

October 14, 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 September 30, 2022.

**HCFSI (In Thousands)**

Net Income for our holding company through September 30, 2022 was \$1,345 as compared to \$1,962 for the same period last year. Return on Average Equity was 7.13% and Return on Average Assets was 0.59% compared to 8.43% and 0.92% respectively at September 30, 2021. 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 \$36.49 per share and Share-Holder Equity is \$21,339. 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 \$51.89 and \$30,341, respectively, compared to \$51.63 and \$30,051, respectively, at September 30, 2021. At September 30, 2022 Earnings per Share is \$2.29 compared to \$3.34 at September 30, 2021.

**HCB (In Thousands)**

Net Income through the end of the third quarter 2022 was \$1,398 compared to \$2,017 for the same period last year. September 30, 2022 Return on Average Equity was 7.99% with Return on Average Assets of 0.62% compared to 9.37% and 0.96% respectively at September 30, 2021. Total assets at the end of the third quarter were \$316,411 versus \$316,057 in 2021. Total loans ended the third quarter at \$142,216 while total deposits were \$280,474.

**Year to Date Financial Performance**

The bank's balance sheet growth, coupled with increased agricultural lending, were the largest contributors to overall profitability in the 3<sup>rd</sup> quarter. The deposit growth has been primarily in the stable core deposits portion of the bank. While these results are encouraging, the looming recession, increasing interest rates, and scarcity of labor may have a negative effect on bank performance going forward. Our team is cautiously optimistic that we can weather these economic headwinds and continue to grow the bank safely and soundly while achieving our profitability goals.

**Cash Dividend Declared**

Your Board of Directors declared a cash dividend of \$0.41 per share to shareholders of record at October 5, 2022. This represents the 115th consecutive quarter in which a cash dividend has been paid to our shareholders. The dividend was paid on October 14, 2022. 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,



Robert J. (Bob) Thomas  
President & CEO



**HURON  
COMMUNITY  
BANK**

301Newman Street, P. O. Box 312, East Tawas, Michigan 48730  
**Address Service Requested**

PRSR STD  
U.S. POSTAGE  
**PAID**  
EAST TAWAS, MI  
PERMIT NO. 3  
48730

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

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

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

ASSETS	(Unaudited) 9/30/2022	(Unaudited) 9/30/2021	Nine Months Ended	(Unaudited) 9/30/2022	(Unaudited) 9/30/2021	PROFITABILITY	(Unaudited) 9/30/2022	(Unaudited) 9/30/2021
Cash & Due From Banks	\$ 47,544	\$ 65,747	Interest on Loans	\$ 4,485	\$ 4,400	Net Income (In thousands)	\$ 1,398	\$ 2,017
Investment Securities	114,290	105,937	Interest on Investments	1,689	1,169	Return on Assets - YTD Annualized	0.62%	0.96%
Total Loans	142,215	134,637	TOTAL INTEREST INCOME	6,174	5,569	Return on Equity - YTD Annualized	7.99%	9.37%
Allowance for Loan Loss	(2,683)	(2,638)				Net Interest Margin - YTD Annualized	2.74%	2.77%
Net Loans	139,532	131,999	INTEREST EXPENSE	433	416			
Bank Premises & Equipment	2,565	2,898						
Accrued Interest Receivable	905	852	NET INTEREST INCOME	5,741	5,153			
Intangible Assets	405	405						
Other Assets	12,221	9,234	Fees on Loans	632	1,696			
			Other Income	801	998	SELECTED BALANCES (In Thousands)		
TOTAL ASSETS	\$ 317,461	\$ 317,071				Total Assets	\$ 316,411	\$ 316,057
			Total Other Operating Income	1,433	2,694	Total Loans	\$ 142,216	\$ 134,638
LIABILITIES & EQUITY			Salaries and Benefits (net)	3,257	2,862	Total Deposits	\$ 280,474	\$ 275,823
			Fixed Expense	711	736	Stockholder's Equity	\$ 19,339	\$ 29,674
Total Deposits	\$ 279,500	\$ 275,339	Variable Expense	1,906	1,831			
Repurchase Agreements	7,055	6,361	Loan Loss Provision	0	135			
FHLB/FRB Borrowings	8,000	3,000	Loss (Gain) on Assets	(120)	(32)			
Other Liabilities	1,566	1,180						
TOTAL LIABILITIES	296,122	285,881	Other Operating Expense	5,754	5,532			
			NET INCOME BEFORE INCOME TAXES	1,420	2,315			
Common Stock	585	582	FEDERAL INCOME TAXES	75	353			
Surplus	18,658	18,696	NET INCOME	\$ 1,345	\$ 1,962			
Retained Earnings	11,098	10,773	Basic Earnings Per Share	\$ 2.29	\$ 3.34			
Unrealized Gain(Loss) Inv. Sec. AFS	(9,002)	1,139	Book Value Per Share	\$ 36.49	\$ 53.59			
TOTAL SHAREHOLDERS EQUITY	21,339	31,190	Cash Dividends Declared Per Share	\$ 1.23	\$ 1.23			
TOTAL LIABILITIES & EQUITY	\$ 317,461	\$ 317,071						

**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

**DIRECTORS EMERITUS**

Earl T. O'Loughlin  
Monty L. Kruttlin  
Robert M. Beneson  
Thomas B. Huck  
Mark D. Elliott

East Tawas Office  
301 Newman Street  
East Tawas, MI 48730  
(989) 362-6700  
(989) 362-8982 FAX

Tawas City Office  
410 East Lake Street  
Tawas City, MI 48763  
(989) 362-8671  
(989) 362-3743 FAX

Oscoda Office  
5077 North US-23  
Oscoda, MI 48750  
(989) 739-9125  
(989) 739-0370 FAX

Lincoln Office  
327 Traverse Bay Road  
Lincoln, MI 48742  
(989) 736-6727  
(989) 736-3451 FAX

AuGres Office  
3150 East Huron  
AuGres, MI 48703  
(989) 876-8068  
(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)