

July 17, 2023

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, 2023.

HCFSI (In Thousands)

Net Income for our holding company through June 30, 2023, was \$582 as compared to \$725 for the same period last year. Return on Average Equity was 5.41% and Return on Average Assets was 0.37% compared to 5.40% and 0.48% respectively on June 30, 2022. After the Generally Accepted Accounting Principles (GAAP) adjustments of our Unrealized Gains and Losses of the securities portfolio, the Book value of your common stock is \$36.66, and shareholder equity is \$21,047. These GAAP adjustments in **NO WAY** affects any of the bank's regulatory ratios, the strength of the bank, or the **EQUITY OF THE SHAREHOLDERS**. This does **NOT** affect the share price of the stock or the value of shares owned by any shareholder. **This is just an accounting entry reflecting the timing difference between rates moving up or down and the maturity of these securities.** When these GAAP adjustments are backed out, Book Value per share and Share-Holder Equity are \$52.20 and \$29,971, respectively, compared to \$51.24 and \$29,966, respectively, at June 30, 2022. As of June 30, 2023, Earnings per Share is \$1.01 compared to \$1.23 at June 30, 2022.

HCB (In Thousands)

Net Income through the end of the second quarter 2023 was \$635 compared to \$763 for the same period last year. June 30, 2023 Return on Average Equity was 7.65% with Return on Average Assets of 0.49% compared to 6.11% and 0.51% respectively on June 30, 2022. Total assets at the end of the second quarter were \$310,814 versus \$307,274 in 2022. Total loans ended the second quarter at \$147,340 while total deposits were \$273,050.

Year to Date Financial Performance

This quarter we are lowering the dividend 6 cents with this quarterly payout of 35 cents per share versus 41 cents the same quarter last year. This is not bad news, it's good news! The reason for the dividend reduction; your Huron Community Bank (HCB) is growing. We have purchased the former Huntington Bank office in Rose City and are close to opening it for business by the end of August. In addition, HCB has purchased vacant land on the north end of West Branch to build a new stand-alone office that will replace our location in a strip mall. The new location is in a growth area of West Branch near the Meijer's store. This growth is exciting and will help HCB remain a strong community bank in Northeast Michigan for years to come. As you know, it takes capital to grow and our Board and Employees are committed to this growth and success. HCB still has one of the highest dividend payouts annually of all the community banks in Michigan. We're proud of that history!

Economic activity both in and outside our markets is slowing, especially in commercial lending. Despite the slow-down in commercial activity, Agriculture banking is performing well and continues to be a strong growth segment for our loan portfolio. Recent rains have provided much needed relief to cash crop and dairy farms as crops look healthy and feed stocks are improving. Also, our residential mortgage volume is steady with construction and home equity loans leading the way. Interest rates are continuing to inch up but opportunities for consumer loans remain consistent too.

Cash Dividend Declared

Your Board of Directors declared a cash dividend of \$0.35 per share to shareholders of record on July 5, 2023. This represents the 118th consecutive quarter in which a cash dividend has been paid to our shareholders. The dividend was paid on July 17, 2023. 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!

Sincerely,



Robert J. (Bob) Thomas
President & CEO



**HURON
COMMUNITY
BANK**

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HCFSI Consolidated Balance Sheet
(000's Omitted)

HCFSI Consolidated Report of Income
(000's Omitted)

Huron Community Bank
Financial Highlights

ASSETS	(Unaudited) 6/30/2023	(Unaudited) 6/30/2022	Six Months Ended	(Unaudited) 6/30/2023	(Unaudited) 6/30/2022	PROFITABILITY	(Unaudited) 6/30/2023	(Unaudited) 6/30/2022
Cash & Due From Banks	\$ 43,302	\$ 45,614	Interest on Loans	\$ 3,927	\$ 2,862	Net Income (In thousands)	\$ 635	\$ 763
Investment Securities	105,727	112,654	Interest on Investments	1,582	1,018	Return on Assets - YTD Annualized	0.49%	0.51%
Total Loans	147,459	137,092	TOTAL INTEREST INCOME	5,511	3,879	Return on Equity - YTD Annualized	7.65%	6.11%
Allowance for Loan Loss	(2,683)	(2,683)				Net Interest Margin - YTD Annualized	3.72%	2.60%
Net Loans	144,776	134,409	INTEREST EXPENSE	1,145	286			
Bank Premises & Equipment	3,496	2,611						
Accrued Interest Receivable	950	663	NET INTEREST INCOME	4,366	3,593			
Intangible Assets	405	405						
Other Assets	13,246	11,967	Fees on Loans	220	499			
			Other Income	446	510	SELECTED BALANCES (In Thousands)		
TOTAL ASSETS	\$ 311,902	\$ 308,321				Total Assets	\$ 310,814	\$ 307,274
			Total Other Operating Income	666	1,009	Total Loans	\$ 147,340	\$ 137,092
LIABILITIES & EQUITY			Salaries and Benefits (net)	2,366	2,173	Total Deposits	\$ 273,050	\$ 271,524
			Fixed Expense	478	489	Stockholder's Equity	\$ 19,934	\$ 19,634
Total Deposits	\$ 272,999	\$ 270,283	Variable Expense	1,574	1,263			
Repurchase Agreements	5,426	6,689	Loan Loss Provision	0	0			
FHLB/FRB Borrowings	10,000	8,000	Loss (Gain) on Assets	(1)	(120)			
Other Liabilities	2,429	1,455						
			Other Operating Expense	4,417	3,806			
TOTAL LIABILITIES	290,854	286,426	NET INCOME BEFORE INCOME TAXES	615	,796			
Common Stock	574	585	FEDERAL INCOME TAXES	33	71			
Surplus	17,953	18,667	NET INCOME	\$ 582	\$ 725			
Retained Earnings	11,444	10,714	Basic Earnings Per Share	\$ 1.01	\$ 1.23			
Unrealized Gain(Loss) Inv. Sec. AFS	(8,924)	(8,071)	Book Value Per Share	\$ 36.66	\$ 37.44			
			Cash Dividends Declared Per Share	\$ 0.76	\$ 0.82			
TOTAL SHAREHOLDERS EQUITY	21,047	21,895						
TOTAL LIABILITIES & EQUITY	\$ 311,902	\$ 308,321						

HURON COMMUNITY FINANCIAL SERVICES, INC.

BOARD OF DIRECTORS

Alan J. Stephenson, Chairman
Wayne D. Bigelow, Vice Chairman
David H. Cook
Matthew W. Buresh
Gary J. Thibault
Larry J. Richardson
Robert J. Thomas
Brenden A. Stephenson

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