HOCKING VALLEY BANCSHARES

ANNUAL REPORT 2024

Bringing a Vision to Life

One First at a Time

HOCKING VALLEY BANCSHARES, INC

HOLDING COMPANY OF HOCKING VALLEY BANK

Our Board of Directors

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

Tammy Bobo
Vice Chair
Hocking Valley BancShares, Inc. & Hocking Valley Bank

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

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

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 said that goals are dreams with deadlines. And as we've worked to bring a shared vision of Hocking Valley Bank to life in the final year of our 2022-2024 Strategic Plan, Forward Together, we've met many deadlines – one first at a time.

In the interest of full disclosure, the remarks shared in this message aren't new, but rather are an echo of some of the comments made at the bank's Christmas party last December. Well-received by my colleagues, I believe they're worth another share.

In the **first** of my **first** acknowledgements, it's my honor to again recognize the appointment of Kimberly Good Kelly as Board Chair of both Hocking Valley BancShares, Inc. and Hocking Valley Bank last spring. While progress has been made in recent years, banking remains a male-dominated industry. This is particularly true of a bank's boardroom. Our boardroom, however, is not like many of the others. And there's not a more fitting woman – our **first** in the role! – to serve as Board Chair. Kim's leadership, passion for community banking, and commitment to our continued growth as we begin to work through the second installment of our Forward Together strategies are unmatched.

27 NEW
SHAREHOLDERS

Also from the boardroom is an update on the growth of our shareholder base since the stock split of 2022. As I've shared in many communications over the last two-plus years, we've been working with a market maker to put company stock in the hands of new owners who understand the important role a community bank plays in the neighborhoods it serves. I'm very pleased to report that since the split we've facilitated 40 trades with 27 of them to brand new shareholders. What I'm most pleased about is that of these new shareholders, 10 of them are bank employees as during 2024 we facilitated our very **first** employee stock offering! We're very proud of this accomplishment as what we know for sure is that team members who are literally invested in their work are more committed to a company's success.

Loan growth, per our usual, remained a top priority throughout the year and, as a result, our gross loan portfolio grew to over $200 million for the **first** time. Our partnership with the Small Business Administration continues to grow, we've expanded our reach by financing several projects in the Hocking Hills, and we remain committed to transforming homebuyers to homeowners. Year-over-year, loans grew by just less than $7.0 million yet we've experienced the lowest loan delinquency rate in the bank's history.

$202.56M
YEAR-END 2024

To build on this history of success, we have ongoing conversations on the importance of continuing to develop the next generation of Hocking Valley Bankers. We're not special in that attracting talent is a struggle across the industry so, in an attempt to build a bridge with a resource at our very fingertips, we joined forces with the Ohio Bankers League, our state trade association, and Ohio University's College of Business and launched our **first** formal internship program last summer. While we may not have an opening every time an intern completes an assignment with us, we were very pleased with our first at bat and have since hired a recent OU grad with a degree in Finance. We intend to foster this relationship and have re-upped for a second year with the program.

2024
BEST BANK WEBSITE

Another relationship we've continued to foster is the one we've enjoyed with our core software provider, Jack Henry™ for more than two decades. Last year's annual report had a great deal of detail on the bank's rebranding effort and the awards that had been won due to our shared creative work. Since that time, the company chose to enter the bank's website, a companion piece to the rebranding project, in the Web Market Associations WebAward Competition. This competition is open to organizations and individuals involved in the process of developing websites for organizations, companies, and the government. Well...what do you know? Turns out www.hvbonline now has the distinction of being the 2024 Best Bank Website – the **first** time the bank has been recognized for its digital presence. To say we were thrilled to have received this award is, perhaps, the understatement of the year.

100%
EMPLOYEE ENGAGEMENT

In keeping with an awards theme, we believe it is critically important to honor the work our team does in the communities we serve. Just like 2023, we again set a goal for every Hocking Valley Banker to participate in at least one community event during the calendar year. While we know that non-profit organizations rely heavily on sponsorship dollars and went all in with a $25,000 contribution for the Alexander Inclusive Playground Project following a February Love is a Verb Campaign, we believe it's our volunteer efforts that set us apart. We also like to find joy in all that we do and developed our **first** ever volunteer awards for three separate categories: the GOAT (greatest of all time) Award for the Volunteer of the Year, the Most Improved Award (the employee who participated in more events year-over-year), and, last but not least, Rookie of the Year (an employee hired during the calendar year who understood what we're about right out of the shoot). Complete with prizes purchased from local small businesses and a fantastic trophy, all currently displayed at each recipient's workstation, the awards were well-received and something we expect to continue.

What's **not a first** in the year just ended is that asset quality is very strong. We remain well-capitalized. We've had another year of loan growth and largely held onto deposits courtesy of a sound pricing strategy for both sides of the balance sheet. Key performance indicators continue to improve. And, with the exception of 2022 when four bank-owned properties were sold, we achieved record earnings.

$794.1K
INVESTED IN TECH INITIATIVES IN 2024

We expect the year ahead to again be rewarding – and challenging – as we begin working through Forward Together 2.0. We want to leverage the network that's been built with tomorrow's customers in mind and continue to offer the best digital banking experience possible. We want to continue to highlight small businesses and showcase our expertise in helping them grow and prosper. We want to continue to lead by example in our volunteer efforts in the neighborhoods we live and work in. And we want to continue to grow our shareholder base with new investors who understand how vital a locally owned bank is to the communities it serves.

On behalf of my teammates, our management team, and the Board of Directors, I'd like to express our deepest thanks for your continued trust and investment in us.

Forward Together,

Tammy J. Bobo

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

Vice Chair, President & Chief Executive Officer
Hocking Valley Bank

Who we are

Our 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.

Our Vision

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

Our Core Values

Show up everyday

Hold ourselves accountable

Imagine the possibilities

Nurture each relationship

Earn your respect

Financial Highlights

Hocking Valley Bancshares

On a consolidated basis, net earnings were **$3,048,000**, up from **$2,570,000** in 2023.

Book value, exclusive of unrealized gains/losses, was **$32.86** compared to **$31.05** year-end 2023.

Book value, with unrealized gains/losses, was **$28.52** compared to **$25.15** year-end 2023.

Hocking Valley Bank

Hocking Valley Bank, the company's primary asset, had **earnings** of **$2,989,000** for the year compared with **$2,523,000** in 2023.

Total assets at year-end 2024 were **$329,341,000** vs. **$331,037,000** in 2023.

Deposits ended the year at **$292,218,000** compared with **$294,837,000** in 2023.

Total gross loans increased to **$202,565,000** from **$195,895,000** in 2023.

HVBS Holdings, LLC

HVBS Holdings, LLC, a wholly owned subsidiary that operates a parking lot behind the bank's office on Stimson Avenue for student parking rentals and employee parking usage, posted net earnings of **$12,695** for the year compared with **$18,796**.

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Hocking Valley Bancshares, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2024 and 2023

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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

INDEPENDENT AUDITORS' 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, 2024 and 2023, and the related consolidated statements of income, comprehensive income, 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, 2024 and 2023, 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 6, 2025

Hocking Valley Bancshares, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2024 and 2023

		2024	2023
Assets:			
Cash and cash equivalents:			
Cash and due from banks	$	3,959,248	3,113,356
Federal funds sold		10,000	10,000
Interest bearing deposits		14,915,535	10,247,506
		18,884,783	13,370,862
Investment securities, available-for-sale at fair value		96,799,354	109,701,104
Other securities, held-to-maturity		553,428	641,373
Accrued interest receivable		898,021	916,300
Federal Home Loan Bank stock		292,100	302,300
Federal Reserve Bank stock		112,350	112,350
United Bankers' Bank stock		173,600	173,600
Property and equipment, net		3,844,274	3,681,842
Bank owned life insurance		8,317,659	8,069,784
Deferred tax asset, net		2,532,445	3,151,840
Prepaid expenses and other assets		22,697	56,413
Loans receivable, net of allowance for credit losses of $2,537,717 and $2,513,769 as of December 31, 2024 and 2023, respectively		199,715,732	193,033,892
Total assets	$	332,146,443	333,211,660
Liabilities and stockholders' equity:			
Deposits	$	291,074,891	293,897,659
Accrued interest payable		126,218	101,205
Securities sold under repurchase agreements		1,663,487	4,240,654
Deferred compensation liability		1,886,040	1,972,531
Accrued expenses and other liabilities		1,942,284	1,725,199
Total liabilities		296,692,920	301,937,248
Common stock; no par value; 4,500,000 shares authorized; 1,243,290 shares issued; 1,243,290 shares outstanding at December 31, 2024 and 2023		745,250	745,250
Additional paid-in capital		636,416	566,424
Retained earnings		39,473,818	37,295,622
Accumulated other comprehensive loss:			
Unrealized loss on securities available-for-sale, net of tax benefit of $1,435,964 in 2024 and $1,949,247 in 2023		(5,401,961)	(7,332,884)
Total stockholders' equity		35,453,523	31,274,412
Total liabilities and stockholders' equity	$	332,146,443	333,211,660

See accompanying notes to the consolidated financial statements.

Hocking Valley Bancshares, Inc. and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2024 and 2023

		2024	2023
Interest income:			
Interest and fees on loans	$	10,898,924	8,818,549
Interest on investment securities		1,324,355	1,477,833
Interest bearing deposits and other		843,823	849,282
		13,067,102	11,145,664
Interest expense:			
Deposits		3,299,328	2,055,087
Borrowings and repurchase agreements		11,666	14,068
		3,310,994	2,069,155
Net interest income		9,756,108	9,076,509
Provision for loan losses		35,000	60,000
Net interest income after provision for loan losses		9,721,108	9,016,509
Noninterest income:			
Gain on sale of loans		22,235	7,109
Service charges on deposits		230,494	220,497
ATM/Interchange fees		587,550	559,470
Increase in cash surrender value of life insurance		247,875	233,359
Other income		80,729	76,654
		1,168,883	1,097,089
Noninterest expenses:			
Salaries and employee benefits		4,056,818	4,087,487
Occupancy and equipment expense		528,022	514,812
FDIC insurance premiums		165,600	133,800
Data processing expense		824,274	720,878
ATM and debit card expense		371,458	356,905
Professional fees		229,091	211,287
Advertising and marketing		106,064	103,202
Taxes, state		240,880	236,154
Other expenses		616,107	619,725
		7,138,314	6,984,250
Income before income taxes		3,751,677	3,129,348
Income tax expense		703,179	559,682
Net income	$	3,048,498	2,569,666

See accompanying notes to the consolidated financial statements.

Hocking Valley Bancshares, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

		2024	2023
Net income	$	3,048,498	2,569,666
Other comprehensive income:			
Unrealized holding gains during the period on available-for-sale securities, net of tax expense of $513,283 and $656,204 in 2024 and 2023, respectively		1,930,923	2,468,577
Comprehensive income	$	4,979,421	5,038,243

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, 2024 and 2023

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Earnings	Income (Loss)	Equity
Balance at January 1, 2023	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
Net income	-	-	-	3,048,498	-	3,048,498
Other comprehensive income, net of tax	-	-	-	-	1,930,923	1,930,923
Stock based compensation	-	-	69,992	-	-	69,992
Dividends declared	-	-	-	(870,302)	-	(870,302)
Balance at December 31, 2024	1,243,290	$ 745,250	636,416	39,473,818	(5,401,961)	35,453,523

See accompanying notes to the consolidated financial statements.

Hocking Valley Bancshares, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

		2024	2023
Cash flows from operating activities:			
Net income	$	3,048,498	2,569,666
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation		261,542	212,906
Deferred compensation expense		99,150	111,955
Stock based compensation expense		69,992	97,394
Provision for credit losses		35,000	60,000
Investment securities amortization, net		430,270	581,606
Loans originated for sale in secondary market		(1,427,518)	(293,700)
Proceeds from sale of loans on secondary market		1,452,272	300,976
Gain on sale of loans		(22,235)	(7,109)
Earnings on bank-owned life insurance		(247,875)	(233,359)
Deferred income benefit (taxes)		106,112	(52,672)
Effects of change in operating assets and liabilities:			
Accrued interest receivable		18,279	(36,637)
Prepaid expenses and other assets		33,716	89,637
Accrued interest payable		25,013	64,794
Accrued expenses and other liabilities		179,786	(252,831)
Net cash provided by operating activities		4,062,002	3,212,626
Cash flows from investing activities:			
Purchase of property and equipment		(423,974)	(739,435)
Proceeds from maturity of available-for-sale investments		17,696,000	12,940,000
Principal repayments of available-for-sale investments		1,224,288	1,157,937
Purchase of available-for-sale investments		(3,916,657)	-
Proceeds from sale of Federal Home Loan Bank stock		10,200	368,600
Proceeds from bank owned life insurance		-	111,887
Net increase in loans		(6,719,359)	(22,741,386)
Net cash provided by (used in) investing activities		7,870,498	(8,902,397)
Cash flows from financing activities:			
Net change in deposits		(2,822,768)	(840,099)
Net change in securities sold under repurchase agreements		(2,577,167)	1,754,584
Payments on deferred compensation		(185,641)	(198,752)
Dividends paid		(833,003)	(745,972)
Net cash provided by (used in) financing activities		(6,418,579)	(30,239)
Net change in cash and cash equivalents		5,513,921	(5,720,010)
Cash and cash equivalents - beginning of year		13,370,862	19,090,872
Cash and cash equivalents - end of year	$	18,884,783	13,370,862
Supplemental disclosure of cash flow information:			
Interest paid	$	3,285,981	2,004,361
Income taxes paid	$	731,669	642,202
Supplemental disclosure of noncash activities:			
Dividends payable	$	310,823	273,524

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.

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, 2024 and 2023, 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.

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. Amortized cost is recorded in other securities, held to maturity.

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. Accrued interest receivable of $581,020 and $544,540 was reported in accrued interest receivable at December 31, 2024 and 2023, respectively, and excluded from estimate of credit losses.

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 $130 million to $1.5 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. No amounts were recognized as interest or penalties for the years ended December 31, 2024 and 2023.

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. 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 6, 2025, 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, 2024 Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
US Treasuries	$ 45,124,883	-	2,784,570	42,340,313
Agency securities	31,691,167	-	1,593,730	30,097,437
Municipal securities	15,523,967	-	925,586	14,598,381
Mortgage-backed securities	10,807,262	-	1,526,407	9,280,855
Certificates of deposit	490,000	-	7,632	482,368
	$103,637,279	-	6,837,925	96,799,354
Held-to-maturity:				
Low income housing tax credits	$ 553,428	-	-	553,428

	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

The Company has future commitments to fund low income housing investments of the following as of December 31, 2024:

2025	30,632
2026	21,432
2027	19,381
2028	8,871
2029	4,754
Thereafter	5,574
	$ 90,644

The amortized cost and fair value of investment securities available-for-sale, 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, 2024	
	Amortized Cost	Fair Value
Due in one year or less	$ 25,016,835	24,517,548
Due after one year through five years	66,216,620	61,461,307
Due after five years through ten years	6,165,454	5,525,687
Due after ten years	6,238,370	5,294,812
	$ 103,637,279	96,799,354

The investment securities held-to-maturity fully mature in 2041.

Securities with a carrying value of $80.1 million and $96.9 million were pledged at December 31, 2024 and 2023, 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, 2024					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Treasuries	$ -	-	42,340,313	2,784,570	42,340,313	2,784,570
Agency securities	4,379,337	105,673	25,718,100	1,488,057	30,097,437	1,593,730
Municipal securities	1,054,713	15,264	13,543,669	910,322	14,598,382	925,586
Certificates of deposits	-	-	482,368	7,632	482,368	7,632
Mortgage-backed securities	1,663,788	58,451	7,617,067	1,467,956	9,280,855	1,526,407
	$7,097,838	179,388	89,701,517	6,658,537	96,799,355	6,837,925
Number of investments	8		83		91	

	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	

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.

Accrued interest is separately reported on the balance sheet. Accrued interest on investment securities available-for-sale totaled $317,001 and $404,760 at December 31, 2024 and 2023, respectively, and are excluded from the estimate of credit losses.

3. LOANS RECEIVABLE:

Loans receivable at December 31, 2024 and 2023 consist of the following:

	2024	2023
Construction	$ 20,619,928	12,368,414
1-4 family residential	98,030,654	99,950,132
Commercial	76,827,089	76,200,534
Consumer	7,087,815	7,376,149
Total loans	202,565,486	195,895,229
Less: Allowance for credit losses	(2,537,717)	(2,513,769)
Less: Deferred loan fees	(312,037)	(347,568)
Loans receivable, net	$ 199,715,732	193,033,892

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, 2024

	Construction	1-4 family residential	Commercial	Consumer	Total
Allowance for credit losses:					
Beginning balance	$ 80,966	1,361,521	878,151	193,131	2,513,769
Provision	3,563	16,938	13,274	1,225	35,000
Charge-offs	-	-	-	(14,126)	(14,126)
Recoveries	-	100	-	2,974	3,074
Ending balance	$ 84,529	1,378,559	891,425	183,204	2,537,717
Ending balance: Individually evaluated for impairment	$ -	-	38,206	-	38,206
Ending balance: Collectively evaluated for impairment	$ 84,529	1,378,559	853,219	183,204	2,499,511
Loans receivable:					
Ending balance	$ 20,619,928	98,030,654	76,827,089	7,087,815	202,565,486
Ending balance: Individually evaluated for impairment	$ -	823,448	115,329	2,268	941,045
Ending balance: Collectively evaluated for impairment	$ 20,619,928	97,207,206	76,711,760	7,087,547	201,624,441

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

	Construction	1-4 family residential	Commercial	Consumer	Total
Allowance for loan losses:					
Beginning balance	$ 77,178	1,340,400	854,812	154,154	2,426,544
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	1,361,521	878,151	193,131	2,513,769
Ending balance: Individually evaluated for impairment	$ -	-	-	-	-
Ending balance: Collectively evaluated for impairment	$ 80,966	1,361,521	878,151	193,131	2,513,769
Loans receivable:					
Ending balance	$ 12,368,414	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	$ 12,368,414	99,770,948	75,638,669	7,372,139	195,150,170

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, 2024

	Construction	1-4 family residential	Commercial	Consumer	Total
Grade:					
Pass	$ 20,619,928	96,907,484	75,804,355	7,083,385	200,415,152
Watch	-	371,827	907,405	-	1,279,232
Special mention	-	-	-	-	-
Substandard	-	751,343	115,329	4,430	871,102
Doubtful	-	-	-	-	-
Total	$ 20,619,928	98,030,654	76,827,089	7,087,815	202,565,486

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	$ -	-	-	20,619,928	20,619,928	-
1-4 family residential	295,697	154,450	450,146	97,580,508	98,030,654	274,612
Commercial	23,715	115,329	139,044	76,688,045	76,827,089	139,106
Consumer	41,406	2,162	43,568	7,044,247	7,087,815	-
Total	$ 360,818	271,940	632,758	201,932,728	202,565,486	413,718

There were loans totaling $16,938 with a recorded investment over 89 days past due that were accruing at December 31, 2024. No nonaccrual loans as of December 31, 2024 had an allowance reserved against them.

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.

As of December 31, 2024 and based on the most recent analysis performed, the risk category of loans by class of loans is a follows:

Loans Amortized by Cost Basis by Origination Year

		2024	2023	2022	2021	Prior	Total
Construction							
Risk Rating:							
Pass	$	8,041,117	10,200,274	1,350,884	67,341	960,312	20,619,928
Watch		-	-	-	-	-	-
Special mention		-	-	-	-	-	-
Substandard		-	-	-	-	-	-
Doubtful		-	-	-	-	-	-
Total	$	8,041,117	10,200,274	1,350,884	67,341	960,312	20,619,928
Current period gross write offs	$	-	-	-	-	-	-

		2024	2023	2022	2021	Prior	Total
1-4 Family Residential							
Risk Rating:							
Pass	$	11,742,854	15,512,343	13,306,773	13,016,069	43,329,445	96,907,484
Watch		-	-	-	-	371,827	371,827
Special mention		-	-	-	-	-	-
Substandard		20,824	-	-	29,922	700,597	751,343
Doubtful		-	-	-	-	-	-
Total	$	11,763,678	15,512,343	13,306,773	13,045,991	44,401,869	98,030,654
Current period gross write offs	$	-	-	-	-	-	-

		2024	2023	2022	2021	Prior	Total
Commercial							
Risk Rating:							
Pass	$	4,943,397	18,990,003	12,510,297	6,729,634	32,631,024	75,804,355
Watch		-	-	-	50,000	857,405	907,405
Special mention		-	-	-	-	-	-
Substandard		-	-	-	-	115,329	115,329
Doubtful		-	-	-	-	-	-
Total	$	4,943,397	18,990,003	12,510,297	6,779,634	33,603,758	76,827,089
Current period gross write offs	$	-	-	-	-	-	-

		2024	2023	2022	2021	Prior	Total
Consumer							
Risk Rating:							
Pass	$	1,471,969	824,186	793,801	902,720	3,090,709	7,083,385
Watch		-	-	-	-	-	-
Special mention		-	-	-	-	-	-
Substandard		-	-	1,579	583	2,268	4,430
Doubtful		-	-	-	-	-	-
Total	$	1,471,969	824,186	795,380	903,303	3,092,977	7,087,815
Current period gross write offs	$	-	-	9,898	544	3,684	14,126

The following tables presents the amortized costs basis of collateral-dependent loans by class of loans as of December 31, 2024.

		Real Estate	Farm & Farm Equipment	UCC Filing	Vehicles	Reserve
Commercial	$	115,329	-	-	-	-
Commercial real estate:						
Construction		-	-	-	-	-
Other		23,777	-	-	-	
Consumer:						
Credit Card		-	-	-	-	-
Other		-	-	-	-	-
Auto		-	-	2,268	-	-
Residential:						
Prime		799,671	-	-	-	-
Total	$	938,777	-	2,268	-	-

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.

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 years ended December 31, 2024 and 2023, there were no loans where a single or multiple types of modifications have been made within the current reporting period.

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 $34.1 million and $41.3 million for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, the total outstanding loan balance to directors and officers was approximately $4,547,000 and $4,935,900, respectively.

The following is an analysis of the activity of such loans for the years ended December 31, 2024 and 2023:

	2024	2023
Balance, beginning of the year	$ 4,935,900	5,699,900
Loans originated	105,600	4,174,600
Repayments, net of draws	(424,800)	(117,600)
Removals	(69,700)	(4,821,000)
Balance, end of the year	$ 4,547,000	4,935,900

4. PROPERTY AND EQUIPMENT:

Property and equipment are summarized by major classification as follows:

	2024	2023
Land	$ 993,839	993,839
Buildings	7,254,019	7,254,019
Network Infrastructure	70,286	390,475
Furniture and equipment	4,775,709	4,031,546
	13,093,853	12,669,879
Less accumulated depreciation	(9,249,579)	(8,988,037)
Property and equipment, net	$ 3,844,274	3,681,842

Depreciation expense for the years ended December 31, 2024 and 2023 was $261,542 and $212,906, respectively.

5. DEPOSITS:

	2024	2023
Demand deposits	$ 190,643,268	190,035,299
Savings deposits	31,564,560	32,838,093
Time deposits, $250,000 or more	28,865,957	32,101,601
Time deposits, less than $250,000	40,001,106	38,922,666
	$ 291,074,891	293,897,659

At December 31, 2024, scheduled maturities of time deposits are as follows:

2025	$ 64,381,867
2026	3,103,302
2027	535,053
2028	278,156
2029	457,687
Thereafter	110,998
	$ 68,867,063

Interest expense on deposits is summarized as follows:

	2024	2023
Demand deposits	$ 270,450	307,941
Savings deposits	48,374	53,055
Time deposits	2,980,504	1,694,091
	$ 3,299,328	2,055,087

Deposits received from officers and directors are at the same rates and terms as offered to non-related parties, and were approximately $2,456,826 and $2,588,306 as of December 31, 2024 and 2023, 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, 2024 and 2023, there was no balance due on advances from the FHLB.

The Company has a borrowing capacity of approximately $28.6 million with the FHLB as of December 31, 2024. 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.

7. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS:

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:

	2024	2023
Average balance during the year	$ 2,952,071	3,363,362
Average interest rate during the year	1.00%	1.00%
Maximum month-end balance during the year	$ 4,201,791	3,982,484
Year-end balance	$ 1,663,487	4,240,654
Obligations of U.S. Government Agencies underlying the agreements at year-end:		
Book value	$ 6,435,000	11,285,000
Fair value	7,006,013	10,645,384

8. INCOME TAX:

	2024	2023
Income tax expense (benefit):		
Current	$ 597,067	612,354
Deferred	106,112	(52,672)
	$ 703,179	559,682

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

	2024	2023
Deferred tax assets:		
Deferred compensation	$ 396,068	414,231
Allowance for credit losses	532,921	527,891
Depreciation	132,741	219,319
Net unrealized loss on securities available-for-sale	1,435,964	1,949,247
Deferred loan fees	65,513	72,989
Total deferred tax assets	2,563,207	3,183,677
Deferred tax liabilities:		
FHLB stock dividends	(30,762)	(31,837)
Total deferred tax liabilities	(30,762)	(31,837)
Net deferred tax assets	$2,532,445	3,151,840

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, 2024 and 2023, as indicated in the following analysis:

	2024		2023	
Tax based on statutory rate	$ 787,851	21.0%	657,163	21.0%
Effect of tax-exempt interest	(27,985)	(0.7)	(33,394)	(1.0)
Bank owned life insurance	(52,054)	(1.4)	(49,005)	(1.6)
Other, net	(4,633)	(0.2)	(15,082)	(0.5)
	$ 703,179	18.7%	559,682	17.9%

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:

	2024	2023
Commitments to extend credit	$ 23,880,000	22,341,000
Standby letters of credit	1,610,000	1,733,000

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:

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available-for-sale securities is included in computing regulatory capital. Management believes as of December 31, 2024, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

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, 2024, 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, 2024 and 2023 was 11.35% and 10.99%, respectively, and therefore the Bank is categorized as "well capitalized."

11. BENEFIT PLANS:

<u>401(k) Plan</u>: 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 $290,094 and $287,011 for the years ended December 31, 2024 and 2023, respectively.

Salary Continuation/Supplemental Executive Plan:
The Company has an unfunded salary continuation plan and supplemental executive plan for the former 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 former 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:

	2024	2023
Accrued pension liability	$ 1,793,686	1,864,372
Pension expense	99,150	111,955
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 2 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:

	2024	2023
Accrued insurance liability	$ 99,150	111,955
Pension expense	-	-
Benefits paid	12,804	22,898

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, 2024 and 2023.

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 $69,992 and $97,394 for the years ended December 31, 2024 and 2023, respectively and unvested expense as of December 31, 2024 and 2023 that will be recorded as expense in future periods are $336,057 and $406,049 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, 2024 and 2023 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2023	26,700	$21.79
Vested	(1,350)	$25.36
Outstanding at December 31, 2023	25,350	$21.60
Vested	(3,053)	$24.95
Outstanding at December 31, 2024	22,297	$21.46

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, 2024:				
Assets:				
US Treasuries	$42,340,313	-	42,340,313	-
Agency securities	30,097,436	-	30,097,436	-
Municipal securities	14,598,381	-	14,598,381	-
Mortgage-backed securities	9,280,855	-	9,280,855	-
Certificates of deposit	482,368	-	482,368	-
	Total	(Level 1)	(Level 2)	(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	-

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

	2024	2023
Assets:		
Cash and cash equivalents	$ 1,359,731	778,284
Investment securities, available for sale	697,826	706,149
United Bankers' Bank stock	173,600	173,600
Investment in Hocking Valley Bank	32,861,712	29,289,313
Investment in HVBS Holdings, LLC	171,109	158,414
Other assets	500,368	442,176
Total assets	$ 35,764,346	31,547,936
Liabilities:	$ 310,823	273,524
Stockholders' equity:		
Common stock; no par value; 150,000 shares authorized, 72,115 shares issued; 41,443 shares outstanding at December 31, 2024 and 2023, respectively	$ 745,250	745,250
Additional paid-in capital	636,416	566,424
Retained earnings	39,473,818	37,295,622
Accumulated other comprehensive loss	(5,401,961)	(7,332,884)
Total stockholders' equity	35,453,523	31,274,412
Total liabilities and stockholders' equity	$ 35,764,346	31,547,936

Condensed Statement of Income

	2024	2023
Interest and dividend income	$ 100,389	62,063
General and administrative expenses	(53,770)	(34,600)
	46,619	27,463
Equity in earnings of Hocking Valley Bank	2,989,184	2,523,407
Equity in earnings of HVBS Holdings, LLC	12,695	18,796
Net income	$ 3,048,498	2,569,666

Condensed Statement of Cash Flows

	2024	2023
Operating activities:		
Net income	$ 3,048,498	2,569,666
Adjustments to reconcile net income to net cash from operating activities:		
Deferred income tax	(2,802)	(1,339)
Stock based compensation expense	69,992	97,394
Investment securities amortization	5,421	5,314
Equity in undistributed earnings of Hocking Valley Bank	(1,639,184)	(1,323,407)
Equity in undistributed earnings of HVBS Holdings, LLC	(12,695)	(18,794)
Changes in other assets and liabilities	(54,780)	(92,925)
Net cash provided by operating activities	1,414,450	1,235,909
Investing activities:		
Net cash provided by investing activities	-	-
Financing activities:		
Shares purchased for stock plan	-	-
Purchase of treasury stock	-	-
-Dividends paid	(833,003)	(745,972)
Net cash provided by (used in) financing activities	(833,003)	(745,972)
Net change in cash	581,447	489,937
Cash – beginning of year	778,284	288,347
Cash – end of year	$ 1,359,731	778,284

Noncash disclosure:
Hocking Valley Bancshares, Inc.'s change in unrealized gain (loss) on investment securities for 2024 and 2023 totaled $2,902 and $(6,962), respectively. Hocking Valley Bancshares, Inc has dividends payable at December 31, 2024 and 2023 totaling $310,823 and $273,524, respectively.

Hocking Valley Bank Officers

Seated left to right
Lindsey Hamlin, *Assistant Vice President*
Polly Sumney, *Executive Vice President*
Tammy Bobo, *President & CEO*
Morgan Davis, *Vice President*

Standing left to right
Anna Montle, *Assistant Vice President*
Craig Sweeney, *Senior Vice President*
Cherokee Stover, *Assistant Vice President*
Mark Hamon, *Vice President*
Rob Haley, *Senior Vice President*
Sarah Greene, *Digital Banking Officer*

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