

HOCKING VALLEY BANCSHARES

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Dear Fellow Shareholder:

We're pleased to announce that the Board of Directors has declared a cash dividend of 17¢ per share payable October 10, 2025 to shareholders of record as of September 30, 2025. Book value was \$32.75. The price per share for the last trade on the OTCIQ exchange as of September 30, 2025 was \$27.16 as compared to \$22.00 on June 30, 2025.

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 September were \$346.3 million as compared to \$334.4 million for the same time last year;
- Total deposits were \$305.3 million as compared to \$295.2 million at September 2024 month-end;
- Gross loan balances were \$203.0 million as compared to \$205.1 million for the same time last year. Asset-quality remains very sound with a loan delinquency rate of 0.53%.
- Year-to-date net income for 2025, unaudited as of this writing, was \$2.92 million as compared to \$2.15 million for the same time last year.

The Anticipation Is Over

After months of speculation, the Federal Reserve's policy committee met September 16-17 under circumstances that extended beyond interest-rate cut expectations. Mixed economic signals, political pressure, and questions about central-bank independence formed the setting for what may have been the most consequential Federal Open Market Committee meeting of the year. With rates held by the committee in July followed by disappointing August 1 labor market data, the 0.25% rate cut that occurred on September 17 had been predicted by the financial futures market for weeks.

Key comments made during the meeting include growing signs of weakness in the labor market but an acknowledgement that inflation has moved up and remains somewhat elevated. The expectation is that we're likely to see two more cuts by year end.

For now, news of a weakening labor market has dominated the conversation. August payrolls missed expectations by ~50k jobs with June marking the first contraction since 2020. Unemployment, now sitting at 4.3%, is the highest since 2021. While still within the definition of full employment, history shows unemployment can drift slowly higher, then suddenly spike. On the inflation side, Core Personal Consumption Expenditures (Core PCE), the Fed's key inflation measure that tracks prices of goods and services bought by consumers excluding food and energy prices to reveal underlying inflation trends with a 2.0% target, sits at 2.9%. Add in the still unknown impact of tariffs and housing market concerns and it would seem that there's not much good news.

There are, however, some positives. Loan delinquencies are at normal pre-2020 levels. Mortgage delinquencies remain stable and lower rates should help. Lower rates will also allow many to consider moving (downsizing or upsizing), which creates needed inventory. Gross Domestic Product (GDP) is also a bright spot at 3.3% for Q2. Consumer spending is resilient, hitting all-time highs. Both are crucial for our consumer-driven economy. While loan growth has slowed across our industry, some, like us, are having success with mortgages like home equity loans (HELOCs) and adjustable-rate mortgages (ARMs).

Modernizing Our Debit Card Platform

The project to update our ATM footprint was completed in August. While it's proven that ATM transactions continue to decline as do in-person transactions inside bank buildings, we believe customers in our markets have the expectation that machines be maintained at our physical locations.

Interesting enough, we've seen a slight uptick in usage month-over-month since the outset of the project in April. As a companion piece, we migrated our debit card platform from the NYCE/SUM network to the PULSE network on September 22. This move provides cardholders with advance fraud detection and mitigation services, access to more than 400,000 domestic ATMs as well as the PULSE Global ATM network with more than 1.8 million ATMs in 144 countries and territories, and allows users to continue to enjoy the benefits of using their cards for purchases and withdrawals at point of sale (POS) terminals. In the interest of continuing to modernize our card services solution, we've now moved on to exploring whether a tap to pay card or the addition of mobile wallet makes the most sense for us and are informally polling cardholders. More to come when we've finalized our decision.

Just Arrived

Designed to improve our customer's financial health and provide insights into credit monitoring, identity protection, and financial organization, the dashboard that resides within our online and mobile banking platforms that I've teased you about for months became available to all current users on September 29. "The Hub" allows online and mobile banking customers to regularly review their credit score at no charge. Dark web and personal information monitoring, as well as a consolidated view of user subscriptions, is also included at no cost. A premium version of The Hub with a modest monthly service charge also allows customers to receive credit bureau and change of address alerts, monitor social security numbers, receive help with identity restoration, and more. If you have an interest in hearing about The Hub, please contact our **hvbonline** support team.

In the interest of also improving the lives of business owners and managers, our team of ACH Accredited Professionals, Assistant Vice President Anna Montle and Digital Banking Officer Sarah Greene, worked together to simplify our treasury management product offerings by creating three easily explained bundles: SmartTreasury Basics (The Must Haves), SmartTreasury Plus (Get more. Do more), and SmartTreasury Elite (Power At Its Peak). If you happen to own or manage a business and would like to learn more, please contact Anna or Sarah at (740) 592-4441 during business hours.

At Work In The Community

We continue to put our mission of making a positive impact in the communities we serve into action. Quarterly highlights include a July partnership with the Southern Ohio Copperheads for Love Athens County, a free community event at Bob Wren Stadium featuring live music, a photo booth compliments of Director Aaron Thomas, local food trucks, and several children's activities, joining Athens County Children Services in the collection of back to school shoes courtesy of Kicks for Kids, two teams with high hopes and low expectations participating in a putt-putt golf event organized by the Athens Tavern Association to benefit Kids on Campus, participation in the Athens County Fair livestock sale, an internal "Spirit Week" with \$500 contributions to each of the county's five school district's high school athletic departments, sponsorships, with Hocking Valley Bankers in attendance, for Bounty on the Bricks, the Ohio Pawpaw Festival, Rural Action's Annual Fundraiser, a fundraiser celebrating the Appalachian Center for Economic Networks' 40th anniversary, and participation in the Albany Independent Fair's Bake Sale along with a parade float entry on a very beautiful September afternoon. Financial contributions, in addition to these, were also made to several youth sport teams and many, many service club golf tournaments with our social media platforms continuing to be leveraged to support small businesses. This summer social media visitors saw our fourth consecutive "Restaurant Week" featuring five local eateries and a gift card giveaway for KFC, a neighboring business very much impacted by the Stimson Avenue bridge project.

As always, if you have questions about anything that I've shared, please let me know. We value your comments and investment and trust in us very much. If you or someone you know would like to experience the best that community banking has to offer, please call me at (740) 592-6840.

Forward Together.



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