

**Highland State Bank
CRA Self Assessment**

January 2024

As of December 31, 2023 the loan portfolio consisted of the following items:

Type of Loan	Amount	Percentage of Total
Municipal Loans	\$66,577.37	.38%
Personal Loans	\$1,778,322.26	10.02%
Mortgage Loans	\$14,749,257.88	83.12%
Commercial Loans	\$449,426.25	2.53%
Agricultural Loans	\$670,020.94	3.78%

GEOGRAPHIC DISTRIBUTION OF LOAN PORTFOLIO:

The loan portfolio was analyzed, using the bank's Loans by Zip Codes as of November 30, 2023 to determine the percentage of borrowers located within the bank's assessment area. The results are as follows:

Sample Size: 100% of loans, 365 loans.

A review of the report listing loans by zip code shows that 280 of the 365 loans reviewed, or 77%, were made to borrowers with addresses in the bank's delineated area. 221 loans fall in the Highland zip code.

Refer to attached chart for a breakdown of loans by various zip codes within the delineated area. All loans were located in the census tract of the bank's single location.

The majority of the bank's loans were made in the bank's assessment area. This amount was similar to the previous year.

DISTRIBUTION OF LOANS BY BORROWERS INCOME LEVEL:

Using the FFIEC 2024 Area Median Family Income numbers, the loans made to mortgage customers in 2023 in the assessment area (through November) were reviewed. Thirteen loans were reviewed and the income levels of the borrowers is analyzed below. Two borrowers were outside of the assessment area. (Dodgeville and Watertown)

	Household Income Iowa County 9502	Number of Loans	Percentage of Loan Sample
Low Income	<\$58,550	1	14%
Moderate Income	\$58,551-93,680	2	29%
Middle Income	\$93,681-140,520	1	14%
Upper Income	>\$140,521	3	43%

	Household Income Iowa County 9503	Number of Loans	Percentage of Loan Sample
Low Income	<\$58,550	0	0
Moderate Income	\$58,551-93,680	0	0
Middle Income	\$93,681-140,520	0	0
Upper Income	>\$140,521	0	0

	Household Income Grant County 9601	Number of Loans	Percentage of Loan Sample
Low Income	<\$43,000	0	0
Moderate Income	\$43,001-68,800	0	0
Middle Income	\$68,801-103,200	0	0

Upper Income	>\$103,201	0	0
--------------	------------	---	---

(Low income =50% of median family income; Moderate=50 to 80%; Middle=80 to 120%; Upper=over 120%)

Loan volume was consistent throughout the various income categories, however, higher property values are leaving some buyers out of the market as properties are not affordable at the lower income limits.

DISTRIBUTION OF LOAN VOLUME BY INCOME CATEGORY

	Dollar Volume of Loans	Percentage of Volume
Low Income	\$151,250	10%
Moderate	\$217,000	15%
Middle	\$430,400	29%
Upper	\$675,950	46%
Total	\$1,474,600	

The distribution of loans made within the assessment area by dollar volume was spread across all income levels with low and moderate income borrowers accounting for a lower percentage of the volume than the previous year.

LOANS TO SMALL BUSINESSES:

New and renewed loans made to small businesses in 2022 (through November) were analyzed as follows:

	No. of Loans	Percentage
Less than \$50k	16	62%
>\$50-<100k	6	23%
>\$100k-250k	3	12%

Of the 26 new/renewed business loans originated in 2023, 25 were in amounts of \$250,000 or less. The vast majority of those were less than \$50,000, which represents 62% of the loans made.

The majority of the bank’s business loan loans are to small businesses located in the assessment area. (Analysis based on amount of loan at origination, not gross revenue of entity.)

LOAN TO DEPOSIT RATIO/PEER GROUP COMPARISON

Using UBPR reports, Net Loans & Leases/Deposits were as follows:

	Bank	Peer Group 16
December 2022	41.77	44.12
March 2023	44.90	43.61
June 2023	43.84	44.35
September 2023	44.17	46.40

This data shows that the Loan to Deposit ratio is consistent with peer group and can be attributed to the large increase in deposits in recent years and low demand for loans.

Peer Group 16 = insured commercial banks having assets less than \$50 million with 1 full service banking office and located in a metropolitan statistical area.

SUMMARY:

The bank continues to service the needs of our community and does so by providing affordable, competitive bank products and services that meet the needs of our area.

The bank’s loans are distributed throughout various income levels; business loans are made to all sizes of businesses with specific emphasis on affordable small business loans.

January 5, 2024

Mary A. Bomkamp
President