

July 17, 2018

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 June 30, 2018.

**HCFSI (In Thousands)**

Net Income for our holding company through June 30, 2018 was \$832 as compared to \$747 for the same period last year. Return on Average Equity was 6.85% and Return on Average Assets was 0.81% compared to 6.10% and 0.76% respectively at June 30, 2017. Book value of your common stock is \$44.10 and Earnings per Share are \$1.50. At June 30, 2018 the share-holder equity is \$24,468.

**HCB (In Thousands)**

Net Income through the end of the second quarter 2018 was \$879 compared to \$818 for the same period last year. June 30, 2018 Return on Average Equity was 7.59% with Return on Average Assets of 0.87% compared to 7.11% and 0.84% respectively at June 30, 2017. Total assets at the end of the second quarter were \$205,614 versus \$193,859 in 2017. Total loans ended the second quarter at \$147,986 while total deposits were \$171,623.

**Year to Date Financial Performance**

The second quarter continued to show solid performance for your bank as second quarter results for net income were ahead of actual year over year. The improved performance is a result of the continued growth we are experiencing in our loan portfolio and a decrease in many operating expenses. Total outstanding loans at the end of June 2018 were \$148.0 million compared to \$142.8 million at June 2017 month end.

Our loan growth has come primarily in the commercial loan portfolio. The mortgage business, a majority of which is new home buyers, and our consumer loan business remain steady. Locally, the real estate market is still limited by the lack of inventory on the market resulting in an increase in Home Equity loans as clients remodel their existing homes instead. The retailers in our communities continue to see increased sales and solid profits which bode well for NE Michigan. On a national level, per the Federal Reserve Bank's plan, interest rates continue to rise. Most experts anticipate another 1 or 2 rate increases before year end 2018.

**Cash Dividend Declared**

Your Board of Directors declared a cash dividend of \$0.30 per share to shareholders of record at July 5, 2018. This represents the 98th consecutive quarter in which a cash dividend has been paid to our shareholders. The dividend was paid on July 16, 2018. If you are not already enrolled in our dividend reinvestment program I would encourage you to do so. It is a great way to increase investment in the bank!

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

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

Sincerely,

Jeff Loomis  
President & CEO



**HCFSI Consolidated Balance Sheet**  
(000's Omitted)

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

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

	(Unaudited) 6/30/2018	(Unaudited) 6/30/2017	Six Months Ended	(Unaudited) 6/30/2018	(Unaudited) 6/30/2017	PROFITABILITY	(Unaudited) 6/30/2018	(Unaudited) 6/30/2017
<b>ASSETS</b>								
Cash & Due From Banks	\$ 17,078	\$ 11,023	Interest on Loans	\$ 3,396	\$ 3,221	Net Income (In thousands)	\$ 879	\$ 818
Investment Securities	31,336	30,698	Interest on Investments	518	330	Return on Assets - Year-to-date		
Total Loans	147,985	142,807	TOTAL INTEREST INCOME	3,914	3,551	annualized	0.87%	0.84%
Allowance for Loan Loss	(1,908)	(1,934)	INTEREST EXPENSE	309	200	Return on Equity - Year-to-date		
Net Loans	146,077	140,873	NET INTEREST INCOME	3,604	3,351	annualized	7.59%	7.11%
Bank Premises & Equipment	2,643	2,676	NET INTEREST INCOME	3,604	3,351	Net Interest Margin - Year-to-date		
Accrued Interest Receivable	547	474	NET INTEREST INCOME	3,604	3,351	annualized	3.81%	3.73%
Intangible Assets	405	405	Fees on Loans	170	222	SELECTED BALANCES (In Thousands)		
Other Assets	8,448	8,958	Other Income	500	494	Total Assets	\$ 205,614	\$ 193,859
<b>TOTAL ASSETS</b>	<b>\$ 206,533</b>	<b>\$ 195,108</b>	Total Other Operating Income	670	716	Total Loans	\$ 147,986	\$ 142,807
			Salaries and Benefits (net)	1,858	1,648	Total Deposits	\$ 171,623	\$ 160,846
<b>LIABILITIES &amp; EQUITY</b>			Fixed Expense	398	423	Stockholder's Equity	\$ 23,490	\$ 23,510
Total Deposits	\$ 171,571	\$ 160,837	Variable Expense	1,008	858			
Repurchase Agreements	6,251	4,955	Loan Loss Provision	19	60			
FRB/FHLB Borrowings	0	0	Loss (Gain) on Assets	10	45			
Other Liabilities	4,243	4,574	Other Operating Expense	3,293	3,033			
<b>TOTAL LIABILITIES</b>	<b>182,065</b>	<b>170,367</b>	NET INCOME BEFORE INCOME TAXES	981	1,034			
Common Stock	555	560	FEDERAL INCOME TAXES	149	287			
Surplus	17,389	17,690	NET INCOME	\$ 832	\$ 747			
Retained Earnings	6,914	6,264	Basic Earnings Per Share	\$ 1.50	\$ 1.33			
Unrealized Gain(Loss) Inv. Sec. AFS	(391)	227	Book Value Per Share	\$ 44.10	\$ 44.15			
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>24,468</b>	<b>24,740</b>	Cash Dividends Declared Per Share	\$ 0.60	\$ 0.56			
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 206,533</b>	<b>\$ 195,108</b>						

**HURON COMMUNITY FINANCIAL SERVICES, INC.**

**BOARD OF DIRECTORS**

Alan J. Stephenson, Chairman  
Wayne D. Bigelow, Vice Chairman  
Thomas B. Huck  
David H. Cook  
Matthew W. Buresh  
Mark D. Elliott  
Gary J. Thibault  
Jeffrey B. Loomis

**DIRECTORS EMERITUS**

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