

HOCKING VALLEY BANCSHARES

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January 10, 2025

Dear Fellow Shareholder:

We're pleased to announce that the Board of Directors has declared a cash dividend of 25¢ per share payable January 10, 2025 to shareholders of record as of December 31, 2024. Book value was \$28.45. The price per share of the last trade on the OTCIQ exchange as of December 31, 2024 was \$19.22, down from \$20.00 at the end of September.

Our Performance At a Glance

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

- Total assets at the end of December were \$329.5 million as compared to \$331.1 million for the same time last year;
- Total deposits were \$292.3 million as compared to \$294.8 million at December 2023 month-end;
- Gross loan balances, \$202.6 million at the end of December, have increased by \$6.7 million year-over-year. Asset-quality remains very sound with a loan delinquency rate of 0.31%.
- Year-to-date net income for 2024, unaudited as of this writing, was \$2.97 million as compared to \$2.50 million for the same time last year.

The Outlook for 2025

Interest rates began falling in 2024 with more rate cuts expected in 2025 according to December Federal Open Market Committee projections. With a 0.25% Federal Reserve Bank rate cut in December, the Fed's third of 2024, an interest rate cut is not expected this month, however, current projections indicate two 0.25% cuts likely in the year ahead. With net payroll gains, solid consumption, positive growth, easing inflation, and falling rates in 2024, the 2025 outlook includes many of the same things that were present at the beginning of the year just ended.

What's different about the year ahead, however, is a new presidential administration and a new Congress. Although financial regulation did not feature prominently in the recent election cycle and it remains to be seen how a second Trump administration will approach it, we know that we can expect significant change coming out of Washington – change, as it relates to the regulatory environment, that we're optimistic about in that we expect it to slow down and, in some cases, be ratcheted back from what we've experienced in recent years, particularly from the Consumer Financial Protection Bureau. Fraught with unintended consequences given a one-size-fits-all approach, the cost to comply very often outweighs the benefit to our customers yet we're cautiously optimistic that some relief may be ahead.

Forward Together 2.0

As communicated in my October letter, bank management met with the Board of Directors in late summer to set our course for the next three years. During an after-hours meeting in November, we introduced the 2025-2027 strategic plan to our entire team and have since held departmental and branch level meetings to follow up on questions and concerns that may have resulted.

I'm pleased to report that while our team understands there will always be much work to do, the regulatory environment notwithstanding, we're excited for the future of community banking. Our plans include leveraging the new network we've built out over the past year and providing the best digital banking experience possible to our customers, continuing to highlight small businesses in our community while showcasing our expertise in helping them grow and prosper, and continuing to lead by example in our volunteer efforts in the communities we live and work in.

Forward Together 2.0 – look out! Here we come!

What to Know About This Year's Annual Meeting

Per our usual you can expect an annual shareholder's meeting in April. What you can also expect in the materials you'll receive in March concerning the April 16, 2025 meeting at 4:00pm is language in the proxy statement, as well as the proxy you'll vote and be asked to return to us, is approval of a request to adopt an Amended and Restated Code of Regulations.

Recommended by the Board of Directors at the December 2024 Hocking Valley BancShares, Inc. regular board meeting, the regulations have been updated and modernized to, among other things, recognize our ability to hold electronic meetings along with a small number of additional revisions made to bring the document more current.

When the Code was originally adopted more than 30 years ago, as an example, "Chairman of the Board" was the standard. The amended document has been updated to "Board Chair." Additionally, since the 30:1 stock split of February 2022, it was important that we increase the number of shares required to serve on the board from the former 25 share requirement to 750.

In our planning for the March mailing, we'll work with legal counsel in the preparation of required board resolutions as well as the necessary language to include in the proxy statement. And, of course, Executive Vice President Polly Sumney and I will be available to answer questions you may have about these, and other, amendments after your initial review.

Life's most persistent and urgent question is, 'What are you doing for others?' ~

Dr. Martin Luther King, Jr.

In keeping with our mission to make an impact in the communities we serve, I find this quote very fitting as we honor Dr. King's January birth and want to highlight some of the things we've been up to the last few months: 12 Hocking Valley Bankers gave Pumpkin Palooza everything they had with games, face painting, Halloween treats, a costume contest, and free pumpkins for the kiddos in the most well-attended gathering in our six-year history of cohosting a fall event with our friends at White's Mill. Team members in our Court Street and Albany offices participated in trick-or-treat in their respective neighborhoods. We facilitated a meeting with City of Athens Mayor Steve Patterson with business owners and managers on Stimson Avenue who will be impacted by bridge repairs scheduled to begin during the summer of 2025. 15 Hocking Valley Bankers participated in The Salvation Army's Red Kettle Campaign. We partnered with Ohio University's College of Business to bring "Reindeer Games" to 75 foster families served by Athens County Children Services with six Hocking Valley Bankers, one of whom who *may have been* dressed as Santa, volunteering of their time. And, led by our 2024 Volunteer of the Year Assistant Vice President Lindsey Hamlin, provided concession stand support that allowed the parents of student athletes at Alexander High School in their senior year to experience an evening with their sons and daughters honoring their athletic accomplishments on Senior Night.

While these activities and several more also resulted in financial contributions made by the bank, what I'm most pleased to note is that we again enjoyed a year of participation in at least one community event, with many involved in multiple events, by everyone on our team!

As always, if you have questions about this communication, please let me know. Your investment and trust in what we do every day to make the communities we love even better are appreciated and we welcome your comments. If you or someone you know would like to experience the best in community banking, please call me at (740) 592-6840.

We're still moving **Forward Together**.



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