to take adequate account of, among other things, interest rate risk or the risks posed by concentrations of credit, nontraditional activities or securities trading activities.

FDICIA. The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), and the regulations promulgated under FDICIA, among other things, established five capital categories for insured depository institutions-well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized-and requires U.S. federal bank regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements based on these categories. Unless a bank is well capitalized, it is subject to restrictions on its ability to offer brokered deposits and on certain other aspects of its operations. An undercapitalized bank must develop a capital restoration plan and its parent bank holding company must guarantee the bank's compliance with the plan up to the lesser of 5% of the bank's assets at the time it

became undercapitalized and the amount needed to comply with the plan. As of April 30, 2022, the Bank was well capitalized pursuant to these prompt corrective action guidelines.

Dividends. Under Michigan law, banks are restricted as to the maximum amount of dividends they may pay on their common stock. Our Bank may not pay dividends except out of its net income after deducting its losses and bad debts. A Michigan state bank may not declare or pay a dividend unless the bank will have a surplus amounting to at least 20% of its capital after the payment of the dividend.

Branching Authority. Michigan permits both U.S. and non-U.S. banks to establish branch offices in Michigan. The Michigan Banking Code permits, in appropriate circumstances and with the approval of the DIFS (1) acquisition of Michigan banks by FDIC-insured banks or savings banks located in other states, (2) sale by a Michigan bank of branches to an FDIC-insured bank or savings bank located in a state in which a Michigan bank could purchase branches of the purchasing entity, (3) consolidation of Michigan banks and FDIC-insured banks or savings banks located in other states having laws permitting such consolidation, (4) establishment of branches in Michigan by FDIC-insured banks located in other states, the District of Columbia or U.S. territories or protectorates having laws permitting a Michigan bank to establish a branch in such jurisdiction, and (5) establishment by foreign banks of branches located in Michigan.

Depositor Preference. The Federal Deposit Insurance Act provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors and shareholders of the institution.

Privacy Provisions of Gramm-Leach-Bliley Act. Under GLB, federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to non-affiliated third parties. The privacy provisions of GLB affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering Provisions of the USA Patriot Act of 2001. On October 26, 2001, the USA Patriot Act of 2001 (the "Patriot Act") was signed into law. The Patriot Act is intended to strengthen U.S. law enforcement's and the intelligence community's ability to work cohesively to combat terrorism on a variety of fronts. The potential impact of the Patriot Act on financial institutions of all kinds is significant and wide-ranging. The Patriot Act contains sweeping anti-money laundering and financial transparency laws and requires various regulations, including: (a) due diligence requirements for financial institutions that administer, maintain, or manage private bank accounts or correspondent accounts for non-U.S. persons; (b) standards for verifying customer identification at account opening; and (c) rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering.

Fiscal and Monetary Policies. The Bank's business and earnings are affected significantly by the fiscal and monetary policies of the federal government and its agencies. The Bank is particularly affected by the policies of the FRS, which regulates the supply of money and credit in the United States. Among the instruments of monetary policy available to the Federal Reserve are (a) conducting open market operations in United States government securities, (b) changing the discount rates of borrowings of depository institutions, (c) imposing or changing reserve requirements against depository institutions' deposits, and

(d) imposing or changing reserve requirements against certain borrowing by banks and their affiliates. These methods are used in varying degrees and combinations to affect directly the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. For that reason alone, the policies of the FRS can have a material effect on the earnings of the Bank.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), which is continuing to have a broad impact on the financial services industry. The Dodd-Frank Act created the Consumer Financial Protection Bureau ("Bureau"), which is tasked with establishing and implementing rules and regulations under certain federal consumer protection laws with respect to the conduct of providers of certain consumer financial products and services. The Bureau has rulemaking authority over many of the statutes governing products and services offered to bank consumers. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require further changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage ratio requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements.

Additional and Pending Regulation. The Bank is also subject to federal regulation relating to such matters as required reserves, limitation as to the nature and amount of its loans and investments, regulatory approval of any merger or consolidation, issuance or retirement of their own securities, limitations upon the payment of dividends and other aspects of banking operations. In addition, the activities and operations of the Bank are subject to a number of additional detailed, complex and sometimes overlapping laws and regulations. These include state usury and consumer credit laws, state laws relating to fiduciaries, the federal Equal Credit Opportunity Act and Regulation B, the federal Electronic Funds Transfer Act and Regulation E, the federal Fair Credit Reporting Act and Regulation V, the federal Real Estate Settlement Procedures Act (RESPA) and Regulation X, the federal Truth in Lending Act and Regulation Z, the federal Truth in Savings Act and Regulation DD, the Bank Secrecy Act, the federal Community Reinvestment Act, anti-discrimination and unfair or deceptive acts or practices laws and legislation, and antitrust laws.

Congress regularly considers legislation that may have an impact upon the operation of the Company and the Bank. At this time, the Company is unable to predict whether any proposed legislation will be enacted and, therefore, is unable to predict the impact such legislation may have on the operations of the Company and the Bank.

MANAGEMENT

Directors and Officers

The following table contains pertinent information concerning the present directors and executive officers of the Company and the Bank.

Name and Residence Address	Principle Occupation for Last 5 Years	Year Service Began	Company / Bank Position	Shares Owned Directly or Beneficially as of 4/18/2022	Exercisable Options as of 04/18/2022	% Ownership of Company
Wayne Bigelow 1109 Swenson Rd Omer, MI 48749	Retired Owner Marine Transport AuGres, MI	1997	Vice-Chairman / Vice-Chairman	30,305	2,725	5.57%
Matthew W. Buresh 4507 Gowen East Tawas, MI 48730	Funeral Director Buresh Funeral Homes, Inc.	2006	Director, Treasurer / Director	1,760	2,725	0.76%
David H. Cook 4385 M-72 Harrisville, MI 48740	Attorney David H. Cook, PC	2003	Director, Secretary / Director	8,348	2,725	1.87%
Larry J. Richardson 2300 Eagle Dr Standish, MI 48658	Owner & President Richardson Auto Group	2019	Director / Director	2,953	800	0.63%
Alan J. Stephenson 1160 Court Dr East Tawas, MI 48730	CPA Stephenson & Co., PC	1989	Chairman / Chairman	28,248	3,150	5.30%
Brenden A. Stephenson 1398 E Finerty Rd West Branch, MI 48661	CPA Stephenson & Co., PC	2022	Director / Director	853	0	0.14%
Gary J. Thibault 1590 Kings Corner Rd Mikado, MI 48745	President & CEO GT Plastics, Inc.	2015	Director, Vice President / Director	5,654	1,850	1.27%
Robert J. Thomas 278 Killarney Beach Rd Bay City, MI 48706	President & CEO Huron Community Bank	2021	Director, President & CEO / President & CEO	0	0	0.00%
John A. Emmendorfer, Jr. 555 Miller Rd Tawas City, MI 48763	Executive VP / CCO Huron Community Bank	2008	Executive VP, Chief Credit Officer	1,887	500	0.40%
Scott A. Peters 2109 Douglas Dr Tawas City, MI 48763	Senior VP / CLO Huron Community Bank	2014	Senior VP, Chief Lending Officer	481	2,072	0.43%
Totals for Share Ownership Numbers (1)				80,489	16,547	16.37%

(1) Percentage of ownership based on 592,735 shares of the Company's Common Stock as of April 18, 2022 and assumes the exercise of all outstanding options.

Outstanding options to purchase shares of Common Stock have been granted to the directors and certain key employees pursuant to: (1) the 2005 Nonemployee Director Stock Option Plan; (2) the 2005 Employee Stock Option Plan; and (3) the 2014 Stock Incentive Plan. The options are exercisable at any time prior to the respective expiration dates, ten years after grant date. The Company has also granted options to acquire a total of 5,800 shares to certain directors pursuant to its 2005 Nonemployee Director Discretionary Stock Option Plan. The exercise price under all of the foregoing options is the fair market value of the shares on the respective grant dates.

Compensation of Executive Officers and Directors

The following table sets forth: (i) the aggregate compensation paid by the Bank to its executive officers for 2020; and (ii) the projected aggregate compensation to be paid by the Bank to the executive officers for 2021.

Name and Title of Senior Executive Officers	**Components of Compensation**	**Aggregate Compensation for Mr. Thomas, Mr. Emmendorfer, and Mr. Peters as a group for 2021**	**Projected Aggregate Compensation for Mr. Thomas, Mr. Emmendorfer, and Mr. Peters as a group for 2022**
Robert J. Thomas President & CEO	Compensation for each individual identified consists of annual salary and a discretionary annual cash bonus. Compensation for Mr. Thomas also includes fees for service as a member of the board of directors.	$415,350	$518,858
John A. Emmendorfer, Jr. EVP / CCO			
Scott A. Peters SVP / CLO			

Directors of the Company do not receive compensation for their services as directors. Directors of the Bank receive $1,500 for each meeting of the Board of Directors of the Bank attended. The Chairman receives an additional $150 for each meeting of the Board of Directors of the Bank attended. Members of the Bank's credit and audit committee receive $250 for each meeting of such committee attended. Members of the Bank's other committees receive $175 for each meeting of such committee attended. Certain outside directors have also been designated as board officers of the holding company, but those individuals receive no additional compensation for serving in such capacities and have no additional policy making functions beyond their capacities as directors.

Transactions with Management

Some of the directors, executive officers and principal shareholders of the Company and/or the Bank and the companies with which they are associated are customers of and have had banking transactions with the Bank or lending company in the ordinary course of business. All loans and commitments for loans included in such transactions were made on substantially the same terms, including interest rates and collateral, as were prevailing at the time for comparable transactions with other persons. Such loans and commitments for loans do not involve more than a normal risk of collectability or present other unfavorable features. The Company and/or the Bank also expect to continue to have in the future, banking transactions in the ordinary course of its business

with directors, officers, principal shareholders and their associates, on substantially the same terns, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with others. Such transactions will not involve more than the normal risk of collectability or present other unfavorable features.

PRINCIPAL SHAREHOLDERS

As of the date hereof, no person owned of record or beneficially more than 10% of the outstanding shares of Common Stock. It is the intent of the Company that no persons, including affiliates of such person, will own greater than 10% of the outstanding shares of Common Stock subsequent to the Offering. However, it is possible that the 401(k) plan established for the benefit of the Bank's employees may in the aggregate hold greater than 10% of the Company's outstanding shares in the future, although no individual participant will have greater than 10% allocated to his/her individual account.

USE OF PROCEEDS

While the Company has no specific plans for the investment of the proceeds of this Offering, it anticipates that the majority of the net proceeds will be used to further capitalize the Bank in order to fund its general corporate purposes, including, but not necessarily limited to, the continued support of residential and commercial lending activity in the communities it serves. Some potential additional uses of the funding include:

- to invest in securities;
- to pay dividends to stockholders;
- to repurchase shares of its common stock;
- to finance the possible acquisition of financial institutions or other businesses related to banking; or
- the possible expansion of business activities.

While the Company anticipates using the majority of net proceeds to further capitalize the Bank, some net proceeds may be retained at the parent company for general corporate purposes. There are currently no plans, arrangements, or understandings regarding the possible acquisition of another financial institution or other business related to banking.

DESCRIPTION OF CAPITAL STOCK

The following description of the capital stock of the Company does not purport to be complete and is subject to and qualified in its entirety by reference to the Company's Restated Articles.

General

The Company’s total authorized capital stock currently consists solely of 1,000,000 shares of common stock, $1.00 par value per share. The Bank is the registrar and transfer agent for the Company’s Common Stock.

Common Stock

The holders of Common Stock are entitled to receive such dividends as may from time to time be declared by the Board of Directors. In the event of liquidation, they are entitled to share ratably in all assets of the Company available for distribution to holders of shares of Common Stock. With respect to the election of directors, and every other issue submitted to them as Company shareholders at a meeting of shareholders or otherwise, the shareholders are entitled to one vote per share of Common Stock. Holders of shares of Common Stock do not have preemptive rights.

Limited Transferability of Common Stock

Under Article III of the Restated Articles of Incorporation of the Company, and except in limited circumstances, none of the outstanding shares of Common Stock of the Company may voluntarily or involuntarily be transferred or sold unless and until the holder thereof (the "Holder") shall have first offered for sale such shares to the Company. Such restriction, however, does not apply to a transfer, by whatever means, to a spouse or lineal descendent of the Holder, a corporation, partnership or trust controlled by the Holder or to a trust or to a court appointed fiduciary for the benefit of the Holder. Prior to the amendment of the Articles of Incorporation at the 2013 annual meeting, the original incorporators had a secondary right of refusal in the event the Company chose not to exercise its right of refusal. That secondary right was eliminated with the amendment of the Articles.

Any Holder who desires to sell or otherwise transfer any or all of his or her shares of capital stock of the Company (a "Selling Holder") must first offer the same for sale to the Company by giving to the Company written notice, delivered to the President or Secretary of the Company, indicating: (i) the number of shares of Common Stock desired to be sold or otherwise transferred; (ii) the name and address of the proposed third-party purchaser(s) (the "Proposed Buyer"); (iii) the per share purchase price offered by the Proposed Buyer and any other material terms of the proposed sale or transfer; and (iv) either the number(s) of the subject certificate(s) for the shares of Common Stock proposed to be sold, if such shares are still in certificated form, or the shareholder account identification number for such shares if held in book-entry form.

The Board of Directors of the Company must within 30 days after receipt of the offer of sale (or within 120 days after receipt if acceptance of such offer by the Company requires prior regulatory approval) notify the Selling Holder in writing whether it desires to purchase the shares of Common Stock so offered for the sale on the terms and at the "Applicable Purchase Price" (as hereinafter defined). In the event that the Company notifies the Selling Holder of its acceptance of the offer of sale, then the Company's notification will specify a date not less than five nor more than 15 days after the date of such notice as the date on which the shares of Common Stock will be purchased by the Company. If the Company fails to purchase and pay for all of the shares of Common Stock so offered for sale, it shall be deemed to have rejected the offer.

Upon receipt of written notice of the Company's refusal to purchase the shares of Common Stock offered to it for sale, or if the Company does not purchase and pay for such shares of Common Stock upon the applicable terms and within the applicable time limitations, the Selling Holder may sell or otherwise transfer such shares of Common Stock to, and only to, the Proposed Buyer, at the offered price and upon the offered terms. However, if the sale or transfer to the Proposed Buyer is not made within 30 days after the Company's right to purchase such shares of Common Stock expires, then the above described provisions of Article III of the Restated Articles of Incorporation of the Company shall again apply to those shares.

The "Applicable Purchase Price" is determined as follows: If a Holder desires to sell and transfer shares of Common Stock of the Company pursuant to a written bona fide offer to purchase received by the Holder from an unrelated third party in an arms-length transaction, the purchase price at which the Company shall be entitled to purchase the shares proposed to be transferred will be the same price at which the Selling Holder desires to sell and

transfer shares to such unrelated third party. If the proposed transfer is a transfer not pursuant to a bona fide third party offer, the purchase by the Company shall be at a price per share equal to: (i) the value of such shares as determined by an independent consultant retained by the Company, if determined within the twelve month period preceding the month the notice for such purchase is received, or (ii) where no such valuation has been performed, at a price equal to the net book value of such shares on the last day of the month preceding the month in which such notice is received, as determined by the independent auditors then serving the Company.

The purchase price to be paid by the Company when purchasing Common Stock pursuant to the provisions of Article III of the Restated Articles of Incorporation of the Company, is payable in cash in full, unless otherwise agreed between the parties, on the date of the settlement for and delivery of the shares.

The Company is not required to accept any offer of sale made pursuant to Article III of the Company's Restated Articles of Incorporation. Failure of the Company to purchase any shares of Common Stock offered for sale and the sale or transfer thereof to any other person, firm or corporation, shall not, as to any future sale or other transfer of said shares, or of any shares of Common Stock issued in lieu thereof, discharge any of such shares of capital stock from any of the obligations and restrictions contained in the Restated Articles of Incorporation of the Company, as such obligations and restrictions are intended to apply to any and all sales or other transfers of shares of Common Stock of the Company whenever, however or by whomever acquired.

When the Company has repurchased shares in accordance with this authority, its general practice has been to immediately retire the shares upon repurchase in lieu of holding them as treasury shares. From an accounting perspective, the retirement of the shares generally involves a reduction to common stock for the amount of the aggregate par value of the repurchased shares and a concomitant reduction to retained earnings for the difference between the total purchase amount and the aggregate par value.

DESCRIPTION OF SHAREHOLDER RIGHTS

The following discussion is not meant to be relied upon as an exhaustive list or detailed description of the rights of holders of the Company's equity securities, and is not intended to constitute a detailed description of the Company's Restated Articles of Incorporation and Bylaws (collectively, the "Charter Documents") and the Michigan Business Corporation Act, as amended (the "MBCAA"). The following discussion is qualified in its entirety by reference to the Charter Documents and the MBCA.

General

The provisions of the Charter Documents and the MBCA govern the rights of holders of the Company's equity securities.

Board of Directors; Removal of Directors

The size of the whole Board of Directors of the Company is nine. The Board of Directors of the Company is divided into three classes of three directors each, with the term of office of one of such classes expiring in each year. At each annual meeting of shareholders, the successors to the directors of the class whose term is expiring at that time are elected to hold office for a term of three years. The provision in the Restated Articles of Incorporation of the Company setting forth the number and classification of the Board of Directors of the Company may not be amended, supplemented, modified or repealed unless (i) a majority of the Board of Directors of the Company recommends such a change and it is approved by not less than 66 2/3% of the outstanding voting shares, or (ii) such change is approved by not less than 80% of the outstanding voting shares.

With respect to an election of directors, a holder of Common Stock is entitled to one vote for each share held.

Under the MBCA, directors may be removed with or without cause unless the corporation's articles of incorporation provides otherwise. Since the Company's Restated Articles of Incorporation contain no contrary provision, the Company's directors are subject to removal by shareholders with or without cause.

Shareholder Voting Requirements

Generally, pursuant to the MBCA, all matters submitted to a vote of the Company's shareholders, are determined by a vote of the holders of shares entitling them to exercise a majority of the voting power of the Company. There are certain key exceptions to this general rule. First, directors are elected by the affirmative vote of a plurality of the vote cast at an election. Second, "supermajority" votes are required under the Restated Articles to amend certain sections of the Restated Articles, or to approve a sale, merger, consolidation or similar transaction (See "Board of Directors; Removal of Directors" above and "Anti-takeover Laws and Charter Provisions" below). Third, the MBCA imposes special voting requirements in connection with certain change of control transactions (See "Anti-Takeover Laws and Charter Provisions" below).

Anti-Takeover Laws and Charter Provisions

The Company is subject to the Michigan "Fair Price" statute (Chapter 7A of the MBCA), which applies to certain "business combinations" such as mergers, substantial sales of assets or securities issuances and liquidation, recapitalization or reorganization plans. Generally, this statute requires, for a business combination with an "interested shareholder" (generally, the holder of 10% or more of a class of a corporation's voting stock), an advisory statement from the corporation's board of directors, the approval of holders of 90% of each class of the corporation's outstanding voting stock and the approval of two-thirds of the holders of each such class other than the interested shareholder. The supermajority voting requirements do not apply where the interested shareholder's offer meets certain price, form of consideration and procedural requirements designed to make such offers fair to all shareholders or where the board of directors has approved the transaction with respect to a particular interested shareholder prior to the interested shareholder becoming an interested shareholder.

The Company's Restated Articles of Incorporation also contain certain provisions permitted under Michigan law that may have anti-takeover effect. For example, the Company's Restated Articles of Incorporation provide rights of refusal to the Company in connection with proposed transfers of shares of Common Stock of the Company. The Restated Articles of Incorporation of the Company also specifically provide for nine directors, divided into three classes of three directors each. The election of classes of directors for staggered three-year terms makes it difficult to force an immediate change in the Board of Directors of the Company, since only one-third of the Board of Directors of the Company would be elected in any one year. In addition: (i) approval of the Board of Directors of the Company and 66-2/3% of all of the outstanding voting shares in the aggregate or (ii) approval by holders of 80% of the outstanding voting shares, in the aggregate, are required to authorize a sale, merger, consolidation or similar transaction concerning the Company. These provisions and limitations will make it more difficult for third parties to acquire control of the Company without the support of the Board of Directors of the Company and a significant percentage of its shareholders. However, these provisions also could deter offers that might be viewed by certain shareholders to be in their best interest.

Special Meetings of Shareholders

The Company's By-laws provide that a special meeting of shareholders may be called by the Board of Directors of the Company or by shareholders of record holding in the aggregate 10% or more of the outstanding voting stock for any purpose.

Director Liability and Indemnification

The MBCA provides that a Michigan corporation, such as the Company, may indemnify a director, officer, employee or agent of the corporation (an "Indemnitee") against the Indemnitee's expenses and judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of the corporation) involving the Indemnitee by reason of the fact that the Indemnitee is or was a director, officer, employee or agent of the corporation, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interest of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The MBCA also provides that in derivative actions, a corporation may indemnify a director, officer, employee or agent of the corporation against expenses actually and reasonably incurred by the Indemnitee to the extent that the Indemnitee is successful on the merits or otherwise in any such action, suit or proceeding or in the defense of any claim, issue or matter therein. Under the MBCA, no indemnification shall be made with respect to any claim, issue or matter as to which an Indemnitee shall have been adjudged to be liable to the corporation unless and only to the extent that the court shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. The MBCA also generally permits the advancement of reasonable expenses and empowers the corporation to purchase and maintain directors' and officers' insurance.

Article III, Section 8 of the By-laws of the Company contain provisions authorizing indemnification of directors, officers, employees and agents of the Company that are substantially similar to those set forth in the MBCA.

Payment of Dividends

Under the MBCA, a corporation may not make distributions to its shareholders if, after giving effect to the distribution, the corporation would not be able to pay its debts as they become due in the usual course of business, or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's articles of incorporation permit otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential lights are superior to those receiving the distribution

In addition to the dividend restrictions imposed under the MBCA, the Company and the Bank are subject to certain regulatory restrictions. See "Certain Regulatory Considerations – Payment of Dividends".

Charter Amendments

Under the MBCA, a corporation's articles of incorporation may be amended by the affirmative vote of a majority of the outstanding stock entitled to vote thereon, and a majority of the outstanding stock entitled to vote thereon as a class, subject to such supermajority vote requirements as may be provided for in the corporation's articles of incorporation. Except for certain provisions thereof which are subject to supermajority vote requirements as described above, the Company's Restated Articles of Incorporation may be amended by the affirmative vote of a majority of the outstanding shares of Common Stock.

Under the MBCA, the shareholders or the board of directors of the corporation may adopt, amend or repeal the by-laws unless the articles of incorporation or by-laws of the corporation provide that the power to adopt new by-laws is reserved exclusively to the shareholders or that the by-laws or any particular by-law shall not be altered or repealed by the board of directors. The Company's By-laws provide that they may be amended by a two-thirds' vote of the Board of Directors of the Company or by a majority Company's shareholders.

Other Matters

The Company's Restated Articles of Incorporation contain a provision authorizing shareholder action by less than unanimous written consent, as permitted by the MBCA.

The MBCA provides dissenters' rights of appraisal. The MBCA expressly authorizes shareholders of a Michigan corporation to exercise dissenters' rights with respect to certain amendments to the articles of incorporation of such Michigan corporation which adversely affect the lights of the class of shares held by them. The MBCA expressly permits shareholders to exercise dissenters' rights of appraisal in connection with the sale or exchange of all or substantially all of the property of a Michigan corporation if the shareholder is entitled to vote thereon.

The MBCA provides voting rights with respect to mergers, sales of substantially all of the assets of a corporation and other extraordinary corporate transactions.

THE OFFERING

General

Up to $5,000,000 annually of the Company's Common Stock is being offered to shareholders residing in the States of Michigan and Florida pursuant to the Huron Community Financial Services, Inc. Automated Dividend Reinvestment Plan (the "Plan"). The Shares have not been registered with the Securities and Exchange Commission ("SEC") pursuant to an exemption for limited offerings under Section 3(b)(1) of the Securities Act of 1933 and Rule 504 of SEC Regulation D promulgated thereunder, which provides an exemption for public offerings that do not exceed $5,000,000 annually. For purposes of calculating the $5,000,000 annual limit, the Company must aggregate all other sales made pursuant to any other offerings in the preceding 12 month period pursuant to Section 3(b) of the Securities Act of 1933.

Because the Shares have not been registered with the SEC pursuant to the Rule 504 exemption, they are deemed to be "restricted" under the Federal securities laws, which mean they are not freely transferable in the secondary market by plan participants unless certain conditions have been met. In addition, the Company's Articles of Incorporation also impose certain transfer restrictions that are independent of the securities laws. These restrictions are discussed in the section of this offering circular captioned "Description of Capital Stock."

The Shares have not been registered under the Michigan Uniform Securities Act or other applicable state securities laws pursuant to an exemption for transactions with a company's existing shareholders.

The Offering is being made on a "best efforts, no minimum" basis, which means that no one is guaranteeing that any number of the Shares will be sold. All costs and expenses incurred as a result of the Offering will be borne by the Company.

Description of the Plan

The Plan is described in the following questions and answers. The Plan was approved by the Board of Directors of the Company on May 15, 1997 and became effective as of June 1, 1997. The Board of

Directors adopted certain amendments to the Plan effective September 25, 2015. All shares of Common Stock issued and to be issued by the Company pursuant to the Plan have been, or will be, when issued, fully paid and non-assessable. The Plan does not guarantee the payment of any future dividends, which will continue to be declared and paid out of funds legally available therefore in the sole discretion of the Company's Board of Directors.

1. What is the Plan?

The Plan provides that the Company's eligible shareholders may reinvest their cash dividends automatically in shares of Common Stock.

2. What is the purpose of the Plan and what are its advantages?

The Plan offers a convenient and economical way for holders of record of the Company's Common Stock to increase their ownership of shares of Common Stock without incurring brokerage commissions or service charges and without having to pay full dealer mark-ups, if any. The Plan permits fractions of shares to be purchased.

To the extent that shares purchased under the Plan are purchased from the Company from its authorized and unissued shares of Common Stock, the Company will use the proceeds of the sale for working capital or other general corporate purposes.

3. Who administers the Plan and what reports will participants receive concerning the Plan?

Huron Community Bank (acting as the "Agent") administers the Plan. The Agent will send each participant a statement as soon as practicable following each purchase of shares of Common Stock. The Agent will also provide Plan participants with copies of any amendments to the Plan and any offering materials relating to the Plan together with information for reporting dividend income for federal income tax purposes. Shares purchased will be issued and maintained as "book entry", non-certificated securities of the Company. This means that paper stock certificates for shares purchased will not be issued or sent to participants in order to protect participants from loss, theft or destruction of stock certificates.

All inquiries, notices, requests and other communications by participants concerning the Plan should be sent to the Agent at:

Huron Community Bank
301 Newman Street
East Tawas, Michigan 48730

Participants may also contact the Agent by telephone at (989) 362-6700.

The Company reserves the right to change the Agent for the Plan at any time and without prior notice to Plan participants. In the event the Agent resigns, the Company will make such other arrangements as it deems appropriate for administration of the Plan.

4. Who is eligible to participate in the Plan?

Any shareholder of record of the Company to whom the Company may legally offer and sell shares, in light of such steps as the Company may take from time to time to make such offers and sales) is eligible to participate in the Plan. However, any shareholder owning more than 9.9% of the outstanding shares of Common Stock will not be eligible to participate in the Plan. If any shareholder owns stock which is

registered in a different name and wishes to participate in the Plan, he or she must first withdraw his or her shares from "street name" or other registration and register the stock in his or her own name.

In addition, the Company is currently limiting this Offering to shareholders residing in the States of Michigan and Florida (collectively, the "Authorized States"). No registration has been made under the securities laws of either of the Authorized States in reliance upon exemptions from registration for sales to existing shareholders and/or isolated transactions. The Company will consider expanding the scope of this offering depending on the level of interest that shareholders residing outside of these States may have in participating in the Plan. In no event will any shareholder residing in a State besides one of the Authorized States be able to participate in the Plan until such time as the Shares have been duly registered for sale in the respective State, or an exemption from such registration has been determined by the Company, with the assistance of counsel, to be available.

5. How does an eligible stockholder participate?

Any eligible shareholder may participate in the Plan at any time by completing an authorization card and returning it to the Company. The authorization card will contain instructions to the Agent to use all cash dividends paid on all shares registered in the name of the participant on each subsequent dividend record date to purchase as many whole and fractional shares as possible until such time as the participant withdraws from the Plan. If an authorization card is received later than the record date for a cash dividend, the dividend will be paid to the participant in cash and participation in the Plan will begin as of the next dividend payment date.

A copy of the authorization card, including instructions, is provided with this offering circular.

6. May participants add their own funds to dividends to purchase more shares under the Plan?

No. Only cash dividends may be used to purchase shares under the Plan.

7. When will funds be invested under the Plan?

Cash dividends will be used to purchase shares of Common Stock on the dividend payment date.

8. What is the source of shares purchased under the Plan?

Shares purchased under the Plan will ordinarily come from the authorized and unissued shares of the Common Stock of the Company or from shares held in treasury.

9. How is the purchase price generally established from time to time under the Plan?

The price of Common Stock purchased from time to time from the Company with participants' cash dividends will be determined by the Board of Directors in its absolute discretion, and the offering price set by the Board of Directors may have no direct relationship to earnings or fair market value, or any established "market price" for, or actual trades involving, the Company's Common Stock. Solely as one factor in helping to periodically set the purchase price, the Board may, in its absolute discretion, utilize any valuation report of the Company's Common Stock otherwise prepared and delivered for the benefit of the Company by an independent financial advisor experienced in the financial analysis and valuation of financial institutions. Any use of valuation report in this manner is within the discretion of the Board of Directors, which is free to use, or discontinue the use of, such valuation reports in this manner as it sees fit.

Any change in the offering price will be communicated to investors as part of an amendment to this offering circular.

10. How has the current purchase price of the shares been set?

The Company's Board of Directors has established the current offering price to be $64.00 per share, which price shall remain in effect until further notice. The current offering price is set at the value determined pursuant to a valuation report of the Common Stock as of the end of each fiscal year prepared by an independent financial advisor experienced in the financial analysis and valuation of financial institutions. While it has been the Company's practice to engage an independent advisor to conduct an annual valuation of its Common Stock, the Company can make no assurances that it will continue to do so.

The fair market value estimate of the independent financial advisor assumed no specific buyer but rather a hypothetical transaction negotiated by two parties based on the economic considerations outlined in the valuation. The price a particular buyer may pay depends on many variables, including synergies with other operations owned or controlled by the buyer, and, accordingly, the valuation cannot be relied upon to predict a sales price to a particular buyer.

11. How many shares of common stock will be purchased for a participant?

12. The number of shares to be purchased depends on the amount of the participant's dividends and the price paid for the Common Stock. Dividends payable to a participant will be used to purchase as many whole and fractional shares on behalf of the participant as possible. See 5. "*How does an eligible stockholder participate?"*

13. Are any fees or expenses incurred by participants in the Plan?

Participants will not be responsible for payment of any brokerage commissions or fees or service charges in connection with the purchase of shares under the Plan whether their shares are newly issued or purchased on the open market.

14. Will certificates he issued to participants for shares purchased?

Certificates for shares purchased under the Plan will not be issued to participants. Instead, shares purchased for each participant will be credited to his or her Plan account and held by the Company in "book entry" form.

15. How does a participant withdraw from the Plan?

A participant may withdraw from the Plan at any time by notifying the Agent in writing. If a participant's request to withdraw is received by the Agent before a dividend record date, the amount of the dividend which would have otherwise been applied for purchase of Common Stock on the related dividend payment date and all subsequent dividends will be paid to the withdrawing participant in cash unless he or she re-enrolls in the Plan. If the request is received on or after the record date, but before the dividend payment date, shares will be purchased and credited to the participant's Plan account.

An eligible shareholder may again become a participant at any time following his or her withdrawal by following the procedures then in effect for enrollment in the Plan.

16. What happens if the Company issues a stock dividend, declares a stock split, or has a rights offering?

Additional shares issued by the Company pursuant to stock dividends and split shares distributed on shares of Common Stock registered under the Plan in the name of the Participant will be credited directly to Participant's Plan account in book-entry form. In the event of a subscription rights offering or a dividend in the form of stock other than Common Stock, such rights or such stock will be mailed directly to a participant in the Plan in the same manner as to holders of Common Stock not participating in the Plan.

17. Who votes the shares held in the Plan?

Each participant in the Plan will for all purposes be the record owner of all shares standing in his or her own name, and will have full voting rights as to all those shares.

18. What is the tax status of reinvested cash dividends and shares of common stock acquired through the Plan?

Participants are advised to consult their own tax advisors with respect to the tax consequences of their participation in the Plan. The reinvestment of cash dividends does not relieve the participant of any income tax payable on such dividends. In general, the Company believes that stockholders who participate in the Plan will have the same Federal and state income tax consequences, with respect to dividends payable to them, as any other holder of Common Stock. A participant 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 the participant's shares, even though that amount is not actually received by the participant in cash but, instead, is applied to the purchase of additional shares of Common Stock for the participant under the Plan. Each year a participant will receive all required Internal Revenue Federal income tax statements which reflect the dividends paid on shares of Common Stock registered in the participant's name.

Generally, any service fees paid by the Company on a participant's behalf are not subject to income taxes. Also, when the Agent makes open market purchases of Common Stock, the pro-rata share of any brokerage fees attributable to such purchases will be included in the per-share price. The participant's tax basis for each share is the per-share price.

A participant will not realize any taxable income upon receipt of shares of Common Stock acquired through the Plan. Gain or loss may also be recognized by a participant when shares of Common Stock are sold by the participant after withdrawal from the Plan. The amount of such gain or loss will be the difference between the amount a participant receives for such shares and the purchase cost thereof The Agent's statements should be retained by the participant to help determine the tax basis of shares of Common Stock acquired through the Plan.

18. What is the responsibility of the Company and Agent under the Plan?

Neither the Company nor the Agent 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: (1) arising out of failure to terminate the participant's participation in the Plan upon such participant's death prior to receipt of notice in writing of such death; (2) with respect to the prices at which shares of Common Stock are purchased under the Plan and the time when such purchases are made (provided, however, that nothing herein shall be deemed to constitute a waiver of any rights that a participant might have under the Securities Exchange Act of 1934 or other applicable State securities laws); and (3) for any fluctuations in the market price after purchase or sale of shares of Common Stock.

19. Who interprets and regulates the Plan?

The Board of Directors of the Company reserves the right to interpret and regulate the Plan.

20. May the Plan be amended or discontinued?

The Board of Directors of the Company may suspend, amend, or terminate the Plan at any time. Participants will be notified of any such suspension, amendment, or termination.

FINANCIAL AND OTHER INFORMATION

Attached hereto as Exhibit 1 are the consolidated financial statements of the Company for and as of the fiscal years ended December 31, 2021 and 2020, and for and as of the fiscal period ended March 31, 2022. Copies of the Company's Restated Articles of Incorporation and its By-laws will also be provided free of charge upon written request to the attention of Robert J. Thomas, President and CEO of Huron Community Bank, 301 Newman Street, East Tawas, Michigan 48730.

In addition, the Company will furnish its shareholders with annual reports containing financial statements and may provide quarterly reports containing such financial statements at the discretion of the Company.

LEGAL MATTERS

Shumaker, Loop & Kendrick, LLP has issued an opinion that the shares of Common Stock offered hereby, when sold and issued as described herein, will be duly and validly issued and outstanding shares of Common Stock.

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EXHIBIT 1

Financial Statements

HURON COMMUNITY FINANCIAL SERVICES, INC.
East Tawas, Michigan

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

HURON COMMUNITY FINANCIAL SERVICES, INC.
East Tawas, Michigan

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

CONTENTS

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Huron Community Financial Services, Inc.
East Tawas, Michigan

Opinion

We have audited the consolidated financial statements of Huron Community Financial Services, Inc., which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Huron Community Financial Services, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Huron Community Financial Services, Inc and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Huron Community Financial Services, Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Huron Community Financial Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Huron Community Financial Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

Grand Rapids, Michigan
March 15, 2022

HURON COMMUNITY FINANCIAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020
(000's omitted, except share and per share data)

	2021	2020
ASSETS		
Cash and due from banks	$ 25,035	$ 26,527
Investment securities – available for sale	129,378	67,972
Restricted securities	957	957
Loans – net of allowance for loan losses of $2,683 and $2,461 in 2021 and 2020, respectively	134,377	150,483
Foreclosed assets	163	180
Premises and equipment	2,756	2,960
Goodwill	405	405
Accrued interest receivable	681	715
Cash surrender value of life insurance	7,833	7,463
Other assets	1,325	872
Total assets	$ 302,910	$ 258,534
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 68,533	$ 63,659
Interest-bearing	192,651	155,249
Total deposits	261,184	218,908
Short-term borrowings	7,874	5,729
FHLB Advances	3,000	3,000
Accrued and other liabilities	740	342
Total liabilities	272,798	227,979
Stockholders' equity		
Common stock - $1 par value: authorized – 1,000,000 shares issued and outstanding – 583,663 and 583,620 shares	584	584
Additional paid-in capital	19,000	19,107
Retained earnings	10,527	9,442
Accumulated other comprehensive income (loss)	1	1,433
Unearned compensation	-	(11)
Total stockholders' equity	30,112	30,555
Total liabilities and stockholders' equity	$ 302,910	$ 258,534

See accompanying notes to consolidated financial statements.

HURON COMMUNITY FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
Years ended December 31, 2021 and 2020
(000's omitted, except share and per share data)

	2021	2020
Interest income		
Loans - including fees	$ 7,231	$ 7,722
Investment securities		
Taxable	613	375
Tax-exempt	666	511
Other	346	484
Total interest income	8,856	9,092
Interest expense		
Deposits	489	799
FHLB Advances	64	64
Short-term borrowings	7	18
Total interest expense	560	881
Net interest income	8,296	8,211
Provision for loan losses	180	563
Net interest income after provision for loan losses	8,116	7,648
Other operating income		
Service charges - deposits	411	381
Gain on sales of loans	684	918
Bank owned life insurance income	179	176
Loan servicing income	351	444
Other	383	242
Total other operating income	2,008	2,161
Other operating expenses		
Salaries and employee benefits	3,899	4,153
FDIC assessment	73	56
Occupancy expenses	605	576
Service fees	932	849
Depreciation expense	509	349
Other	1,486	1,386
Total other operating expenses	7,504	7,369
Income before income taxes	2,620	2,440
Income tax expense	375	356
Net income	2,245	2,084
Other comprehensive (loss) income – net of reclassification adjustments and tax - unrealized (loss) gain on investment securities	(1,432)	915
Total comprehensive income	$ 813	$ 2,999
Earnings per share		
Basic income per common share	$ 3.84	$ 3.57
Diluted earnings per common share	3.82	3.55

See accompanying notes to consolidated financial statements.

HURON COMMUNITY FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2021 and 2020
(000's omitted, except share and per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2020	$ 575	$ 18,773	$ 8,435	$ (46)	$ 518	$ 28,255
Net income	-	-	2,084	-	-	2,084
Other comprehensive income	-	-	-	-	915	915
Issuance and sale of common stock (29,876 shares)	30	1,522	-	-	-	1,552
Purchase of common stock (20,892 shares)	(21)	(1,224)	-	-	-	(1,245)
Stock-based compensation, net	-	36	-	35	-	71
Dividends declared $1.86 per common share	-	-	(1,077)	-	-	(1,077)
Balance, December 31, 2020	584	19,107	9,442	(11)	1,433	30,555
Net income	-	-	2,245	-	-	2,245
Other comprehensive income	-	-	-	-	(1,432)	(1,432)
Issuance and sale of common stock (27,642 shares)	28	1,580	-	-	-	1,608
Purchase of common stock (27,599 shares)	(28)	(1,671)	-	-	-	(1,699)
Stock-based compensation, net	-	(16)	-	11	-	(5)
Dividends declared $1.98 per common share	-	-	(1,160)	-	-	(1,160)
Balance, December 31, 2021	$ 584	$ 19,000	$ 10,527	$ -	$ 1	$ 30,112

See accompanying notes to consolidated financial statements.

HURON COMMUNITY FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2021 and 2020
(000's omitted, except share and per share data)

	2021	2020
Cash flows from operating activities		
Net income	$ 2,245	$ 2,084
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	509	349
Net gain on sale of mortgage loans	(684)	(918)
Proceeds from sale of mortgage loans	16,062	26,071
Origination of mortgages loans held for sale	(15,378)	(25,153)
Provision for loan losses	180	563
Amortization and accretion on securities	409	230
Increase in cash surrender value of life insurance	(179)	(176)
Stock-based compensation	(5)	71
Net change in:		
Accrued interest receivable	34	(118)
Other assets	(55)	(269)
Accrued expenses and other liabilities	398	52
Net cash from operating activities	3,536	2,786
Cash flows from investing activities		
Activity in available-for-sale securities:		
Maturities, prepayments, calls and sales	24,557	21,471
Purchases	(88,185)	(27,221)
Purchase of bank owned life insurance	(600)	(280)
Settlement of bank owned life insurance	409	-
Proceeds from sale of foreclosed assets	-	300
Net (increase) decrease in loans	15,926	(9,222)
Capital expenditures	(305)	(391)
Net cash from investing activities	(48,198)	(15,343)
Cash flows from financing activities		
Net (decrease) increase in deposits	42,276	31,806
Net (decrease) increase in short-term borrowings	2,145	2,078
Advances from the FHLB	-	-
Proceeds from the issuance and sale of common stock	1,608	1,552
Purchases of common stock	(1,699)	(1,245)
Cash dividends paid on common stock	(1,160)	(1,077)
Net cash from financing activities	43,170	33,114
Net change in cash and cash equivalents	(1,492)	20,557
Cash and cash equivalents at beginning of year	26,527	5,970
Cash and cash equivalents at end of year	$ 25,035	$ 26,527
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 545	$ 935
Income taxes	490	445
Supplemental noncash disclosures		
Loans transferred to other real estate	$ -	$ -

See accompanying notes to consolidated financial statements.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation: The consolidated financial statements include the accounts of Huron Community Financial Services, Inc. (the "Corporation") and its wholly owned subsidiaries, Huron Community Bank (the "Bank") and Huron Community Insurance Agency, LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations: The Bank operates in Iosco, Arenac, Alcona and Ogemaw counties in the state of Michigan. The Bank's revenue results primarily from providing real estate and commercial loans and, to a lesser extent, consumer loans. Its primary deposit products are demand deposits, savings, and term certificate accounts. The Corporation does not have any significant concentrations to any one industry or customer.

Use of Estimates: In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

During 2020, the coronavirus outbreak that surfaced in China at the end of 2019 spread around the world resulting in widespread business and social disruption. In March 2020, this outbreak was declared a National Emergency by the United States federal government. State and local governments are following the recommendations of the Centers for Disease Control and Prevention (CDC) trying to reduce the risk of social spread.

The longer-term impact of this pandemic to our results of operations and financial position cannot be reasonably estimated at this time. Numerous government actions have been implemented to assist small businesses and more are being discussed. The extent of the full economic impact of the coronavirus will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus's spread, the effectiveness of vaccines and vaccination programs and the actions required to contain it or treat its impact.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Federal funds sold are generally sold for one-day periods. Net cash flows are reported for customer loan and deposit transactions and short-term borrowings.

Securities: Securities not classified as held to maturity or trading, deposits with other financial institutions with readily determinable fair values, are classified as "available for sale" and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Restricted securities include Federal Reserve and Federal Home Loan Bank stock and are carried at cost.

Purchase premiums and discounts are recognized in interest income using the interest method over the contractual terms of the securities for discounts and the period to call date, if applicable, for premiums. Declines in the fair value of available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Mortgage loans held for sale are generally sold with servicing retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold. Loans held for sale at year-end 2021 and 2020 were not consequential.

Loans: The Corporation grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial and mortgage loans throughout Michigan. The ability of the Corporation's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan origination fees, commitment fees, and certain direct origination costs are deferred and amortized as a net adjustment to the related loan's yield. The Bank generally amortizes these costs over the contractual life of such loans.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. Loan losses are charged against the allowance when management believes the un-collectability of a loan balance is confirmed.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as either doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan are lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Troubled debt restructuring of loans is undertaken to improve the likelihood that the loan will be repaid in full under the modified terms in accordance with a reasonable repayment schedule. All modified loans are evaluated to determine whether the loans should be reported as a troubled debt restructuring (TDR). A loan is a TDR when the Corporation, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower by modifying or renewing a loan that the Corporation would not otherwise consider. To make this determination, the Corporation must determine whether (a) the borrower is experiencing financial difficulties and (b) the Corporation granted the borrower a concession. This determination requires consideration of all of the facts and circumstances surrounding the modification. An overall general decline in the economy or some deterioration in a borrower's financial condition does not automatically mean the borrower is experiencing financial difficulties.

The loan portfolio is allocated to the following segments for allowance analysis purposes:

Commercial and Industrial - Loans to businesses that are sole proprietorships, partnerships, limited liability companies and corporations. These loans are for commercial, industrial, or professional purposes. The risk characteristics of these loans vary based on the borrowers business and industry as repayment is typically dependent on cash flows generated from the underlying business.

Consumer - Term loans or lines of credit for the purchase of consumer goods, vehicles or home improvement. The risk characteristics of the loans in this segment vary depending on the type of collateral but generally repayment is expected from an individual continuing to generate a cash flow that supports the calculated payment obligation. Secondary support could involve liquidation of collateral.

Real Estate - The Bank has identified two real estate related segments, commercial and residential. These are loans to purchase, construct or refinance business related facilities or single-family residences. The risks associated with this segment are dependent on the customer's ability to continue to generate cash flow that supports the payment obligation under the loan; however the underlying collateral is the business or residential real estate property which is also subject to changes in market valuation.

Foreclosed Assets: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of the foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other operating income and expenses.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Banking Premises and Equipment: Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Goodwill: Goodwill results from prior business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment, and any such impairment will be recognized in the period identified.

Bank-Owned Life Insurance: The Bank has purchased life insurance policies on certain key officers. Bank-owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

Short-Term Borrowings: Short-term borrowings consist of repurchase agreements. Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Off-Balance-Sheet Instruments: In the ordinary course of business, the Corporation has entered into commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded when funded.

Servicing Rights: Servicing rights represent the fair value of servicing rights retained on loans sold. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using groupings of the underlying loans as to interest rates and prepayment characteristics. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Any impairment of a grouping is reported as a valuation allowance. Most loans originated for sale are sold servicing retained.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Corporation later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. No impairment of servicing rights has been recorded at year end 2021 or 2020. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income is based on a contractual percentage of the outstanding principal and is recorded as income when earned and was approximately $165 and $161 in 2021 and 2020, respectively. The amortization of mortgage servicing rights is netted against loan servicing income. Late fees and ancillary fees related to loan servicing are not material.

Stock Purchases and Sales: The Corporation regularly engages in the purchase and sale of Corporation common stock. Proceeds from the sale of common stock are recorded to additional paid-in capital.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income: Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income. Reclassification adjustments during 2021 and 2020 were $39 and $0 and are included in other operating income. The tax effect of reclassifications, included in income tax expense, were $8 and $0 for 2021 and 2020.

Income Taxes: Income tax expense is the sum of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the federal income tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings per Common Share: Earnings per common share are computed by dividing net income by the average number of common shares outstanding during the period. The number of weighted average common shares outstanding was 584,390 and 583,965 for the years ended December 31, 2021 and 2020, respectively. The Corporation uses the treasury stock method to compute diluted earnings per share, which assumes that proceeds from the assumed exercise of stock options would be used to purchase common stock at the average market price during the period. The dilutive effect of stock options increased average common shares outstanding by 3,758 and 3,860 shares at December 31, 2021 and 2020, respectively. There were 12,600 options not considered for dilution in 2021, because the exercise price plus unrecognized compensation cost was in excess of the average market price during the year.

Fair Values of Financial Statements: Fair values of financial instruments are estimated using the relevant market information and other assumptions, as more fully disclosed in the financial statements. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Subsequent Events: The consolidated financial statements and related disclosures include evaluation of events up through and including March 15, 2022 which is the date the consolidated financial statements were available to be issued.

Reclassification: Certain amounts appearing in the prior year's financial statements have been reclassified to conform to the current year's financial statements. These reclassifications had no effect on net income or total stockholders' equity.

(Continued)

NOTE 2 – SECURITIES

The amortized cost and fair value of securities, with gross unrealized gains and losses, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2021				
U.S. government and federal agency	$ 32,729	$ 5	$ (436)	$ 32,298
State and municipal	39,424	887	(132)	40,179
Time deposits with financial institutions	14,023	38	(7)	14,054
Mortgage-backed securities	32,345	113	(337)	32,121
Collateralized mortgage obligations	10,856	51	(181)	10,726
Total available-for-sale securities	$ 129,377	$ 1,094	$ (1,093)	$ 129,378
2020				
U.S. Government and federal agency	$ -	$ -	$ -	$ -
State and municipal	32,960	1,263	(8)	34,215
Time deposits with financial institutions	16,251	124	-	16,375
Mortgage-backed securities	10,401	272	(4)	10,669
Collateralized mortgage obligations	6,546	167	-	6,713
Total available-for-sale securities	$ 66,158	$ 1,826	$ (12)	$ 67,972

At December 31, 2021 and 2020, securities with a carrying value of $23,609 and $22,260, respectively, were pledged to secure borrowings and public deposits and for other purposes required or permitted by law.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2021 are as follows:

	December 31, 2021	
	Amortized Cost	Fair Value
Due in 1 year or less	$ 11,911	$ 11,971
Due in 1 through 5 years	49,037	48,876
Due after 5 years through 10 years	18,339	18,559
Due after 10 years	6,889	7,125
Mortgage-backed securities	32,345	32,121
Collateralized mortgage obligations	10,856	10,726
Total	$ 129,377	$ 129,378

Securities sold during 2021 and 2020, respectively, generated proceeds of $1,891 and $0 and resulted in gross gains of $39 and $0.

(Continued)

NOTE 2 – SECURITIES (Continued)

Information pertaining to securities with gross unrealized losses at December 31, 2021 and 2020, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2021						
U.S. government and federal agency	$ 31,238	$ (436)	$ -	$ -	$ 31,238	$ (436)
State and municipal	8,801	(130)	75	(2)	8,876	(132)
Time deposits with financial institutions	738	(7)	-	-	738	(7)
Mortgage-backed securities	28,899	(337)	-	-	28,899	(337)
Collateralized mortgage obligations	7,107	(163)	670	(18)	7,777	(181)
Total available-for-sale securities	$ 76,783	$ (1,073)	$ 745	$ (20)	$ 77,528	$ (1,093)
2020						
U.S. Government and federal agency	$ -	$ -	$ -	$ -	$ -	$ -
State and municipal	600	(8)	-	-	600	(8)
Time deposits with financial institutions	-	-	-	-	-	-
Mortgage-backed securities	1,471	(4)	-	-	1,471	(4)
Collateralized mortgage obligations	-	-	-	-	-	-
Total available-for-sale securities	$ 2,071	$ (12)	$ -	$ -	$ 2,071	$ (12)

At December 31, 2021 and 2020, there were 182 and 7 securities in an unrealized loss position, respectively. Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality, the Corporation has the intent and ability to hold the securities for the foreseeable future, and the decline in fair value is due primarily to increased market interest rates. The fair value is expected to recover as the bonds approach the maturity date.

Restricted securities, totaling $957 and $957 at December 31, 2021 and 2020, respectively, consist of restricted Federal Home Loan Bank stock and Federal Reserve Bank stock. These stocks are carried at cost, which approximates market value.

NOTE 3 – LOANS

A summary of the balances of loans follows:

	2021	2020
Mortgage loans on real estate – residential 1-4 family	$ 27,526	$ 30,607
Commercial loans	102,636	115,528
Consumer installment loans	6,898	6,809
	137,060	152,944
Less: allowances for loan losses	2,683	2,461
Net loans	$ 134,377	$ 150,483

The response to the pandemic and the economic disruption it had on our customers and their businesses had a significant impact on us and on our operations. The Corporation expects credit losses have been incurred but not yet identified. As a result, the provision for loan losses and the corresponding allowance for loan losses increased during 2020 and was maintained at a higher level in 2021.

(Continued)

NOTE 3 – LOANS (Continued)

In response to the disruption caused by the pandemic, the U.S. Treasury established a Paycheck Protection Loan Program (PPP) overseen by the Small Business Administration (SBA). Through this program, the SBA guaranteed loans were extended to qualifying customers which, if used in accordance with PPP program requirements, will be forgiven and repaid by the SBA. During 2020 and 2021, we originated approximately $29,929 and $13,147 of PPP loans, respectively. At year-end 2020 and 2021, approximately $20,188 and $6,010 remain outstanding, respectively, with the balance having been forgiven and repaid. These loans are included in "commercial loans" in the table above and in "commercial and industrial loans" in the tables that follow.

In the ordinary course of business, the Bank has granted loans to principal officers and directors and their affiliates amounting to $4,484 and $4,232 at December 31, 2021 and 2020, respectively.

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2021 and 2020:

	Real Estate - Residential	Real Estate - Commercial	Commercial and Industrial	Consumer	Total
2021					
Beginning balance	$ 222	$ 1,494	$ 610	$ 135	$ 2,461
Charge-offs	-	-	-	-	-
Recoveries	-	42	-	-	42
Provision	36	104	31	9	180
Ending allowance balance	$ 258	$ 1,640	$ 641	$ 144	$ 2,683
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	$ -	$ 211	$ -	$ -	$ 211
Collectively evaluated for impairment	258	1,429	641	144	2,472
Ending allowance balance	$ 258	$ 1,640	$ 641	$ 144	$ 2,683
Loans:					
Individually evaluated for impairment	$ 422	$ 2,179	$ -	$ -	$ 2,601
Collectively evaluated for impairment	27,104	76,951	23,506	6,898	134,459
Total loans	$ 27,526	$ 79,130	$ 23,506	$ 6,898	$ 137,060

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

	Real Estate - Residential	Real Estate - Commercial	Commercial and Industrial	Consumer	Total
2020					
Beginning balance	$ 107	$ 1,181	$ 469	$ 114	$ 1,871
Charge-offs	-	(100)	-	(7)	(107)
Recoveries	2	129	-	3	134
Provision	113	284	141	25	563
Ending allowance balance	$ 222	$ 1,494	$ 610	$ 135	$ 2,461
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	$ 6	$ 211	$ -	$ -	$ 217
Collectively evaluated for impairment	216	1,283	610	135	2,244
Ending allowance balance	$ 222	$ 1,494	$ 610	$ 135	$ 2,461
Loans:					
Individually evaluated for impairment	$ 458	$ 2,230	$ 7	$ -	$ 2,695
Collectively evaluated for impairment	30,149	74,917	38,374	6,809	150,249
Total loans	$ 30,607	$ 77,147	$ 38,381	$ 6,809	$ 152,944

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Grading
As part of the management of the loan portfolio at the time of origination and through the continuing loan review process, the Corporation categorizes each loan into credit risk categories based on several factors including current financial information, overall debt service coverage, comparison against industry averages, collateral coverage, historical payment experience, and current economic trends. The credit risk rating structure used is shown below:

Monitor - A monitor asset is not considered "rated" or "classified" for regulatory purposes, but is considered an asset which bears watching due to some modest deterioration in financial performance or external threats, such as a lawsuit, environmental issue, or potential loss of a significant customer. Some of the following characteristics may exist: financial condition has taken a negative turn and may be temporarily strained; borrower may have experienced recent losses from operations; cash flow may be insufficient to service debt, based on most recent six-month period; financial covenant defaults are occurring with some regularity, and they would be deemed more than inconsequential; need for guarantor is critical, but guarantor's condition adds little substance to credit quality; loss of principal is not at question, unless current trends were to continue; however, there are aspects of this underwriting which may not now conform to bank lending policy; borrowing base deficiencies may exist and are becoming a concern.

Special Mention - A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan, or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Some of the following characteristics may exist: loans are currently protected, but are potentially weak due to negative trends in balance sheet or income statement; cash flow may be insufficient to meet debt service, with the prospect that this condition may not be temporary; lack of effective control over the collateral or existence of documentation deficiencies; there is a potential risk of payment default; management's ability to cope with current financial conditions is questioned; collateral coverage has weakened; moderate operating losses may have occurred; financial information may be inadequate to depict condition of borrower adequately; consistent borrowing deficiencies.

Substandard - A substandard asset has well defined weaknesses whereby collection is possible, but jeopardized. However, jeopardized payment does not imply ultimate loss. Assets so classified are inadequately protected by current net worth and repayment capacity, and there is a high probability that collateral will have to be liquidated to repay the debt. If deficiencies are not corrected quickly, there is a real possibility of loss, and of the company's ability to operate as a going concern. Loan may be in default, borrower may be in bankruptcy, loan restructure at less than market terms, or has been partially charged off. Nonaccrual loans would be classified, at least, "substandard."

Doubtful - A doubtful asset has characteristics of "substandard," but information available suggests it is highly improbable that liquidation of collateral will retire the loan in its entirety. It may be impossible to calculate exactly what the loss may be, but the probability of some loss is high. Loans are to be placed on nonaccrual status when a significant percentage is classified "doubtful" and collateral liquidation is probable. (Not all nonaccrual loans necessarily have to be classified "doubtful" if collateral appears adequate to retire remaining outstandings)

Pass - Credits not covered by the above definitions are pass credits, which are not considered to be adversely rated.

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

For residential real estate and consumer loan segments, the Corporation monitors credit quality using a combination of the delinquency status of the loan and other known borrower circumstances and classifies loans as performing and nonperforming:

Performing - Loan pays as agreed and is current.

Nonperforming - Loans which are contractually past due 90 days or more as to interest or principal payments, on nonaccrual status, in process of foreclosure or other forms of liquidation and/or collection or loans where the terms of which have been renegotiated to provide a reduction or deferral on interest or principal.

2021	Pass	Monitor	Special Mention	Substandard	Performing	Non-Performing	Total
Real estate - commercial							
Commercial real estate and other	$ 66,358	$ 107	$ -	$ 100	$ -	$ 213	$ 66,778
Hotels and motels	8,301	-	-	126	-	1,966	10,393
Golf courses	1,353	606	-	-	-	-	1,959
Commercial and industrial	23,427	75	-	4	-	-	23,506
Real estate – residential							
1-4 family residential	-	-	-	-	18,388	82	18,470
Construction and land loans	-	-	-	-	9,056	-	9,056
Consumer							
Home equity lines of credit	-	-	-	-	4,552	-	4,552
Other	-	-	-	-	2,346	-	2,346
Total	$ 99,439	$ 788	$ -	$ 230	$ 34,342	$ 2,261	$ 137,060

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

2020	Pass	Monitor	Special Mention	Substandard	Performing	Non-Performing	Total
Real estate - commercial							
Commercial real estate and other	$ 61,284	$ 300	$ 870	$ 313	$ -	$ 44	$ 62,811
Hotels and motels	8,911	1,059	-	-	-	2,186	12,156
Golf courses	1,409	771	-	-	-	-	2,180
Commercial and industrial	38,139	114	121	-	-	7	38,381
Real estate – residential							
1-4 family residential	-	-	-	-	28,318	96	28,414
Construction and land loans	-	-	-	-	2,193	-	2,193
Consumer							
Home equity lines of credit	-	-	-	-	4,456	-	4,456
Other	-	-	-	-	2,353	-	2,353
Total	$ 109,743	$ 2,244	$ 991	$ 313	$ 37,320	$ 2,333	$ 152,944

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Age Analysis of Past Due Loans
The following tables detail the age analysis of past due loans at December 31, 2021 and 2020:

2021	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total	Past Due 90 Days and Accruing
Real estate - commercial							
Commercial real estate and other	$ 226	$ -	$ -	$ 226	$ 66,552	$ 66,778	$ -
Hotels and motels	-	-	-	-	10,393	10,393	-
Golf courses	-	-	-	-	1,959	1,959	-
Commercial and industrial	12	-	-	12	23,494	23,506	-
Real estate - residential							
1-4 family residential	152	-	81	233	18,237	18,470	81
Construction and land loans	29	1	-	30	9,026	9,056	-
Consumer							
Home equity lines of credit	-	-	-	-	4,552	4,552	-
Other	-	-	-	-	2,346	2,346	-
Total	$ 419	$ 1	$ 81	$ 501	$ 136,559	$ 137,060	$ 81

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total	Past Due 90 Days and Accruing
2020							
Real estate - commercial							
Commercial real estate and other	$ -	$ -	$ -	$ -	$ 62,811	$ 62,811	$ -
Hotels and motels	-	-	-	-	12,156	12,156	-
Golf courses	-	-	-	-	2,180	2,180	-
Commercial and industrial	-	103	-	103	38,278	38,381	-
Real estate - residential							
1-4 family residential	112	-	55	167	28,247	28,414	55
Construction and land loans	-	12	-	12	2,181	2,193	-
Consumer							
Home equity lines of credit	-	-	-	-	4,456	4,456	-
Other	5	-	-	5	2,348	2,353	-
Total	$ 117	$ 115	$ 55	$ 287	$ 152,657	$ 152,944	$ 55

Impaired Loans

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans are considered impaired when, based on current information and events, it is probable the Corporation will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated on an individual loan basis for all loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following are schedules of impaired loans by class, as of December 31, 2021 and 2020, and the amount of allowance allocated. Unpaid principal balance reflects the contractual amount due:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment for the Year	Interest Income for the Year
2021					
With no related allowance recorded:					
Real estate - commercial:					
Commercial real estate and other	$ 213	$ 215	$ -	$ 216	$ 11
Hotels and motels	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Real estate - residential					
1-4 family residential	422	533	-	439	19
Construction and land loans	-	-	-	-	-
Consumer – home equity lines of credit	-	-	-	-	-
Total	$ 635	$ 748	$ -	$ 655	$ 30
With an allowance recorded:					
Real estate – commercial:					
Commercial real estate and other	$ -	$ -	$ -	$ -	$ -
Hotels and motels	1,966	2,115	211	2,034	113
Commercial and industrial	-	-	-	-	-
Real estate - residential:					
1-4 family residential	-	-	-	-	-
Construction and land loans	-	-	-	-	-
Consumer – home equity lines of credit	-	-	-	-	-
Total	$ 1,966	$ 2,115	$ 211	$ 2,034	$ 113

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

2020	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment for the Year	Interest Income for the Year
With no related allowance recorded:					
Real estate - commercial:					
Commercial real estate and other	$ 44	$ 50	$ -	$ 49	$ 3
Hotels and motels	120	129	-	126	8
Commercial and industrial	7	8	-	12	1
Real estate - residential					
1-4 family residential	435	525	-	450	23
Construction and land loans	-	-	-	-	-
Consumer – home equity lines of credit	-	-	-	-	-
Total	$ 606	$ 712	$ -	$ 637	$ 35
With an allowance recorded:					
Real estate – commercial:					
Commercial real estate and other	$ -	$ -	$ -	$ -	$ -
Hotels and motels	2,066	2,115	211	2,096	113
Commercial and industrial	-	-	-	-	-
Real estate - residential:					
1-4 family residential	23	38	6	25	2
Construction and land loans	-	-	-	-	-
Consumer – home equity lines of credit	-	-	-	-	-
Total	$ 2,089	$ 2,153	$ 217	$ 2,121	$ 115

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Nonaccrual Loans
Nonaccrual loan balances at December 31, 2021 and 2020 are as follows:

	2021	2020
Real estate commercial:		
Commercial real estate	$ 213	$ 44
Hotels and motels	1,966	2,186
Golf courses	-	-
Commercial and industrial	-	7
Real estate – residential:		
1-4 family residential	82	96
Construction and land loans	-	-
Consumer:		
Home equity lines of credit	-	-
Total	$ 2,261	$ 2,333

Nonaccrual
Commercial loans include business installment loans and real estate construction loans. Loans on which interest and/or principal is 90 days or more past due are placed on nonaccrual status and any previously accrued but uncollected interest is reversed against income (current year) or charged to the allowance for loan and lease losses (prior year). Such loans will remain on a cash basis for the recognition of income until such time as the loan has remained current for a period of not less than six (6) months and it is determined an adequate propensity for timely payment to occur in the future. Past due is measured from the date through which interest is due or on which principal payment is due irrespective of the date on which the billing may have been rendered. Unless otherwise specified in the note or loan agreement, demand notes shall, for purposes of measuring past due status, have an interest due date no less frequently than once each calendar quarter. Other loans on which there is serious doubt as to collectability are placed on nonaccrual because of past due status. Any loan whereby some or all of the balance has been charged off is placed on nonaccrual, unless it is part of an A B loan restructure. If the loan was on nonaccrual at the time of the restructure, it will remain in nonaccrual until such time as the above stated criteria is met. If the loan was not in nonaccrual at the time of the A B note restructuring and there is concrete evidence the payment structure will be met, the loan will not have to be placed in nonaccrual, provided the B portion has been charged off. Mortgages are placed on nonaccrual status when the account is three months (typically four payments) past due. All previously accrued but uncollected interest is reversed when the loan is placed on nonaccrual.

Troubled Debt Restructurings
A modification of a loan constitutes a troubled debt restructuring (TDR) when a borrower is experiencing financial difficulty and the modification constitutes a concession. The Company offers various types of concessions when modifying a loan; however, forgiveness of principal is rarely granted.

There were no loans modified as a TDR in 2021. There was 1 commercial real estate loan modified as a TDR in 2020, and no TDRs defaulted within a year of their modification during 2021 or 2020.

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

In March 2020, banking regulatory agencies issued guidance which provided that certain short-term loan modifications granted to customers impacted by the Pandemic were not required to be considered to be TDRs, as defined previously, nor designated as impaired. Also, in March 2020, the U.S. Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act which provided a statutory suspension of Generally Accepted Accounting Principles (GAAP) as it relates to the application of TDR accounting. This suspension was to remain available until the earlier of 60 days after the national emergency declared in March was terminated or December 31, 2020 but was subsequently extended until January 1, 2022.

Pursuant to this relief, during 2020, the Bank modified the terms of customers' loans including providing for a deferral of payments and allowing interest only payments. These loan modifications were not considered to be TDRs or impaired following that guidance. During 2020, the Bank granted loan modifications to approximately 92 customers with principal balances, at modification, of approximately $33,836. At year-end 2021, outstanding balances on these loans was $20,233. However, only $3,792 of these loans remained within their active modification periods with the balance having resumed payments to the Bank. The Bank did not grant any loan modifications in 2021.

NOTE 4 –LOAN SERVICING

Loans serviced for others are not included in the accompanying consolidated balance sheet. The unpaid principal balances of mortgages serviced for others were $65,497 and $65,993 at December 31, 2021 and 2020, respectively.

The balance of capitalized servicing rights, net of valuation allowance, included in other assets at December 31, 2021 and 2020 was $419 and $365, respectively. The fair value of the capitalized servicing rights was approximately $592 and $508 at year-end 2021 and 2020, respectively. The key economic assumptions used in determining the fair value of the mortgage servicing rights include an annual constant prepayment speed (CPR) of 11.1% and 15.7% for December 31, 2021 and 2020, respectively, and a discount rate of 8.0% and 7.8% for December 31, 2021 and 2020.

The following summarizes mortgage servicing rights capitalized and amortized, along with the aggregate activity in related valuation allowances:

	2021	2020
Mortgage-servicing rights capitalized	$ 185	$ 284
Mortgage-servicing rights amortized and closed	131	152

(Continued)

NOTE 5 – BANK PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment is as follows:

	2021	2020
Buildings and improvements	$ 5,067	$ 4,872
Furniture and fixtures	4,518	4,408
Vault and equipment	375	375
Automobiles	81	81
Land	667	667
	10,708	10,403
Accumulated depreciation	(7,952)	(7,443)
Net premises and equipment	$ 2,756	$ 2,960

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to $509 and $349, respectively.

NOTE 6 - DEPOSITS

The following is a summary of the distribution of interest-bearing deposits at December 31:

	2021	2020
NOW accounts	$ 103,955	$ 84,061
Savings	58,032	42,435
Money market demand	7,793	4,533
Time		
Under $250	20,221	20,655
$250 and over	2,650	3,565
Total interest-bearing deposits	$ 192,651	$ 155,249

At December 31, 2021, the scheduled maturities of time deposits are as follows:

2022	$ 16,622
2023	3,391
2024	1,579
2025	848
2026	431
	$ 22,871

(Continued)

NOTE 7 – SHORT-TERM BORROWINGS

Short-term borrowings include the following:

Securities Sold Under Agreements to Repurchase - These are classified as secured borrowings and are used by the Bank for its sweep account product that mature daily and had a year-end balance of $7,874 and $5,729 in 2021 and 2020 respectively. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction and are secured by mortgage-backed securities with a fair value of approximately $7,017 and $6,325 and collateralized mortgage obligation securities with a fair value of approximately $4,522 and $1,297.

Discount Window Borrowings - The Bank has a discount window loan agreement with the Federal Reserve Bank that allows for advances. The advances are secured by investment securities with a fair value of approximately $12,590 and are generally due within 28 days from the date of the advance. The interest rate on the advances is based on the quoted Federal Reserve discount window rate (effective rate of 0.25% as of December 31, 2021). Outstanding advances at December 31, 2021 and 2020 were $0 and $0, respectively.

NOTE 8 – FEDERAL HOME LOAN BANK ADVANCES

Advances from the Federal Home Loan Bank (FHLB) are secured by the Corporation's qualifying real estate loans under a blanket collateral agreement. The advances are collateralized by approximately $16,385 and $17,378 of mortgage loans as of December 31, 2021 and 2020, respectively. Advances outstanding as of December 31, 2021 were $3,000, maturing June 6, 2022 with an annual interest rate of 2.11%.

FHLB advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the Federal Home Loan Bank.

NOTE 9 – INCOME TAXES

The components of the net deferred tax asset, included in other assets, are as follows:

	2021	2020
Deferred tax assets		
Allowance for loan losses	$ 457	$ 419
Accrued employee benefits	328	312
Nonaccrual loans	62	34
Other real estate	4	2
Deferred loan fees	43	-
Other	81	74
	975	841
Deferred tax liabilities		
Prepaid assets	43	45
Servicing rights	88	77
Depreciation	142	179
Net unrealized gain on securities available for sale	-	381
Other	15	11
	288	693
Net deferred tax assets	$ 687	$ 148

(Continued)

NOTE 9 – INCOME TAXES (Continued)

Allocation of income taxes (benefit) between current and deferred portions is as follows:

	2021	2020
Current	$ 503	$ 330
Deferred – continuing temporary differences	(128)	26
	$ 375	$ 356

The reasons for the differences between the income tax expense at the federal statutory income tax rate of 21% and the recorded income tax expense are summarized as follows:

	2021	2020
Income before income taxes	$ 2,620	$ 2,440
Income tax expense at federal statutory rate	$ 550	$ 512
Increases resulting from nondeductible expenses	2	6
Decreases resulting from nontaxable income	(210)	(143)
Other	33	(19)
	$ 375	$ 356

At December 31, 2021 and 2020, the Corporation had no unrecognized tax benefits recorded. The Corporation does not expect the amount of unrecognized tax benefits to significantly change within the next twelve months. No amounts have been recorded for interest or penalties for the years ending December 31, 2021 or 2020. The Corporation is subject to U.S. federal income tax and is no longer subject to examination by the taxing authorities for years before 2018.

NOTE 10 – BENEFIT PLAN

The Corporation has a 401(k) plan whereby a certain percentage of employees' contributions can be matched with discretionary contributions by the Corporation. Contributions to the plan for the years ended December 31, 2021 and 2020 were $62 and $75, respectively.

NOTE 11 – STOCK-BASED COMPENSATION

Options - As of December 31, 2019, the Corporation has four share-based compensation plans which are described below. Options available for grant under the 1997 Nonemployee Director Discretionary Stock Option Plan, 2005 Nonemployee Director Stock Option Plan, and the 2005 Employee Stock Option Plan have been issued. Some of the options issued under the 1997 and 2005 plans are exercisable by the participants until the end of the contractual terms.

(Continued)

NOTE 11 – STOCK-BASED COMPENSATION (Continued)

The Corporation's 2005 Nonemployee Director Stock Option Plan, 2005 Nonemployee Director Discretionary Stock Option Plan, 2005 Employee Stock Option Plan, and 2014 Stock Incentive Plan (the "Plans"), permit the grant of stock options for up to 15,000 shares, 25,000 shares, 35,000, and 50,000 shares of common stock, respectively. The Corporation believes that such awards better align the interests of its employees with those of its stockholders. Option awards are generally granted with an exercise price equal to the market price of the entity's stock at the date of grant; those option awards generally vest immediately for nonemployees and over three years for employees and have 10-year contractual terms. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the Plans). The compensation cost that has been charged against income for the Plans was approximately $16 and $36 for 2021 and 2020, respectively. As of December 31, 2021, there were 6,118 shares available for grant in the 2014 Stock Incentive Plan. In accordance with the respective Plan agreements, subsequent to November 2015, incentive stock options were no longer permitted to be granted from the 2005 Nonemployee Director Stock Option Plan or the 2005 Employee Stock Option Plan.

The Corporation uses a Black-Scholes formula to estimate the calculated value of its share-based payments. The volatility assumption used in the Black-Scholes formula is based on the historic volatility of the Corporation's stock price and dividend payments throughout the year. The Corporation calculated the historical volatility using the monthly closing total stock price for the one year immediately prior.

The weighted average assumptions used in the Black-Scholes model for 2021 grants are noted in the following table. The Corporation uses historical data to estimate option exercise and employee termination within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Volatility	10.00%
Dividend rate	3.19%
Expected term (in years)	7
Risk free rate	1.34%

A summary of option activity under the Plans for 2021 presented below:

	Number of Shares	Weighted Average Exercise Price
Options outstanding – beginning of year	53,563	$ 53.04
Options granted	4,300	62.00
Options exercised	(6,430)	48.71
Options forfeited	(6,701)	57.61
Options expired	(120)	46.00
Options outstanding – end of year	44,612	$ 54.11
Exercisable at year end	39,179	$ 52.86

The grant-date fair value of options granted during 2021 was $2.80 per option.

(Continued)

NOTE 11 – STOCK-BASED COMPENSATION (Continued)

The aggregate intrinsic value of the outstanding options represents the total pretax intrinsic value (i.e., the difference between the Corporation's stock price of $62 and the exercise price, times the number of shares outstanding that would have been received by the option holder had all option holders exercised their options on December 31, 2021). The aggregate intrinsic value on outstanding options as of December 31, 2021, was approximately $365. The weighted average remaining contractual term (in years) for options outstanding as of December 31, 2021, was 6.07 years.

As of December 31, 2021, there was approximately $15 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plans. That cost is expected to be recognized over a weighted average period of 1.58 years.

Restricted Share Units - In 2021 and 2020, no restricted shares were awarded to any employees in accordance with the 2014 Stock Incentive Plan. During 2021 and 2020, 600 and 0 restricted share awards were forfeited and 0 and 1,350 restricted shares awarded in prior years were vested, respectively. All restricted share units vest 3 years from the date of award. Expense recognized in 2021 and 2020 was ($21) and $35, respectively. As of December 31, 2021, there are no unvested restricted shares.

NOTE 12 – OFF-BALANCE-SHEET ACTIVITIES

Credit-related Financial Instruments - The Corporation is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet.

The Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2021 and 2020, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2021	2020
Commitments to grant loans	$ 6,725	$ 10,072
Unfunded commitments	27,223	27,179
Commercial and standby letters of credit	187	144

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Corporation, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Corporation is committed.

(Continued)

NOTE 12 – OFF-BALANCE-SHEET ACTIVITIES (Continued)

Commercial and standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers. The Corporation generally holds collateral supporting those commitments if deemed necessary.

Collateral Requirements - To reduce credit risk related to the use of credit-related financial instruments, the Corporation might deem it necessary to obtain collateral. The amount and nature of the collateral obtained are based on the Corporation's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant, equipment, and real estate.

If the counterparty does not have the right and ability to redeem the collateral or the Corporation is permitted to sell or repledge the collateral on short notice, the Corporation records the collateral in its consolidated balance sheet at fair value with a corresponding obligation to return it.

Legal Contingencies - Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's consolidated financial statements.

NOTE 13 – RESTRICTIONS ON DIVIDENDS, LOANS AND ADVANCES

Banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Corporation.

Prior approval of the Bank's federal regulator is required if the total dividends declared by the Bank in a calendar year exceed the sum of the net profits of the Bank for the preceding three years, less any required transfers to surplus. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum standards.

Loans or advances made by the Bank to the Corporation are generally limited to 10 percent of the Bank's capital stock and surplus.

NOTE 14 – MINIMUM REGULATORY CAPITAL REQUIREMENTS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2021, the Company and Bank meet all capital adequacy requirements to which they are subject.

(Continued)

NOTE 14 – MINIMUM REGULATORY CAPITAL REQUIREMENTS (Continued)

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the Temporary changes implemented pursuant to section 4012 of the CARES Act.

As of December 31, 2021, the most recent notification from the Bank's primary regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk based, common equity Tier 1 risk based, Tier 1 risk based, and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual and required minimum capital amounts and ratios, excluding the capital buffer, as of December 31, 2021 and 2020 are presented in the following table.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement is 8.5% for calendar year 2021, 9% for calendar year 2022, and 9% for the calendar year 2023 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 7.5% for calendar year 2021, 8% for calendar year 2022, and 8% for calendar year 2023 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert-back to the risk-weighting framework without restriction. As of December 31, 2021, both the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

(Continued)

NOTE 14 – MINIMUM REGULATORY CAPITAL REQUIREMENTS (Continued)

Actual and required capital amounts (in millions) and ratios are presented below at year-end.

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2021						
Tier 1 capital (to average assets)	$ 26,903	9.0%	$ 25,307	8.5%	$ 25,307	8.5%
2020						
Tier 1 capital (to average assets)	$ 26,451	10.6%	$ 20,056	8.0%	$ 20,056	8.0%

NOTE 15 – FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Corporation's assets measured at fair value on a recurring basis at December 31, 2021 and 2020 and the valuation techniques used by the Corporation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

(Continued)

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, 2021:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available for sale:			
U.S. Government and federal agency	$ -	$ 32,298	$ -
State and municipal	-	40,179	-
Time deposits with other financial institutions	-	14,054	-
Mortgage-backed securities	-	32,121	-
Collateralized mortgage obligations	-	10,726	-
Total securities available for sale	$ -	$ 129,378	$ -

	Fair Value Measurements at December 31, 2020:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available for sale:			
U.S. Government and federal agency	$ -	$ -	$ -
State and municipal	-	34,215	-
Time deposits with other financial institutions	-	16,375	-
Mortgage-backed securities	-	10,669	-
Collateralized mortgage obligations	-	6,713	-
Total securities available for sale	$ -	$ 67,972	$ -

The fair value of available-for-sale securities at December 31, 2021 and 2020 was determined primarily based on Level 2 inputs. The Corporation estimates the fair value of these investment inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The Corporation also has assets that under certain conditions are subject to measurement at fair value on a nonrecurring basis. These assets include impaired loans and other real estate-owned.

The change in fair value of impaired loans is recorded through the allowance for loan losses. The Corporation estimates the fair value of impaired loans based on Level 3 inputs which include the present value of expected future cash flows using management's best estimate of key assumptions. These assumptions include future payment ability, timing of payment streams, and estimated realizable values of available collateral (typically based on outside appraisals).

(Continued)

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

Other real estate-owned assets are reported in the following table at initial recognition of impairment and on an ongoing basis until recovery or charge-off. At the time of foreclosure or repossession, real estate-owned and repossessed assets are adjusted to fair value less estimated costs to sell, establishing a new cost basis. At that time, they are reported in the Corporation's fair value disclosures in the following nonrecurring tables:

Assets Measured on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis are summarized below:

	Fair Value Measurements at December 31, 2021:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans			
Real estate – commercial	$ -	$ -	$ 1,755
Real estate – residential	-	-	-

Impaired loans measured had a fair value of $1,755 at year-end 2021 after a valuation allowance of $211. Impairment charges recognized during the year resulted in additional provisions for loan losses of approximately $0. Foreclosed assets measured at fair value had a net carrying amount of $100, after write-downs of $17 for the year. The real estate-commercial loan presented in the table above is valued using the sales comparison valuation technique with a discount of 10.7% being applied to available appraisal data to estimate fair value.

	Fair Value Measurements at December 31, 2020:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans			
Real estate – commercial	$ -	$ -	$ 1,855
Real estate – residential	-	-	17

Impaired loans measured had a fair value of $1,872 at year-end 2020 after a valuation allowance of $217. Impairment charges recognized during the year resulted in additional provisions for loan losses of approximately $200. Foreclosed assets measured at fair value had a net carrying amount of $0, after write-downs of $0 for the year. The real estate-commercial loan presented in the table above is valued using the sales comparison valuation technique with a discount of 10.2% being applied to available appraisal data to estimate fair value.

April 15, 2022

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 March 31, 2022.

HCFSI (In Thousands)

Net Income for your holding company through March 31, 2022 was $375 as compared to $849 for the same quarter last year. Return on Average Equity was 5.20% and Return on Average Assets was 0.50% compared to 11.01% and 1.26% respectively at March 31, 2021. Book value of your common stock is $44.58 while Earnings per Share are $0.64. At March 31, 2022, total share-holder equity is $26,322.

HCB (In Thousands)

Net Income through the end of the first quarter 2022 was $394 compared to $870 for the same period last year. March 31, 2022 Return on Average Equity was 5.93% with Return on Average Assets of 0.53% compared to 12.83% and 1.36% respectively at March 31, 2021. Total assets at the end of the quarter were $298,074 versus $271,269 in 2021. Total loans ended the first quarter at $135,329 while total deposits were $261,753 compared to $147,682 and $231,121, respectively in 2021.

Year to Date Financial Performance

First quarter results for net income were ahead of budget forecasts for 2022. For the remainder of 2022 we expect the real estate market to slow down considerably due to rising interest rates, and despite economic headwinds and geopolitical turmoil, we are working to continue to grow the bank, both organically and nonorganically. Recently we hired a seasoned Agriculture banker to help us diversify our loan portfolio and meet the needs of the vast farming community in our markets and beyond. In addition, our Board and Management Team will continue to focus on opportunities to grow HCB into other markets where a strong community bank is sorely needed. To assist us with growth and operation of the bank we will be retooling our core banking systems and associated technology related platforms during 2022 to provide better service to our customers, and protect their information against the cyber security threats that continue to permeate the world we live in. In the midst of this, Huron Community Bank remains strong, stable, and secure. Our goal, as always, is to "make a difference" in the lives of those we serve.

I am excited to be part of the HCB team, they're awesome! I look forward to meeting all shareholders and customers. I invite you to stop by my office and visit, or call me to get acquainted. Our strength as a community bank is rooted in the support of our shareholders, the loyalty of our customers, and the commitment of our team.

Cash Dividend Declared

Your Board of Directors declared a cash dividend of $0.41 per share to shareholders of record on April 5, 2022. This represents the 113th consecutive quarter in which a cash dividend has been paid to our shareholders. The dividend was paid on April 15, 2022. If you are not already enrolled in our dividend reinvestment program, I would encourage you to do so as it is a great way to increase investment in your bank!

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".

Sincerely,

Robert J. (Bob) Thomas
President & CEO

HCFSI Consolidated Balance Sheet (000's Omitted)

ASSETS	(Unaudited) 3/31/2022	(Unaudited) 3/31/2021
Cash & Due From Banks	$ 35,562	$ 46,506
Investment Securities	116,210	67,252
Total Loans	135,328	147,681
Allowance for Loan Loss	(2,683)	(2,548)
Net Loans	132,645	145,133
Bank Premises & Equipment	2,575	2,946
Accrued Interest Receivable	840	850
Intangible Assets	405	405
Other Assets	10,877	9,182
TOTAL ASSETS	$ 299,115	$ 272,275
LIABILITIES & EQUITY		
Total Deposits	$ 259,766	$ 229,737
Repurchase Agreements	8,790	7,580
FHLB/FRB Borrowings	3,000	3,000
Other Liabilities	1,238	1,185
TOTAL LIABILITIES	272,794	241,502
Common Stock	590	588
Surplus	19,140	19,066
Retained Earnings	10,604	10,122
Unrealized Gain(Loss) Inv. Sec. AFS	(4,013)	998
TOTAL SHAREHOLDERS EQUITY	26,322	30,773
TOTAL LIABILITIES & EQUITY	$ 299,115	$ 272,275

HCFSI Consolidated Report of Income (000's Omitted)

Three Months Ended	(Unaudited) 3/31/2022	(Unaudited) 3/31/2021
Interest on Loans	$ 1,395	$ 1,548
Interest on Investments	481	357
TOTAL INTEREST INCOME	1,877	1,905
INTEREST EXPENSE	144	140
NET INTEREST INCOME	1,733	1,765
Fees on Loans	322	882
Other Income	260	303
Total Other Operating Income	582	1,186
Salaries and Benefits (net)	1,106	999
Fixed Expense	247	251
Variable Expense	607	591
Loan Loss Provision	0	45
Loss (Gain) on Assets	(103)	0
Other Operating Expense	1,857	1,886
NET INCOME BEFORE INCOME TAXES	458	1,065
FEDERAL INCOME TAXES	83	216
NET INCOME	$ 375	$ 849
Basic Earnings Per Share	$ 0.64	$ 1.44
Book Value Per Share	$ 44.58	$ 52.38
Cash Dividends Declared Per Share	$ 0.41	$ 0.41

Huron Community Bank Financial Highlights

PROFITABILITY	(Unaudited) 3/31/2022	(Unaudited) 3/31/2021
Net Income (In thousands)	$ 394	$ 870
Return on Assets - YTD Annualized	0.53%	1.36%
Return on Equity - YTD Annualized	5.93%	12.83%
Net Interest Margin - YTD Annualized	2.53%	2.91%
SELECTED BALANCES (In Thousands)		
Total Assets	$ 298,074	$ 271,269
Total Loans	$ 135,329	$ 147,682
Total Deposits	$ 261,753	$ 231,121
Stockholder's Equity	$ 23,324	$ 28,386

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301 Newman Street
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(989) 362-8982 FAX

Tawas City Office
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Oscoda, MI 48750
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(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 48661
(989) 343-1050
(989) 343-0811 FAX

EXHIBIT 2

Plan Authorization Card

HURON COMMUNITY FINANCIAL SERVICES, INC.

AUTOMATIC DIVIDEND REINVESTMENT PLAN
SHAREHOLDER AUTHORIZATION CARD

(See mailing instructions below)

_____
Name(s) exactly as set forth on your stock certificate or as registered on your behalf in book-entry form

_____
Additional space for name(s) if necessary

_____
Street Address

_____
City State Zip Code

_____ - _____ - _____
Social Security Number (To be completed if the shareholder is an individual. If shares are held jointly, the Social Security Number should be that of the first person listed on the stock certificate.)

_____ - _____
Employer Identification Number (To be completed if the shareholder is not an individual.)

☐ I am a U.S. Citizen or Resident Alien
☐ I am a Nonresident Alien

Dividend Reinvestment

I hereby elect to participate in the Huron Community Financial Services, Inc. (the "Company") Automatic Dividend Reinvestment Plan (the "Plan") and authorize and direct the Company, as my agent, to have all cash dividends payable on all shares of Common Stock now or hereafter registered in my name applied on my behalf to the purchase of shares of Company Common Stock. Please use the funds so set aside to purchase as many whole and fractional shares of Common Stock as is possible. I understand that all dividends received or shares credited to my Plan account will also be automatically reinvested in Company Common Stock.

_____ _____
Print Name Print Name

_____ _____
Signature Signature

Date _____

(Please sign above exactly as name appears on reverse side. If shares are held jointly, each shareholder must sign.)
Under penalties of perjury, I certify (1) that the number shown above on this Form is my correct Taxpayer Identification Number and (2) that I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

Completion of this Card directs the Company to apply your cash dividends in accordance with the terms of the Plan. Your participation is subject to the terms of the Offering Circular describing the Plan and the Plan itself. You may withdraw from the Plan by notifying the Company in writing.

Complete this form, sign it, and then mail it to:
Huron Community Bank
301 Newman Street
East Tawas, Michigan 48730
Attn: Chief Financial Officer

For answers to questions regarding the Plan, contact:
David M. Gottleber, Vice President & Chief Financial Officer
Huron Community Bank, at (989)362-6700