

HOCKING VALLEY BANCSHARES

7 W. Stimson Avenue • Athens, Ohio 45701 • 740.592.4441
investorrelations@hvb1.com

April 12, 2024

Dear Fellow Shareholder:

We're pleased to announce that the Board of Directors has declared a cash dividend of 15¢ per share payable April 12, 2024 to shareholders of record as of March 29, 2024. Book value was \$25.49. The price per share of the last trade on the OTCIQ exchange as of March 29, 2024 was \$17.41.

The Work We Do

Financial highlights for Hocking Valley Bank, the company's largest asset, are as follows:

- Total assets at the end of March were \$332.8 million as compared to \$346.1 million for the same time last year;
- Total deposits were \$298.4 million as compared to \$314.3 million at March 2023 month-end;
- Gross loan balances, \$200.9 million at the end of March, have increased by \$18.2 million year-over-year. Asset-quality remains very sound with a loan delinquency rate of 0.27%.
- You'll see in a footnote that year-end financial information included in this communication has been updated to reflect the application of tax-credits noted during the 2023 year-end financial audit completed in February. These credits were applied to December 2023. Year-to-date net income for 2024, unaudited as of this writing, was \$683.0 thousand as compared to \$651.3 thousand for the same time last year.

A Soft Landing

The US economy appears to be enjoying the soft landing that many analysts predicted was unlikely just months ago. Inflation has dropped significantly, jobs remain plentiful, and the Federal Reserve has indicated that rate hikes which have caused anxiety among investors and consumers alike, are over. Cuts that will lower costs associated with mortgages, auto loans, and credit card balances are expected to start as soon as mid-year.

Though overseas conflicts, oil prices, political turmoil, and the current regulatory environment are not to be ignored, we, too, believe we are positioned for a soft landing. We remain very liquid with an ability to fund loan growth organically. We've continued to hold investments currently below market value to maturity, thus experiencing no losses. And, though our cost of funds has increased given deposit rate pressures across the industry, the short-term pricing strategy we adopted in 2022 will allow us to react quickly when the Federal Reserve moves from its current wait-and-see mode.

Continuing to Invest in the Future

Although rebranding efforts have concluded with Executive Vice President Polly Sumney representing us very well in a national forum hosted by industry partner, Jack Henry™ Visual Branding Service, in mid-January, the work begun last fall to build a new network capable of supporting the products we offer today, as well as those we need to offer tomorrow, continues. Expected to be completed by the end of June, the bank is now fully operating on new hardware with virtual servers associated with our core processing system being "spun up" per the project plan on an ongoing basis. System downtime, which we'd begun to experience on occasion with the former aged infrastructure, has ended, efficiencies have improved, and we're incredibly pleased with the work our managed network service provider has done to stabilize daily operations that allow us to continue to address customer's digital banking needs and expectations.

Case in point is the implementation of FedNow® on March 13. FedNow® is a new instant-payment service built and backed by the Federal Reserve that allows financial institutions to send and receive transactions on behalf of their customers - 24 hours a day, seven days a

week - with funds immediately available for use. While we are entering the instant-payment world very cautiously and have opted to, initially, only *receive* instant payments rather than originate them, we believe instant access to payments sent by users such as the US Treasury, in particular, to be of great benefit to our customers.

Also of note, on March 25 the bank went live with Visa® 3D Secure (3DS), a fraud protection system that provides additional security to Hocking Valley Bank debit cardholders during online (eCommerce) transactions on websites also using the platform. Some transactions may result in 3DS asking a customer to verify their identity by entering a one-time passcode (OTP) that is sent to the cardholder via text message, automated call, or email per contact information on file with the bank. This unique code, when entered on the website, authenticates the customer's identity. In sum, 3DS has been proven to reduce the risk of unauthorized or fraudulent transactions for card-not-present sales – a win for our customer as well as the e-tailer!

Love is a Verb

We continue to strive to make a meaningful impact in the communities we serve through both employee volunteer efforts and monetary contributions. Though event schedules in the county are typically quieter during the winter months, our team in Coolville again assisted the Coolville Founder's Day Committee with their Taste of Italy fundraiser in early February. In addition to selling pre-sale tickets in our bank office and helping satisfy a few sweet tooths by whipping up a dessert or two, Hocking Valley Bankers served a delicious carb loaded dinner to community members and coworkers who attended the event to show their support.

Also in February, in a childhood throwback at the suggestion of Assistant Vice President Anna Montle, each bank office selected a non-profit group to support what we came to call our Love is a Verb campaign. Teams decorated a Valentine's Day box specific to the organization for display in each of our five offices with community members invited to make financial contributions that the bank would match up to \$500. Just over \$6,500 was raised in support of Good Works, the Athens County Humane Society, the Alexander Inclusive Playground Project, the Federal Hocking Athletic Boosters, and The Plains Branch of the Athens County Public Libraries. Particularly touched by the outpouring of support shown for the playground project by team members who live and work in the Alexander School District, our Board of Directors also proved that Love is a Verb by following up our campaign with their approval of a \$25,000 contribution to further advance a dream where we can all play together.

In additional news from the boardroom, I am delighted for Dr. Alan Geiger yet saddened for the bank, to announce that today, Friday, April 12, he has retired from the Boards of Hocking Valley BancShares and The Hocking Valley Bank. We are grateful for the significant contributions Dr. Geiger has made since joining the boards in 1998. His steady leadership and collaboration will be greatly missed.

In closing, I'll offer a reminder that the Annual Shareholders' Meeting of Hocking Valley BancShares, Inc., will be held in the boardroom at 16 W. Stimson Avenue, Athens on Wednesday, April 17 at 4:00pm. If you're unable to join us and have not yet voted your proxy, I'd respectfully ask that you take a moment to complete the proxy card included with our mailing of March 20 and return it in the postage paid envelope also included in your packet prior to the meeting date.

As always, if you have questions about anything you've read here, please let me know. We appreciate your comments and your investment and trust in us. If you or someone you know would like to experience the best in community banking, please call me at (740) 592-6840.

Forward Together.



Tammy J. Bobo, President
(740) 592-6840 • Direct Line
tammy.bobo@hvb1.com