HOCKING VALLEY BANCSHARES

ANNUAL REPORT 2023

Brewing Up Success: A Spirited Rebrand

HOCKING VALLEY BANCSHARES, INC
HOLDING COMPANY OF HOCKING VALLEY BANK

Our Board of Directors

Bick Weissenrieder
Board Chair
Hocking Valley BancShares, Inc. & Hocking Valley Bank

Kim Kelly
Vice Chair
Hocking Valley BancShares, Inc. & Hocking Valley Bank
Owner & Treasurer
Good, Inc.

Tammy Bobo
President & CEO
Hocking Valley BancShares, Inc. & Hocking Valley Bank

Polly Sumney
Executive Vice President & Secretary
Hocking Valley BancShares, Inc. & Hocking Valley Bank

M. Scott Nisley
Retired President & CEO
Hocking Valley Bank

Alan Geiger
Retired Administrator
Ohio University

Mike Putman
President
White-Schwarzel Funeral Home, Inc.

Bob Gall
Partner
Mollica, Gall, Sloan & Sillery, LPA

Bob Norris
Retired Local Banker

Aaron Thomas
Owner
A-Roc Entertainment

Dr. Ben Holter
Pharmacy Manager/Partner
Shrivers Pharmacy

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President's Message

It's been a year. A year of continuing to execute initiatives outlined in our 2022-2024 Strategic Plan, Forward Together. A year of loan growth that exceeded our expectations. A year of continuing to transform the Hocking Valley Bank brand into one that resonates with the customers of today and the ones we want to attract tomorrow.

While the bank failures of last March gave us pause, we embraced an opportunity to have meaningful conversations with shareholders, customers, and community stakeholders about how we choose to do business. We, like others in the industry, continue to wait out the Federal Reserve Bank's current monetary policy by holding investments currently below market value to maturity and, as such, have experienced no losses. Our loan portfolio is diverse and includes loans from a wide range of small businesses and consumers. We're actively engaged in the industry and enjoy very good working relationships with the regulatory agencies that oversee us. And, most importantly, our Board of Directors and management team is comprised of local community members that understand the markets we serve very well. We believe these things, coupled with the short-term deposit strategy we've adopted to address current economic conditions and a strong liquidity position that afforded us loan growth of $22.49 million year-over-year, have us well-positioned to remain in the community banking space for a very long time.

Returning to business as usual by late spring, our focus turned to continuing to rebrand the bank with the launch of a new website. The site integrates with our online banking platform and features our products and services, highlights a variety of customer testimonials, and showcases our employee's community engagement. Partnering with Jack Henry™ Visual Branding Services for a total rebranding package to include a new logo better suited for today's digital environment and branding elements unique to the bank, we're very pleased to have created a website that looks *and feels* like us. In celebration of our transformation and Jackie O's expansion into the Columbus market, we debuted the site at a launch party at Jackie O's on Fourth. Complete with our very own craft beer, Liquid Assets, the event was representative of the evolution of two businesses with deep Athens County roots.

You'll recall that due to the explosion of online banking and changes in customer behavior during the pandemic, we closed two branch offices within the City of Athens in 2022. Of our five remaining locations, Coolville and The Plains, opened in 1998, had very dated interiors. To more accurately reflect how we're able to do business today and recreate spaces our team members can be proud to work in, both offices were given mini facelifts. With this work, begun shortly after our 60th anniversary in August and completed just before Thanksgiving, we believe our investment visually represents our ongoing commitment to both communities.

When creating the 2022-2024 Strategic Plan, an initiative to address existing board member's retirement plans was identified. Given the resignation of Mark Snider in September, Scott Nisley's retirement at year-end, and Dr. Alan Geiger's planned retirement in April 2024, a Director Search Committee was formed to identify potential new members. Though we very selfishly miss the leadership Mark and Scott provided during their respective tenures and know the same will be true of Dr. Geiger come April, we were very pleased to welcome Hocking Valley Bank Executive Vice President Paulette (Polly) Sumney to the boards in September followed by A-roc Entertainment owner and business entrepreneur Aaron Thomas and Registered Pharmacist and

Pharmacy Manager/Partner for Shrivers Pharmacy Dr. Ben Holter in October. Polly, Aaron, and Ben are well-connected in the region and bring unique perspectives to the boardroom given all have small business backgrounds.

With rebranding efforts concluded just prior to year-end, we were made aware that Jack Henry™ Visual Branding Services had submitted our rebranding package for a Davey Award, an international creative award focused on recognizing outstanding creative work by small agencies. Jack Henry, also our core software provider for more than 20 years, was thrilled to announce that our concept had won two Silver Davey Awards! We're honored by this recognition as we believe it to be reflective of the hard work that we've put in to repositioning the bank over the last 18 months.

It's been a year. And one that we're very proud of. Asset quality remains very strong. We continue to be well-capitalized. We've maintained deposits and had tremendous loan growth. We met annual budget projections and, though net income is less year-over-year due to having sold four bank-owned buildings in 2022, our buildings now reflect who we are. Our employees – every single one of them – truly pour their hearts into our communities by giving of their time and talents. While we understand that this return on investment is harder to put a value on, we're proud of our team members and the impact they help us make every day.

We know that the year ahead will not be without challenges. Our work to build out a new bank network continues. The regulatory environment is fraught with proposed changes that negatively impact the industry and our ability to serve our customers. And we know that while we understand that stock pricing across the entire banking industry has been negatively impacted given current monetary policy, the impression that our stock is undervalued is cause for concern to you. I'll note, however, that in working with our market maker we've facilitated trades for several new local investors, which is what we intended to do with the stock split of February 2022, and that internal transfers (i.e. certificates still in paper form on our "books") have been between $22.00 and $24.00. Let me assure you that increasing price per share and continuing to attract new local investors will be top priorities for myself and the remainder of the board at the August 2024 strategic planning session.

On behalf of my teammates, our management team and the Board of Directors, I thank you for your continued trust and investment in us.

Forward Together,

Tammy J Bobo

Tammy J. Bobo
President & Chief Executive Officer
Hocking Valley BancShares, Inc.

President & Chief Executive Officer
Hocking Valley Bank

Who we are

Our Core Values

- **S**how up everyday
- **H**old ourselves accountable
- **I**magine the possibilities
- **N**urture each relationship
- **E**arn your respect

Mission

To deliver a fair return to our investors by empowering all team members to make a positive impact with customers and the communities we serve.

Vision

To foster vibrant neighborhoods, thriving local businesses, and relationships built on values that last from generation to generation.

Financial Highlights

Hocking Valley Bancshares

On a consolidated basis, **net earnings** were **$2,570,000**, down from **$3,126,000** in 2022.

Book value, exclusive of unrealized securities gains/losses, was **$31.05** compared to **$29.52** year-end 2022. Book Value, with unrealized securities gains/losses, was **$25.15** compared to **$21.63** year-end 2022.

Hocking Valley Bank

Hocking Valley Bank, the company's primary asset, had **earnings** of **$2,523,000** for the year compared with **$3,095,000** in 2022.

Total assets at year-end 2023 were **$331,037,000** vs. **$326,668,000** in 2022.

Deposits ended the year at **$293,898,000** compared with **$294,738,000** in 2022.

Total gross loans increased to **$195,895,000** from **$173,059,000** in 2022.

HVBS Holdings, LLC

HVBS Holdings, LLC, a wholly owned subsidiary that operates a parking lot behind the bank's main office on Stimson Avenue, posted **net earnings** of **$18,796** for the year compared with **$24,070** in 2022.

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Hocking Valley Bancshares, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2023 and 2022

with Independent Auditors' Report

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Hocking Valley Bancshares, Inc. and Subsidiaries

Opinion
We have audited the accompanying consolidated financial statements of Hocking Valley Bancshares, Inc. and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hocking Valley Bancshares, Inc. and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Hocking Valley Bancshares, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these 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 Hocking Valley Bancshares, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Hocking Valley Bancshares, Inc. and Subsidiaries' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hocking Valley Bancshares, Inc. and Subsidiaries' 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 control related matters that we identified during the audit.

Other Information Included in the Corporation's Annual Report
Management is responsible for the other information included in the Corporation's Annual Report. The other information comprises general information to stockholders, but it does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 13, 2024

Hocking Valley Bancshares, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

		2023	2022
Assets:			
Cash and cash equivalents:			
Cash and due from banks	$	3,113,356	2,456,842
Federal funds sold		10,000	205,000
Interest bearing deposits		10,247,506	16,429,030
		13,370,862	19,090,872
Investment securities, available-for-sale at fair value		109,701,104	121,175,991
Other securities, held-to-maturity		641,373	721,838
Accrued interest receivable		916,300	879,663
Federal Home Loan Bank stock		302,300	670,900
Federal Reserve Bank stock		112,350	112,350
United Bankers' Bank stock		173,600	173,600
Property and equipment, net		3,681,842	3,155,313
Bank owned life insurance		8,069,784	7,948,312
Deferred tax asset, net		3,149,040	3,751,982
Prepaid expenses and other assets		56,413	146,050
Loans receivable, net of allowance for credit/loan losses of $2,513,769 and $2,426,543 as of December 31, 2023 and 2022, respectively		193,033,892	170,352,673
Total assets	$	333,208,860	328,179,544
Liabilities and stockholders' equity:			
Deposits	$	293,897,659	294,737,758
Accrued interest payable		101,205	36,411
Securities sold under repurchase agreements		4,240,654	2,486,070
Deferred compensation liability		1,972,531	2,059,328
Accrued expenses and other liabilities		1,722,399	1,962,797
Total liabilities		301,934,448	301,282,364
Common stock; no par value; 4,500,000 shares authorized; 1,243,290 shares issued; 1,243,290 shares outstanding at December 31, 2023 and 2022		745,250	745,250
Additional paid-in capital		566,424	469,030
Retained earnings		37,295,622	35,484,361
Accumulated other comprehensive loss:			
Unrealized loss on securities available-for-sale, net of tax benefit of $1,949,247 in 2023 and $2,605,451 in 2022		(7,332,884)	(9,801,461)
Total stockholders' equity		31,274,412	26,897,180
Total liabilities and stockholders' equity	$	333,208,860	328,179,544

See accompanying notes to the consolidated financial statements.

Hocking Valley Bancshares, Inc. and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

		2023	2022
Interest income:			
Interest and fees on loans	$	8,818,549	7,041,725
Interest on investment securities		1,477,833	1,481,421
Interest bearing deposits and other		849,282	645,804
		11,145,664	9,168,950
Interest expense:			
Deposits		2,055,087	547,554
Borrowings and repurchase agreements		14,068	2,398
		2,069,155	549,952
Net interest income		9,076,509	8,618,998
Provision for loan losses		60,000	-
Net interest income after provision for loan losses		9,016,509	8,618,998
Noninterest income:			
Gain on sale of loans		7,109	64,276
Service charges on deposits		220,497	229,395
ATM/Interchange fees		559,470	553,105
Increase in cash surrender value of life insurance		233,359	225,667
Gain on sale of property and equipment		-	991,638
Other income		76,654	78,634
		1,097,089	2,142,715
Noninterest expenses:			
Salaries and employee benefits		4,087,487	3,887,371
Occupancy and equipment expense		514,812	642,140
FDIC insurance premiums		133,800	60,000
Data processing expense		720,878	680,895
ATM and debit card expense		356,905	408,778
Professional fees		211,287	237,527
Advertising and marketing		103,202	94,446
Taxes, state		236,154	284,121
Other expenses		619,725	639,371
		6,984,250	6,934,649
Income before income taxes		3,129,348	3,827,064
Income tax expense		559,682	701,019
Net income	$	2,569,666	3,126,045

See accompanying notes to the consolidated financial statements.

Hocking Valley Bancshares, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2023 and 2022

		2023	2022
Net income	$	2,569,666	3,126,045
Other comprehensive income (loss):			
Unrealized holding gains (losses) during the period on available-for-sale securities, net of tax (benefit) of $656,204 and $(2,372,797) in 2023 and 2022, respectively		2,468,577	(8,926,235)
Comprehensive income (loss)	$	5,038,243	(5,800,190)

See accompanying notes to the consolidated financial statements.

Hocking Valley BancShares, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	Total Stockholders'
	Shares	Amount	Capital	Earnings	Income (Loss)	Stock	Equity
Balance at January 1, 2022	41,443	$ 745,250	390,665	46,953,939	(875,226)	(13,849,648)	33,364,980
Stock split 30 - 1	1,201,847	-	-	-	-	-	-
Net Income	-	-	-	3,126,045	-	-	3,126,045
Other comprehensive loss, net of tax	-	-	-	-	(8,926,235)	-	(8,926,235)
Stock based compensation	-	-	78,365	-	-	-	78,368
Retirement of treasury stock	-	-	-	(13,849,648)	-	13,849,648	-
Dividends declared	-	-	-	(745,975)	-	-	(745,975)
Balances at December 31, 2022	1,243,290	$ 745,250	469,030	35,484,361	(9,801,461)	-	26,897,180
Net income	-	-	-	2,569,666	-	-	2,569,666
Other comprehensive income, net of tax	-	-	-	-	2,468,577	-	2,468,577
Stock based compensation	-	-	97,394	-	-	-	97,394
Dividends declared	-	-	-	(758,405)	-	-	(758,405)
Balance at December 31, 2023	1,243,290	$ 745,250	566,424	37,295,622	(7,332,884)	-	31,274,412

See accompanying notes to the consolidated financial statements.

Hocking Valley Bancshares, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Net income	$	2,569,666	3,126,045
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation		212,906	255,655
Deferred compensation expense		111,955	134,163
Stock based compensation expense		97,394	78,365
Provision for loan losses		60,000	-
Investment securities amortization, net		581,606	676,247
Gain on sale of property and equipment		-	(991,638)
Loans originated for sale in secondary market		(293,700)	(4,037,704)
Proceeds from sale of loans on secondary market		300,976	4,104,711
Gain on sale of loans		(7,109)	(64,276)
Earnings on bank-owned life insurance		(233,359)	(225,666)
Deferred income taxes		(52,672)	(34,609)
Effects of change in operating assets and liabilities:			
Accrued interest receivable		(36,637)	(85,418)
Prepaid expenses and other assets		89,637	(3,497)
Accrued interest payable		64,794	13,737
Accrued expenses and other liabilities		(513,922)	(106,340)
Net cash provided by operating activities		2,951,535	2,839,775
Cash flows from investing activities:			
Purchase of property and equipment		(739,435)	-
Proceeds from maturity of investments		12,940,000	8,654,000
Principal repayments of investments		1,157,937	1,932,740
Purchase of investments		-	(11,650,652)
Proceeds from sale of Federal Home Loan Bank stock		368,600	236,600
Proceeds from sale of property and equipment		-	1,370,725
Proceeds from bank owned life insurance		111,887	-
Net increase in loans		(22,741,386)	(4,502,030)
Net cash used in investing activities		(8,902,397)	(3,958,617)
Cash flows from financing activities:			
Net change in deposits		(840,099)	(2,351,079)
Net change in securities sold under repurchase agreements		1,754,584	(2,578,827)
Payments on deferred compensation		(198,752)	(226,276)
Shares purchased for stock plan		-	(13,849,648)
Treasury stock purchases		-	13,849,648
Dividends paid		(484,881)	(484,884)
Net cash provided by (used in) financing activities		230,852	(5,641,066)
Net change in cash and cash equivalents		(5,720,010)	(6,759,908)
Cash and cash equivalents - beginning of year		19,090,872	25,850,780
Cash and cash equivalents - end of year	$	13,370,862	19,090,872
Supplemental disclosure of cash flow information:			
Interest paid	$	2,004,361	536,215
Income taxes paid	$	642,202	626,726
Supplemental disclosure of noncash activities:			
Retirement of Treasury stock	$	-	13,849,648
Dividends payable	$	273,524	261,091

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following items set forth the significant accounting policies that Hocking Valley Bancshares, Inc. and Subsidiaries (the Company) follows in preparing and presenting its consolidated financial statements.

Nature of operations and principles of consolidation
The consolidated financial statements include the accounts of The Company and its wholly owned subsidiaries, Hocking Valley Bank (the Bank) and HVBS Holdings, LLC. The Company is a bank holding company whose activities are primarily limited to holding the stock of its' wholly-owned subsidiaries. The Bank generates commercial, mortgage and consumer loans through its five offices located in Athens County serving the county as well as the adjacent area. The Bank operates under a state bank charter and provides normal banking services. As a state-chartered member bank, the Bank is subject to regulation by the State of Ohio Division of Financial Institutions, the Federal Reserve Bank of Cleveland and the Federal Deposit Insurance Corporation (FDIC). The Bank has a wholly owned subsidiary, HVB Investments, Inc., which was formed for the purpose of holding investment securities. HVBS Holdings, LLC owns property that is leased for parking space. All significant intercompany transactions have been eliminated in consolidation.

Basis of presentation
The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (GAAP) as contained in the Accounting Standards Codification (ASC) issued by the Financial Accounting Standards Board (FASB) and with general practices within the financial services industry.

Estimates
The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided. Significant estimates include the allowance for credit losses. Actual results could differ from those estimates.

Concentrations of credit risk
Most of the Company's business activity is with customers located within Athens County and adjacent counties. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in that area.

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Company places its cash and temporary interest-bearing deposits with high credit quality financial institutions. At times, such investments may be in excess of the FDIC insurance limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents
Cash and cash equivalents include cash, deposits with other financial institutions with original maturities less than 90 days, overnight deposits from the Federal Home Loan Bank of Cincinnati and federal funds sold. Net cash flows are reported for customer loan and deposit transactions and borrowings with original maturities of 90 days or less.

Investment securities
Investment securities are classified upon acquisition into one of three categories: held-to-maturity, available-for-sale, or trading.

Investment securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Investment securities are classified as available-for-sale when they might be sold before maturity for any reason, including liquidity needs, changes in market interest rates, or asset-liability management strategies. Investment securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported separately in stockholders' equity. Investment securities are classified as trading when held for short-term periods in anticipation of market gains and are carried at fair value. At December 31, 2023 and 2022, all investment securities were classified as held-to-maturity or available-for-sale.

Amortization of premiums and accretion discounts are recorded as interest income using the interest method over the terms of the securities. Amortization of premiums is based on call date of securities in accordance with GAAP. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other-than-temporary, generally result in write-downs of the individual securities to their fair value. The related write-downs are included 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 Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. During the years ended December 31, 2023 and 2022, the Company recognized no impairment losses on investment securities for declines in value deemed by management to be other-than-temporary.

Investment tax credits are accounted for using the proportional amortization method and amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received in the income statement as a component of income tax expense.

Loans
Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of purchase premiums and discounts, deferred loan fees and costs, and the allowance for credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer loans are typically charged-off no later than four payments past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual status is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for credit losses

Available-For-Sale Securities
For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Loans
The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience utilizing the WARM methodology and a peer group of comparable banks provides the basis for the estimation of expected credit losses. The peer group consists of banks with assets ranging from $300 million to $1 billion. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in the value of underlying collateral, national and local economic conditions, changes in portfolio volume and nature, changes in staff depth of knowledge and experience, and effect of concentrations.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the portfolio segments and measures the allowance for credit losses using the risks characteristics as described in Note 3.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral. Expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Determining the Contractual Term: Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Other real estate owned
Foreclosed real estate is carried at the lower of cost or fair value less estimated selling costs. When foreclosed real estate is acquired, any required adjustment is charged to the allowance for loan losses. All subsequent activity is included in current operations.

Property and equipment
Land is carried at cost. Property and equipment is stated at cost less accumulated depreciation. Depreciation of property and equipment is provided by using a straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over useful lives ranging from 10 to 39 years. Furniture and equipment are depreciated over useful lives ranging from 3 to 10 years.

Bank owned life insurance
The Company has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Restricted stock
The Bank is a member of the Federal Home Loan Bank (“FHLB”) of Cincinnati. Additionally, the Bank is a member of the Federal Reserve Bank (“FRB”) system. Members are required to own a certain amount of stock based on their level of borrowings and other factors and may invest in additional amounts. FHLB and FRB stock are carried at cost, classified as restricted securities, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. The Company owns stock in United Bankers’ Bank which is carried at cost and cash dividends are reported as income.

Stock based compensation
Compensation cost is recognized for restricted stock and restricted stock unit awards issued to employees based on the fair value of these awards at the date of grant. The market price of the Company’s common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period for the award.

Revenue from Contracts with Customers
The Company records revenue from contracts with customers in accordance with ASC 606, *Revenue from Contracts with Customers* (ASC 606). Under ASC 606, the Company must identify the contract with a customer, identify the performance obligation(s) within the contract, determine the transaction price, allocate the transaction price to the performance obligation(s) within the contract, and recognize revenue

when (or as) the performance obligation(s) are/is satisfied. The core principle under ASC 606 requires the Company to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgement involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The majority of the Company's revenue is not subject to ASC 606, including net interest income, loan servicing income, fees related to loans and loan commitments, increase in cash surrender value of bank owned life insurance, and gain on sales of loans and securities.

A description of the Bank's revenue streams accounted for under ASC 606 follows:

Service charges on deposits
Service charges on deposits consist of account analysis fees (i.e., net fees earned on analyzed business accounts), monthly service fees, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

ATM/Interchange fees
Fees, exchange, and other service charges are primarily comprised of debit card income, ATM fees and other service charges. Debit card income is primarily comprised of interchange fees earned whenever the Company's debit cards are processed through card payment networks such as Visa or Mastercard. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM, or a non-Company cardholder uses a Company ATM. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Other
Other noninterest income consists of other recurring revenue streams such as wire transfer fees, safe deposit box rental fees, item processing fees and other miscellaneous revenue streams. Wire transfer fees represent revenue from processing wire transfers. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation. Item processing fee income represents fees charged to other financial institutions for processing their transactions. Payment is typically received in the following month. Also included in other is gain on sale of other real estate owned (OREO). The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the same time of an executed deed. When this occurs, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer.

Income taxes
Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. 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 Company recognizes interest related to income tax matters as interest expense and penalties related to income tax matters as other expense.

Benefit plans
Employee 401(k) and profit-sharing plan expense is the amount of matching contributions. Pension expense for three other plans described in note 11 are charged to earnings according to valuations received from third-parties which also determine carrying value of the liabilities. Benefit payments are made according to the agreements with former employees and officers.

Comprehensive income (loss)
Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains on securities available-for-sale, which is also recognized as a separate component of equity, net of tax.

Advertising expense
The Company expenses all advertising costs as incurred and these costs are immaterial to the consolidated financial statements.

Loss contingencies
Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there are currently any such matters that will have a material effect on the consolidated financial statements.

Dividend restriction
Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Company or by the Company to stockholders. Dividends paid by the Bank to the Corporation are the primary source of funds for dividends by the Company to its stockholders.

Fair value of financial instruments
Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. 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.

Off-balance sheet financial instruments
In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the consolidated financial statements when they become payable.

Reclassifications
Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Adoption of new accounting standards
On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of ASC 326 did not result in an adjustment to the allowance for credit losses as of January 1, 2023.

Subsequent events
The Company evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through March 13, 2024, the date on which the consolidated financial statements were available to be issued.

2. INVESTMENT SECURITIES:

The carrying amounts and fair values of investment securities, by category, are as follows:

	December 31, 2023 Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
US Treasuries	$ 54,829,808	-	4,132,464	50,697,344
Agency securities	34,776,677	-	2,495,280	32,281,397
Municipal securities	17,298,912	4,746	1,237,657	16,066,001
Mortgage-backed securities	10,601,838	-	1,393,843	9,207,995
Certificates of deposit	1,476,000	-	27,633	1,448,367
	$118,983,235	4,746	9,286,877	109,701,104
Held-to-maturity:				
Low income housing tax credits	$ 641,373	-	-	641,373

	December 31, 2022 Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
US Treasuries	$ 59,580,458	-	5,518,349	54,062,109
Agency securities	41,044,398	1,120	3,462,387	37,583,131
Municipal securities	19,418,118	3,611	1,734,073	17,687,656
Mortgage-backed securities	11,818,929	-	1,647,699	10,171,230
Certificates of deposit	1,721,000	-	49,135	1,671,865
	$ 133,582,903	4,731	12,411,643	121,175,991
Held-to-maturity:				
Low income housing tax credits	$ 721,838	-	-	721,838

The Company has future commitments to fund low income housing investments of the following as of December 31, 2023:

2024	$ 29,498
2025	26,699
2026	22,440
2027	20,388
2028	9,878
Thereafter	11,553
	$ 120,456

The amortized cost and fair value of investment securities, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2023	
	Amortized Cost	Fair Value
Due in one year or less	$ 17,776,612	17,301,239
Due after one year through five years	87,499,084	79,907,814
Due after five years through ten years	5,812,884	5,203,166
Due after ten years	7,894,655	7,288,885
	$ 118,983,235	109,701,104

The investment securities held-to-maturity fully mature in 2037.

Securities with a carrying value of $96.9 million and $87.7 million were pledged at December 31, 2023 and 2022, respectively, to secure certain deposits and for other purposes as permitted or required by law.

The tables below indicate the length of time individual investment securities have been in a continuous loss position.

	December 31, 2023					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Treasuries	$ 9,302,266	259,713	41,395,078	3,872,751	50,697,344	4,132,464
Agency securities	5,357,433	160,697	26,923,965	2,334,583	32,281,398	2,495,280
Municipal securities	1,664,231	46,273	13,980,071	1,191,384	15,644,302	1,237,657
Certificates of deposits	977,311	8,689	471,056	18,944	1,448,367	27,633
Mortgage-backed securities	-	-	9,207,995	1,393,843	9,207,995	1,393,843
	$17,301,241	475,372	91,978,165	8,811,505	109,279,406	9,286,877
Number of investments	17		79		96	

	December 31, 2022					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Treasuries	$ 7,813,281	224,353	46,248,828	5,293,996	54,062,109	5,518,349
Agency securities	6,406,936	180,437	30,175,074	3,281,950	36,582,010	3,462,387
Municipal securities	10,534,250	690,824	6,513,981	1,043,249	17,048,231	1,734,073
Certificates of deposits	1,671,865	49,135	-	-	1,671,865	49,135
Mortgage-backed securities	778,905	41,950	9,392,325	1,605,749	10,171,230	1,647,699
	$27,205,237	1,186,699	92,330,208	11,224,944	119,535,445	12,411,643
Number of investments	53		70		123	

Management has the ability and intent not to sell these securities for the foreseeable future and the decline in fair value is attributed to fluctuations in market interest rates. The fair values are expected to recover as securities approach their respective maturity dates.

3. LOANS RECEIVABLE:

Loans receivable at December 31, 2023 and 2022 consist of the following:

	2023	2022
Construction	$ 12,368,414	6,343,647
1-4 family residential	99,950,132	91,391,740
Commercial	76,200,534	66,574,368
Consumer	7,376,149	8,749,304
Total loans	195,895,229	173,059,059
Less: Allowance for credit losses	(2,513,769)	(2,426,543)
Less: Deferred loan fees	(347,568)	(279,843)
Loans receivable, net	$ 193,033,892	170,352,673

The risk characteristics applicable to each segment of the loan portfolio are described as follows:

Construction loans related to both residential and commercial loans are underwritten utilizing feasibility studies, independent reviews and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Bank until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of financing.

Residential mortgage loans are secured by 1-4 family residences and are generally owner-occupied but do include investment properties. The Company generally establishes a maximum loan-to-value and requires private mortgage insurance (owner-occupied) if that ratio is exceeded. Repayment of these loans is dependent upon personal income of the borrowers (owner-occupied) and rental income (investment). This repayment can be impacted by the economic conditions in their market area. Repayment can also be impacted by changes in property values of residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

The Company originates commercial business lines of credit and loans, which are secured by non-real estate business assets such as equipment, receivables, inventories and commercial real estate. Commercial business lending generally involves additional risks compared to 1-4 family residential lending because repayment generally depends on the successful operation of the borrowers' business. Repayment of such loans may be subject, to a greater extent than residential loans, to adverse conditions in the real estate market or the economy. Commercial and industrial loans have greater credit risk than 1-4 family residential real estate loans. The Company's policies limit the amount of loans to a single borrower or group of related borrowers to reduce this risk.

The Company originates consumer loans to qualified borrowers whose monthly income can be relied upon as a source of repayment. A written application or personal financial statement completed by the borrower must always be prepared. Consumer credit is classified as installment lending, personal revolving credit, loan advantage, and home equity lines of credit. Credit terms will be extended to individuals based on their own merits. Payment experience on consumer loans secured by the income of the borrower typically depends on the successful income generation of the borrower. Consequently, the repayment of the loan may be subject to adverse conditions in the financial condition of the borrower or the economy in general.

Allowance for Credit Losses and Recorded Investment in Financing Receivables
December 31, 2023

	Construction	1-4 family residential	Commercial	Consumer	Total
Allowance for credit losses:					
Beginning balance	$ 77,178	1,340,400	854,812	154,154	2,426,543
Provision	3,788	30,614	23,339	2,259	60,000
Charge-offs	-	(9,743)	-	-	(9,743)
Recoveries	-	250	-	36,718	36,968
Ending balance	$ 80,966	1,361,520	878,151	193,131	2,513,769
Ending balance: Individually evaluated for impairment	$ -	-	-	-	-
Ending balance: Collectively evaluated for impairment	$ 80,966	1,361,520	878,151	193,131	2,513,769
Loans receivable:					
Ending balance	$ 12,368,413	99,950,132	76,200,534	7,376,149	195,895,229
Ending balance: Individually evaluated for impairment	$ -	179,184	561,866	4,009	745,059
Ending balance: Collectively evaluated for impairment	$ 12,368,413	99,770,949	75,638,669	7,372,139	195,150,170

Allowance for Loan Losses and Recorded Investment in Financing Receivables
December 31, 2022

	Construction	1-4 family residential	Commercial	Consumer	Total
Allowance for loan losses:					
Beginning balance	$ 77,178	1,332,711	854,812	151,198	2,415,899
Provision	-	-	-	-	-
Charge-offs	-	(5,705)	-	-	(5,705)
Recoveries	-	13,393	-	2,956	16,349
Ending balance	$ 77,178	1,340,399	854,812	154,154	2,426,543
Ending balance: Individually evaluated for impairment	$ -	-	-	-	-
Ending balance: Collectively evaluated for impairment	$ 77,178	1,340,399	854,812	154,154	2,426,543
Loans receivable:					
Ending balance	$ 6,343,647	91,391,740	66,574,368	8,749,304	173,059,059
Ending balance: Individually evaluated for impairment	$ -	573,923	619,791	5,194	1,198,908
Ending balance: Collectively evaluated for impairment	$ 6,343,647	90,817,817	65,954,577	8,744,110	171,860,151

The Company categorizes loans into credit risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information and current economic trends. “Pass” rated loans included all risk-rated loans other than those classified as watch, special mention, substandard and doubtful. “Watch” loans display conditions that warrant additional monitoring and management oversight. “Special mention” loans have a potential weakness that deserves management’s close attention. These potential weaknesses may result in deterioration of repayment prospects for the loan or of the Company’s credit position at some future date. “Substandard” loans are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans with this classification have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. “Doubtful” loans have all the weaknesses inherent in those loans classified as substandard with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Credit Risk Profile by Internally Assigned Grade
December 31, 2023

	Construction	1-4 family residential	Commercial	Consumer	Total
Grade:					
Pass	$ 12,368,413	98,831,369	75,409,782	7,372,139	193,981,703
Watch	-	395,972	-	-	395,972
Special mention	-	-	-	-	-
Substandard	-	722,792	790,752	4,010	1,517,554
Doubtful	-	-	-	-	-
Total	$ 12,368,413	99,950,133	76,200,534	7,376,149	195,895,229

The following table summarizes loans by delinquency, nonaccrual status and impaired loans:

	30-89 Days Past Due	Over 89 Days Past Due	Total Past Due	Total Current and Accruing	Total Loans	Nonaccrual
Construction	$ -	-	-	12,368,414	12,368,414	-
1-4 family residential	323,602	321,360	644,962	99,305,171	99,950,132	285,603
Commercial	42,137	120,355	162,492	76,038,042	76,200,534	153,397
Consumer	21,123	-	21,123	7,355,026	7,376,149	-
Total	$ 386,862	441,715	828,577	195,066,653	195,895,229	439,000

There were loans totaling $65,580 with a recorded investment over 89 days past due that were accruing at December 31, 2023. No nonaccrual loans as of December 31, 2023 had an allowance reserved against them.

Credit Risk Profile by Internally Assigned Grade
December 31, 2022

	Construction	1-4 family residential	Commercial	Consumer	Total
Grade:					
Pass	$ 6,343,647	90,289,836	60,412,637	8,645,323	165,691,443
Watch	-	418,750	1,739,452	-	2,158,202
Special mention	-	-	3,762,353	-	3,762,353
Substandard	-	683,154	659,926	103,981	1,447,061
Doubtful	-	-	-	-	-
Total	$ 6,343,647	91,391,740	66,574,368	8,749,304	173,059,059

The following table summarizes loans by delinquency, nonaccrual status and impaired loans:

	30-89 Days Past Due	Over 89 Days Past Due	Total Past Due	Total Current and Accruing	Total Loans	Nonaccrual
Construction	$ -	5,568	5,568	6,338,079	6,343,647	5,568
1-4 family residential	617,170	264,300	881,470	91,029,949	91,391,740	361,791
Commercial	8,993	-	8,993	66,409,488	66,574,368	164,880
Consumer	23,350	14,344	37,694	8,747,335	8,749,304	1,969
Total	$ 649,513	284,212	933,725	172,524,851	173,059,059	534,208

There were loans totaling $48,128 with a recorded investment over 89 days past due that were accruing at December 31, 2022.

The following tables presents the amortized costs basis of collateral-dependent loans by class of loans as of December 31, 2023.

	Real Estate	Farm & Farm Equipment	UCC Filing	Vehicles	Reserve
Commercial	$ 344,815	-	228,886	6,240	-
Commercial real estate:					
Construction	-	-	-	-	-
Other	33,042	-	-	-	
Consumer:					
Credit Card	-	-	-	-	-
Other	-	-	-	-	-
Auto	-	-	4,010	-	-
Residential:					
Prime	741,342	-	-	-	-
Total	$ 1,119,199	-	232,896	6,240	-

The credit loss expense includes the evaluation of impaired loans under generally accepted accounting principles. A loan is considered to be impaired when based upon current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan. Impairment is primarily measured based on the fair value of the loan’s collateral. Impairment losses are included in credit loss expense. This treatment does not apply to large groups of smaller balance homogeneous loans that are collectively evaluated for impairment, except for those loans restructured under a troubled debt restructuring.

Prior to adoption of ASU 2016-13, loans were considered impaired when, based on current information, it was probably the Bank would be unable to collect all amounts due in accordance with the original terms of the contract.

Impaired Loans
December 31, 2022

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Construction	$ -	-	-	-	-
1-4 family residential	573,923	573,923	-	529,386	24,698
Commercial	619,791	619,791	-	309,896	31,899
Consumer	5,194	5,194	-	5,835	673
Total	$ 1,198,908	1,198,908	-		57,270
Loans with an allowance recorded:					
Construction	$ -	-	-	-	-
1-4 family residential	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Total	$ -	-	-		-
Total:					
Construction	-	-	-	-	-
1-4 family residential	$ 573,923	573,923	-	529,386	24,698
Commercial	619,791	619,791	-	309,896	31,899
Consumer	5,194	5,194	-	5,835	673
Total	$ 1,198,908	1,198,908	-		57,270

Occasionally, the Bank modifies loans to borrowers in financial distress by providing term extension or interest rate reduction. In some cases, the Bank provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession may be granted. For the year ended December 31, 2023, there were no loans where a single or multiple types of modifications have been made within the current reporting period.

At December 31, 2022, the Bank had one loan restructured as a troubled debt restructurings (TDRs). No charge-offs were incurred as a result of the troubled debt restructurings. The concessions given were the lowering of interest rates and extension of maturity dates. Unpaid principal balances as of December 31, 2022 totaled $650,685. None of these loans have subsequently defaulted.

The Company is servicing loans for others that are not included in the accompanying consolidated financial statements. The unpaid principal balance of these loans was approximately $41.3 million and $43.5 million for the years ended December 31, 2023 and 2022, respectively. Management has determined that managing servicing rights are not material.

The Company has made loans to directors and officers in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers. At December 31, 2023 and 2022, the total outstanding loan balance to directors and officers was approximately $4,935,900 and $5,699,900, respectively.

The following is an analysis of the activity of such loans for the years ended December 31, 2023 and 2022:

	2023	2022
Balance, beginning of the year	$ 5,699,900	5,518,000
Loans originated	4,174,600	655,800
Repayments, net of draws	(117,600)	(473,900)
Removals	(4,821,000)	-
Balance, end of the year	$ 4,935,900	5,699,900

4. PROPERTY AND EQUIPMENT:

Property and equipment are summarized by major classification as follows:

	2023	2022
Land	$ 993,839	926,009
Buildings	7,254,019	6,972,890
Network Infrastructure	390,475	-
Furniture and equipment	4,031,546	4,031,545
	12,669,879	11,930,444
Less accumulated depreciation	(8,988,037)	(8,775,131)
Property and equipment, net	$ 3,681,842	3,155,313

Depreciation expense for the years ended December 31, 2023 and 2022 was $208,384 and $255,655, respectively.

5. DEPOSITS:

	2023	2022
Demand deposits	$ 190,035,299	214,164,325
Savings deposits	32,838,093	38,085,986
Time deposits, $250,000 or more	32,101,601	16,006,591
Time deposits, less than $250,000	38,922,666	26,480,856
	$ 293,897,659	294,737,758

At December 31, 2023, scheduled maturities of time deposits are as follows:

2024	$ 62,586,619
2025	6,490,521
2026	1,327,190
2027	308,666
2028	311,271
	$ 71,024,267

Interest expense on deposits is summarized as follows:

	2023	2022
Demand deposits	$ 307,941	91,176
Savings deposits	53,055	24,805
Time deposits	1,694,091	431,573
	$ 2,055,087	547,554

Deposits received from officers and directors are at the same rates and terms as offered to non-related parties, and were approximately $2,588,306 and $6,258,900 as of December 31, 2023 and 2022, respectively.

6. BORROWINGS:

The Company owns stock of the Federal Home Loan Bank (FHLB) of Cincinnati, Ohio. This stock allows the Company to borrow long-term advances from the FHLB which the Company uses to fund long-term fixed rate mortgage loans. The FHLB advances are secured by the Company's first-mortgage 1-4 family loan portfolio and the Company's FHLB stock.

At December 31, 2023 and 2022, there was no balance due on advances from the FHLB.

7. OTHER BORROWED FUNDS AND LINES OF CREDIT:

Securities sold under agreements to repurchase mature within one day from the transaction date. Information concerning securities sold under agreements to repurchase is summarized as follows:

	2023	2022
Average balance during the year	$ 3,363,362	3,775,484
Average interest rate during the year	1.00%	2.00%
Maximum month-end balance during the year	$ 3,982,484	5,317,761
Obligations of U.S. Government Agencies underlying the agreements at year-end:		
Book value	$ 2,785,000	2,000,000
Fair value	2,679,090	1,919,378

The Company has a borrowing capacity of approximately $27.4 million with the FHLB as of December 31, 2023. In addition, the Company has letters of credit available to secure public funds with the FHLB totaling $1.5 million. The Company has borrowing capacity of $11.0 million in unsecured lines of credit with other financial institutions.

8. INCOME TAX:

	2023	2022
Income tax expense (benefit):		
Current	$ 612,354	735,628
Deferred	(52,672)	(34,609)
	$ 559,682	701,019

The tax effects of the temporary differences that created deferred tax assets and liabilities were as follows:

	2023	2022
Deferred tax assets:		
Deferred compensation	$ 414,231	432,460
Allowance for credit losses	527,891	509,574
Depreciation	219,319	216,385
Net unrealized loss on securities available-for-sale	1,949,247	2,605,451
Deferred loan fees	72,989	58,767
Total deferred tax assets	3,183,677	3,822,637
Deferred tax liabilities:		
FHLB stock dividends	(31,837)	(70,655)
Total deferred tax liabilities	(31,837)	(70,655)
Net deferred tax assets	$3,151,840	3,751,982

All deferred tax assets and liabilities are related to federal income taxes.

The provision for federal income taxes differs from the amount computed by applying the statutory rate to income before income taxes in the years ended December 31, 2023 and 2022, as indicated in the following analysis:

	2023		2022	
Tax based on statutory rate	$ 657,163	21.0%	803,683	21.0%
Effect of tax-exempt interest	(33,394)	(1.0)	(40,132)	(1.0)
Bank owned life insurance	(49,005)	(1.6)	(47,390)	(1.2)
Other, net	(15,082)	(0.5)	(15,142)	(0.4)
	$ 559,682	17.9%	701,019	18.4%

9. COMMITMENTS AND CONTINGENCIES:

In the normal course of business there are outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying consolidated financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as they do for instruments that are included in the consolidated balance sheet.

Financial instruments whose contract amount represents credit risk were approximately as follows:

	2023	2022
Commitments to extend credit	$ 22,341,000	17,364,000
Standby letters of credit	1,733,000	2,500,000

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 and are unconditionally cancelable by the bank. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The Company is also subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Company.

10. REGULATORY MATTERS:

In 2020, the Bank adopted the community bank leverage ratio (CBLR) framework for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. A qualifying community banking organization is defined as having less than $10 billion in total consolidated assets, a leverage ratio greater than 9%, of-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets.

The CBLR 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) ration. Qualifying banking organizations that elect to use the CBLR 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 requirements for purposes of section 38 of the Federal Deposit Insurance Act.

An eligible banking organization can opt out of the CBLR framework and revert to the risk-weighting framework without restriction. As of December 31, 2023, 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.

The Company and Bank's CBLR as of December 31, 2023 and 2022 was 10.99% and 10.63%, respectively, and therefore the Bank is categorized as "well capitalized."

11. BENEFIT PLANS:

401(k) Plan: A 401(k) benefit plan allows employee contributions from full time employees working over 1,000 hours per year who are age 18 with at least three months of service. Employees are able to enroll in the plan at the beginning of each new quarter in the calendar year. Employee contributions are limited to the permissible amounts as defined by the Internal Revenue Service. The Company matches employee contributions at 50% up to 6% of the employee's base salary. The Company also makes a profit-sharing contribution at the discretion of its Board of Directors of 7% of employees' base wage regardless of whether the employee contributes to the Plan. The expense of the 401(k) plan was $287,011 and $266,724 for the years ended December 31, 2023 and 2022, respectively.

Salary Continuation/Supplemental Executive Plan:
The Company has an unfunded salary continuation plan and supplemental executive plan for the Board Chair and former CEO which provides 20 years of retirement income beginning the first day of the month following their retirement. Accrual of this liability is based upon a 7.229% discount rate with no inflation adjustment. Income tax deductions are allowable only as retirement benefits are paid. Payments for the Board Chair began in 2019 and payments for the former CEO began in 2020. The following amounts are included in the accompanying consolidated financial statements:

	2023	2022
Accrued pension liability	$ 1,864,372	1,925,272
Pension expense	111,955	134,163
Benefits paid	195,900	195,900

Health Plan: The Company has an unfunded plan which serves as a health insurance subsidy and provides payments for 6 former employees and the spouse of the former Bank president and director. Accrual of this liability is based on a 4.69% discount rate and a 5.00% inflation adjustment. Income tax deductions are allowable only as benefits are paid. The following amounts are included in the accompanying consolidated financial statements:

	2023	2022
Accrued insurance liability	$ 111,955	134,852
Pension expense	-	-
Benefits paid	22,898	27,376

Pension Plan: The Company has an unfunded pension plan for a former officer of the Bank, which provides monthly retirement income to the officer. Accrual of this liability is based on estimated payments remaining for the one person receiving benefits. Income tax deductions are allowable only as retirement benefits are paid. The Company paid benefits of $3,000 in for the years ended December 31, 2023 and 2022.

12. STOCK BASED COMPENSATION:

In June 2012, the Company adopted the Hocking Valley Bancshares, Inc. Restricted Stock Plan for the issuance of restricted stock to employees of the Company. The aggregate number of shares of common stock reserved and available for issuance pursuant to awards granted under this Plan is 30,000 shares. The

Board of Directors of the Company established a trust to hold shares to be awarded. All shares at inception held in the trust have voting rights and any shares that have not yet been awarded are voted by the trustees. The awards are granted at the discretion of the Board of Directors and vest over a six-year term with 20% vesting occurring each year beginning at two years after grant. Total recognized compensation expense was $97,394 and $76,790 for the years ended December 31, 2023 and 2022, respectively and unvested expense as of December 31, 2023 and 2022 that will be recorded as expense in future periods are $460,500 and $497,740 respectively. The Company accounts for forfeitures in the period they occur. There are 6,450 shares remaining in the Plan for future grants.

Information related to restricted stock grants for the years ended December 31, 2023 and 2022 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2022	219	$763
Stock split 30 – 1	6,351	$25.44
Granted	22,500	$21.00
Forfeited	(450)	$23.99
Vested	(1,920)	$23.88
Outstanding at December 31, 2022	26,700	$21.79
Vested	(1,350)	$25.36
Outstanding at December 31, 2023	25,350	$21.60

13. FAIR VALUES OF FINANCIAL INSTRUMENTS:

GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

There are three levels of inputs that may be used to measure fair values:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are significant other observable inputs other than Level 1 prices such as quote prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment securities

Fair value on available-for-sale securities were based upon a market approach. Securities which are fixed income instruments that are not quoted on an exchange, but are traded in active markets, are valued using prices obtained from our custodian, which used third party data service providers and are classified as Level 2 inputs. Available-for-sale securities include US Treasuries, agency securities, municipal securities, mortgage-backed securities and certificates of deposit.

Impaired loans

A loan is considered to be impaired when it is probable that the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Individually identified impaired loans are measured based on the present value of expected payments using the loan's effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation allowance may be established as a component of the allowance for loan losses. Impaired loans are classified within Level 2 of the hierarchy.

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 3)
December 31, 2023:				
Assets:				
US Treasuries	$50,697,344	-	50,697,344	-
Agency securities	32,281,397	-	32,281,397	-
Municipal securities	16,066,001	-	16,066,001	-
Mortgage-backed securities	9,207,995	-	9,207,995	-
Certificates of deposit	1,448,367	-	1,448,367	-

	Total	(Level 1)	(Level 2)	(Level 3)
December 31, 2022:				
Assets:				
US Treasuries	$54,062,109	-	54,062,109	-
Agency securities	37,583,130	-	37,583,130	-
Municipal securities	17,687,658	-	17,687,658	-
Mortgage-backed securities	10,171,230	-	10,171,230	-
Certificates of deposit	1,671,864	-	1,671,864	-

14. CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY):

Presented below is condensed financial information comprising the financial position, results of operations and cash flows of the Parent Company only:

Condensed Balance Sheet

	2023	2022
Assets:		
Cash and cash equivalents	$ 778,284	288,347
Investment securities, available for sale	706,149	704,501
United Bankers' Bank stock	173,600	173,600
Investment in Hocking Valley Bank	29,289,313	25,502,828
Investment in HVBS Holdings, LLC	158,414	139,619
Other assets	442,176	349,375
Total assets	$ 31,547,936	27,158,270
Liabilities:	$ 273,524	261,090
Stockholders' equity:		
Common stock; no par value; 150,000 shares authorized, 72,115 shares issued; 41,443 shares outstanding at December 31, 2023 and 2022, respectively	$ 745,250	745,250
Additional paid-in capital	566,424	469,030
Retained earnings	37,295,622	35,484,361
Accumulated other comprehensive loss	(7,332,884)	(9,801,461)
Treasury stock, at cost	-	-
Total stockholders' equity	31,274,412	26,897,180
Total liabilities and stockholders' equity	$ 31,547,936	27,158,270

Condensed Statement of Income

	2023	2022
Interest and dividend income	$ 62,063	21,341
General and administrative expenses	(34,600)	(14,491)
	27,463	6,850
Equity in earnings of Hocking Valley Bank	2,523,407	3,095,125
Equity in earnings of HVBS Holdings, LLC	18,796	24,070
Net income	$ 2,569,666	3,126,045

Condensed Statement of Cash Flows

	2023	2022
Operating activities:		
Net income	$ 2,569,666	3,126,045
Adjustments to reconcile net income to net cash from operating activities:		
Deferred income tax	(1,339)	-
Stock based compensation expense	97,394	78,365
Investment securities amortization	5,314	5,209
Equity in earnings of Hocking Valley Bank	(2,523,407)	(3,095,125)
Equity in earnings of HVBS Holdings, LLC	(18,794)	(24,070)
Changes in other assets and liabilities	(92,925)	(80,743)
Net cash provided by operating activities	35,909	9,681
Investing activities:		
Net cash provided by investing activities	-	-
Financing activities:		
Cash dividends received from subsidiaries	1,200,000	-
Shares purchased for stock plan	-	(13,849,648)
Purchase of treasury stock	-	(13,849,648)
Dividends paid	(745,972)	(484,884)
Net cash provided by (used in) financing activities	454,028	(484,884)
Net change in cash	489,937	(475,203)
Cash – beginning of year	288,347	763,550
Cash – end of year	$ 778,284	288,347

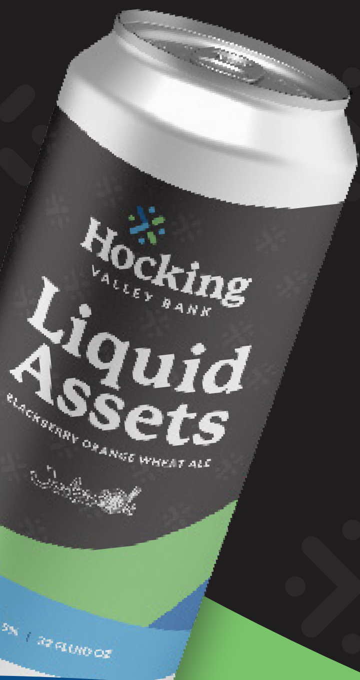
Noncash disclosure:
Hocking Valley Bancshares, Inc.'s change in unrealized gain (loss) on investment securities for 2023 and 2022 totaled $(6,962) and $(68,638), respectively. Hocking Valley Bancshares, Inc has dividends payable at December 31, 2023 and 2022 totaling $273,524 and $261,091, respectively. In 2022, Hocking Valley Bancshares, Inc. retired 30,672 treasury shares for $13,849,648.

Hocking Valley Bank Officers

Seated front row left to right
Polly Sumney, *Executive Vice President*
Tammy Bobo, *President & CEO*

Seated middle row left to right
Cherokee Stover, *Business Banker/Credit Analyst*
Morgan Davis, *Assistant Vice President/Emerging Risk Officer*
Craig Sweeney, *Senior Vice President*

Standing left to right
Jeff Swaim, *Vice President*
Rob Haley, *Senior Vice President*
Anna Montle, *Assistant Vice President*
Mark Hamon, *Vice President*
Lindsey Hamlin, *Senior Retail Lender/Benefits Administrator*



Liquid Assets happen when a banker and a brewer share a dream. To celebrate the evolution of Hocking Valley Bank and Jackie O's, this wheat ale is a riff on a classic local favorite, Razz Wheat. It, like both companies, is deeply rooted in Athens, Ohio. With notes of blackberry and orange, Liquid Assets, just like the bank and Jackie O's partnership, is the perfect blend.

Love Local.

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