



HERITAGE
— B A N K —

Community Reinvestment Act Public File

Community Reinvestment Act (CRA) rules and regulations require that Heritage Bank Minnesota make available a Public File composed of the content below. All content is current as of April 1 of each year and may be updated periodically.

- All public comments received for the current year and prior two calendar years.
- A copy of the Public Evaluation of the bank's most recent CRA Performance Evaluation.
- A list of branch locations including hours of operation.
- Branches opened or closed during the prior two calendar years.
- A description of personal products & services and business products & services.
- The bank's Assessment Areas represent the communities we serve including a map and individual tract lists.

Any comments or questions about Heritage Bank Minnesota's public file may be addressed to:

Heritage Bank Minnesota
Compliance Officer
1520 Clinton Ln.
Northfield, MN 55057




Public Comments


Heritage Bank Minnesota has not received any written public comments specifically related to the bank's performance in helping meet the credit needs of the community.

Heritage Bank Minnesota Branch Locations


West Concord Office – Full Service

Address:	181 Main Street PO Box 245, West Concord, MN 55985-0245	 <p>A map showing the location of the West Concord Office. A red pin marks the bank's location at the intersection of Concord St and Main St. Other nearby locations labeled include the West Concord Historical Society and West Concord Pool.</p>
Phone:	507-527-2236	
Fax:	507-527-2164	
Office Hours:	Monday – Friday Lobby 8:30am – 4:30pm Drive-Up 7:30am- 4:30pm Saturday Lobby Closed Drive-Up Closed	
ATM:	24-Hour – Does not accept Deposits	

Dennison Office – Full Service

Address:	37470 First Ave Court PO Box 27, Dennison, MN 55018-0027	 <p>A map showing the location of the Dennison Office. A red pin marks the bank's location at the intersection of 375th S and 3rd Ave. Other nearby locations labeled include son Meat Locker and 625 Bar and Grill.</p>
Phone:	507-645-5929	
Fax:	507-645-4543	
Office Hours:	Monday – Friday Lobby 8:30am – 3:00pm Drive-Up 7:30am- 4:30pm Saturday Lobby Closed Drive-Up Closed	
ATM:	24-Hour – Does not accept Deposits	

Northfield Office – Full Service

Address:	1520 Clinton Lane, Northfield MN 55057	 <p>A map showing the location of the Northfield Office. A red pin marks the bank's location at 1520 Clinton Ln. The map also shows Highway 246 and a nearby water body.</p>
Phone:	507-645-6736	
Fax:	833-970-1144	
Office Hours:	Monday – Friday Lobby 8:30am – 4:00pm Drive-Up 7:30am- 5:00pm Saturday Lobby Closed Drive-Up 9:00am-Noon	
ATM:	Outside ATM - 24-Hour – Accepts Deposits Lobby ATM - Does not accept Deposits	

Additional Retail Services

TeleBank:	1-888-527-7127
Website:	www.heritagebankmn.com

No branches have been opened or closed in the last 2 years.



Personal Checking Accounts

	EASY CHECKING	PERSONAL CHECKING	INTEREST CHECKING	PREMIUM CHECKING
	Open Account	Open Account	Open Account	Open Account
BEST FOR	People who prefer paperless banking	A basic "no frills" checking account	Earning interest on your money	Our premium relationship account
DEBIT CARD	✓	✓	✓	✓
ONLINE BANKING BILL PAY E-STATEMENT	✓	✓	✓	✓
 MOBILE BANKING Free mobile banking via the Heritage Bank mobile app	✓	✓	✓	✓
CHECK IMAGES ON STATEMENT		✓	✓	✓
INTEREST BEARING			✓	✓
MONTHLY SERVICE CHARGE	\$5 No monthly fee if you: Elect to receive e-statements	\$7 No monthly fee if you: Maintain a minimum daily balance of \$300	\$10 No monthly fee if you: Maintain a minimum daily balance of \$1000	\$12 No monthly fee if you: Maintain a minimum daily balance of \$5000 in any combination of checking, savings, CDs or loans

Personal Savings Accounts

	PASSBOOK SAVINGS	MONEY MARKET SAVINGS	YOUTH SAVINGS (18 years old and under)
	Open Account	Open Account	Open Account
BEST FOR	Getting started with a basic savings account	A higher rate of return on your money	Helping kids learn to save
ATM CARD	✓	✓	✓
ONLINE BANKING BILL PAY E-STATEMENT	✓	✓	✓
 MOBILE BANKING Free mobile banking via the Heritage Bank mobile app	✓	✓	✓
INTEREST BEARING	✓	✓	✓
MONTHLY SERVICE CHARGE	\$2 No Monthly Fee if you: maintain a minimum daily balance of \$100	\$5 No Monthly Fee if you: maintain a minimum daily balance of \$2500	No monthly fee
WITHDRAWAL LIMITATIONS	Transfers from this savings account to another account or to third parties by preauthorized or automatic or computer or telephone transfer are limited to six per month. Transfers or withdrawals made in person or by messenger or mail or at an ATM are unlimited		



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Certificates of Deposit & IRA Products

Type of Product	Minimum Deposit	Early Withdrawal Penalties (minimum \$25)
Variable IRA Savings	\$250.00	No Bank Penalties for withdrawal
6 Month Certificate of Deposit	\$250.00	181 Days Interest
12 Month Certificate of Deposit	\$250.00	181 Days Interest
18 Month Certificate of Deposit	\$250.00	181 Days Interest
24 Month Certificate of Deposit	\$250.00	365 Days Interest
30 Month Certificate of Deposit	\$250.00	365 Days Interest
36 Month Certificate of Deposit	\$250.00	365 Days Interest
48 Month Certificate of Deposit	\$250.00	365 Days Interest
60 Month Certificate of Deposit	\$250.00	365 Days Interest

An Individual Retirement Account (IRA) is a special account created specifically for retirement. Please consult with your tax advisor to determine if an IRA is appropriate for you.



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Business Deposit Products

	Business Checking
BEST FOR	A basic checking account
DEBIT CARD	✓
ONLINE BANKING	✓
MOBILE BANKING	✓
INTEREST	
MONTHLY SERVICE CHARGE	\$7 No monthly fee if you: maintain a daily minimum balance of \$300.00

Business Savings Accounts

	BUSINESS PASSBOOK SAVINGS	BUSINESS MONEY MARKET SAVINGS
BEST FOR	Excess cash or Emergency Fund	A higher rate of return on your money
ATM CARD	✓	✓
INTEREST BEARING	✓	✓
MONTHLY SERVICE CHARGE	\$2 No Monthly Fee if you: maintain a minimum daily balance of \$100	\$5 No Monthly Fee if you: if you maintain a minimum daily balance of \$2500
WITHDRAWAL	Transfers from this savings account to another account or to third parties by preauthorized or automatic or computer or telephone transfer are limited to six per month. Transfers or withdrawals made in person or by messenger or mail or at an ATM are unlimited	



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Bank Services and Fee Schedule

The following is our schedule of fees for banking services and are subject to change.

ATM/Debit Card Replacement.....	\$10.00 per card	Cashier's Checks.....	\$3.00 per check
Account Research.....	\$25.00 per hour	Money Orders.....	\$2.00 per item
Account Balancing Assistance.....	\$25.00 per hour	Domestic Outgoing.....	\$25.00 per transfer
Garnishments.....	\$50.00 per garnishment	International Outgoing.....	\$50.00 per transfer
Executions.....	\$50.00 per execution	Domestic and International Incoming.....	\$25.00 per transfer
Levies.....	\$50.00 per levy	Stop Payment.....	\$20.00 per item
Counter Checks.....	\$5.00 per 8 checks	Stop Payment Renewal.....	\$20.00 per item
Check Cashing Non-Customers.....	\$5.00 per check	Safe Deposit Box Key Replacement.....	\$10.00 per key
Copies of Statements.....	\$5.00 per statement	Safe Deposit Box Forcible Entry.....	\$125.00 per entry
Copies of Check Images.....	\$5.00 per item		
Statement of Account Summary.....	\$5.00 per statement		
Photocopies.....	\$0.10 per page		
Faxes \$2.50 up to 3 pages and \$0.50 per additional page			

Nonsufficient Funds

Paid Item Fee (Overdraft Fee) (created by check, in person withdrawal, preauthorized debit, account service charges or other electronic means).....	\$30.00 per item
Paid Item Fee (Overdraft Fee) Maximum Charge.....	\$150.00 per day
Returned Item Fee Maximum Charge.....	\$150.00 per day
Returned Item Fee (created by check, in person withdrawal, preauthorized debit, account service charges or other electronic means).....	\$30.00 per item
Deposited Checks Returned Unpaid.....	\$4.00 per check

Safe Deposit Box Rent

West Concord	3x5 Box Annual Rent.....	\$12.00
	3x10 Box Annual Rent.....	\$24.00
	6x10 Box Annual Rent.....	\$45.00
Dennison	3x5 Box Annual Rent.....	\$12.00
	5x5 Box Annual Rent.....	\$20.00
	3x10 Box Annual Rent.....	\$24.00
Northfield	3x10 Box Annual Rent.....	\$40.00
	6x10 Box Annual Rent.....	\$55.00

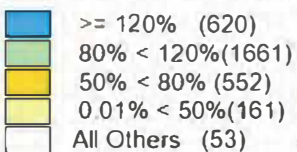


Loan Products

- **Real Estate Loans**
 - Construction & Development
 - Conventional 1-4 Residential
 - Conventional 1-4 Residential Junior Liens
 - Conventional 5+ Residential
 - Commercial Real Estate
 - Open-End 1-4 Family Residential Revolving (Home Equity Line of Credit)
 - Agricultural Real Estate
- **Agricultural** loans including general purpose; livestock; machinery & equipment and crop input
- **Commercial Operating** loans, furniture & fixtures and small business loans
- **Consumer** loans including vehicle loans, checking reserve & personal loans

Please contact your local branch for additional information on loans

Income as % of MSA Med
(# of Tracts in Range)

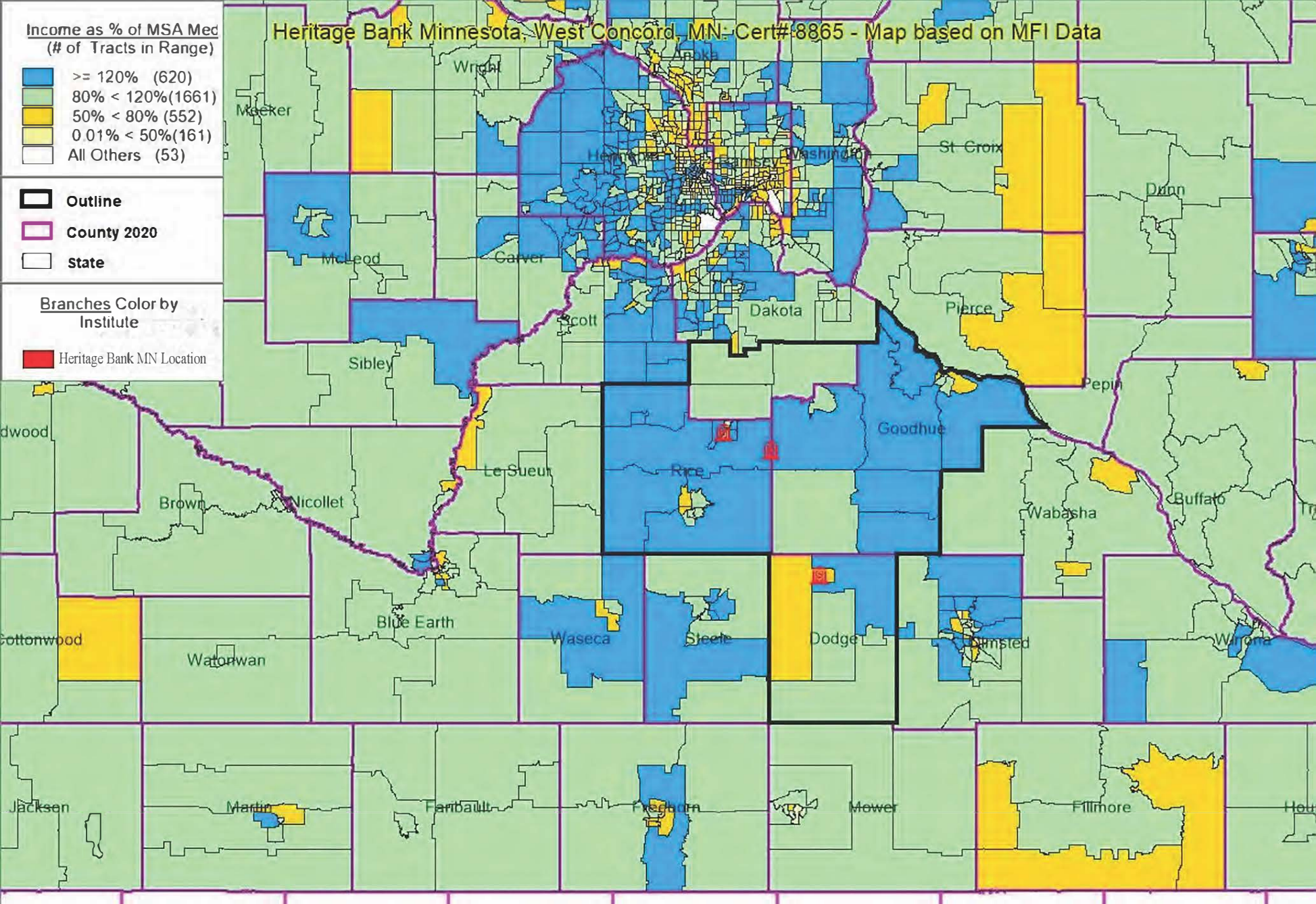


Outline
County 2020
State

Branches Color by
Institute

Heritage Bank MN Location

Heritage Bank Minnesota, West Concord, MN- Cert# 8865 - Map based on MFI Data



Heritage Bank Minnesota Census Tract Listing

State	MSA	County	Census Tract	Minority Tract	Tract Income Catg	Percent Median	Counties	MSA or Non-MSA
27	33460	37	614.02	<10%	80%-120%	96.1751	Dakota	MSP-St Paul MSA
27	33460	37	615.01	<10%	80%-120%	102.5871	Dakota	MSP-St Paul MSA
27	33460	37	615.02	<10%	80%-120%	101.8859	Dakota	MSP-St Paul MSA
27	99999	49	803	<10%	>120%	131.2937	Goodhue	Non-MSA
27	99999	49	804	<10%	>120%	127.3398	Goodhue	Non-MSA
27	99999	49	805	<10%	>120%	150.1558	Goodhue	Non-MSA
27	99999	49	808	<10%	>120%	125.5991	Goodhue	Non-MSA
27	99999	49	809	<10%	>120%	123.7673	Goodhue	Non-MSA
27	99999	49	802.02	10% - <20%	>120%	129.8259	Goodhue	Non-MSA
27	99999	131	701.01	<10%	>120%	139.2335	Rice	Non-MSA
27	99999	131	702	<10%	>120%	153.9879	Rice	Non-MSA
27	99999	131	703	<10%	>120%	124.3253	Rice	Non-MSA
27	99999	131	704	<10%	>120%	122.5136	Rice	Non-MSA
27	99999	131	701.02	10% - <20%	>120%	138.2942	Rice	Non-MSA
27	99999	131	705.03	10% - <20%	>120%	145.2319	Rice	Non-MSA
27	99999	131	705.01	20% - <50%	>120%	149.4132	Rice	Non-MSA
27	99999	131	706.02	20% - <50%	>120%	137.1475	Rice	Non-MSA
27	99999	49	802.01	10% - <20%	50%-80%	71.971	Goodhue	Non-MSA
27	99999	131	709.01	20% - <50%	50%-80%	69.8007	Rice	Non-MSA
27	99999	131	709.02	20% - <50%	50%-80%	71.0986	Rice	Non-MSA
27	99999	49	806	<10%	80%-120%	118.3483	Goodhue	Non-MSA
27	99999	49	807	<10%	80%-120%	117.1467	Goodhue	Non-MSA
27	99999	49	801.01	10% - <20%	80%-120%	82.0878	Goodhue	Non-MSA
27	99999	49	801.02	10% - <20%	80%-120%	115.038	Goodhue	Non-MSA
27	99999	131	705.04	10% - <20%	80%-120%	107.7859	Rice	Non-MSA
27	99999	131	706.01	20% - <50%	80%-120%	99.8902	Rice	Non-MSA
27	99999	131	707.01	20% - <50%	80%-120%	110.0739	Rice	Non-MSA
27	99999	131	707.02	20% - <50%	80%-120%	119.586	Rice	Non-MSA
27	99999	131	708.01	20% - <50%	80%-120%	106.9135	Rice	Non-MSA
27	99999	131	708.02	20% - <50%	80%-120%	92.5083	Rice	Non-MSA
27	40340	39	9501	<10%	>120%	122.9233	Dodge	Rochester MSA
27	40340	39	9503	10% - <20%	50%-80%	77.103	Dodge	Rochester MSA
27	40340	39	9504	<10%	80%-120%	84.1496	Dodge	Rochester MSA
27	40340	39	9505	<10%	80%-120%	96.0199	Dodge	Rochester MSA
27	40340	39	9502	10% - <20%	80%-120%	83.9352	Dodge	Rochester MSA

PUBLIC DISCLOSURE

October 17, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Heritage Bank Minnesota
Certificate Number: 8865

181 Main Street
West Concord, Minnesota 55985

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Heritage Bank Minnesota's satisfactory Community Reinvestment Act (CRA) performance under the applicable performance criteria supports the overall rating. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the assessment areas' credit needs.
- A majority of the home mortgage and a substantial majority of the small business loans reviewed were located inside the assessment areas.
- The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Heritage Bank Minnesota is headquartered in West Concord, Minnesota, and is wholly owned by West Concord Bancshares, Inc., a one-bank holding company also located in West Concord, Minnesota. In addition to the main office, the bank operates two full-service branches in Dennison and Northfield, Minnesota. Since the previous CRA evaluation, the bank has not closed any offices; however, the bank opened its Northfield branch office on December 30, 2019. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated November 29, 2017, based on Interagency Small Institution Examination Procedures.

Heritage Bank Minnesota offers a wide range of loan products, including home mortgage, commercial, agricultural, and consumer loans. The bank's business focus continues to be home mortgage lending, followed by commercial and agricultural lending. Heritage Bank Minnesota also offers commercial loans through the Small Business Administration (SBA) and participated in the SBA's Paycheck Protection Program, which assisted businesses struggling with the impact of the Coronavirus Disease 2019 (COVID-19) pandemic. Further, the bank continues to offer and originate secondary market residential loans, which provide borrowers with long-term financing options.

Heritage Bank Minnesota also offers a variety of deposit and alternative banking services. Deposit products include checking, savings, certificates of deposit, and individual retirement accounts. Alternative banking services include online and mobile banking, electronic bill pay and periodic statements, person-to-person payments, mobile deposit, and four cash-dispensing ATMs.

As of June 30, 2023, Heritage Bank Minnesota's assets totaled approximately \$94.3 million, loans totaled \$69.7 million, and deposits totaled \$75.7 million. The bank's loan portfolio distribution is illustrated in the following table.

Loan Portfolio Distribution as of 6/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	1,549	2.2
Secured by Farmland	4,781	6.9
Secured by 1-4 Family Residential Properties	42,104	60.4
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	3,363	4.8
Total Real Estate Loans	51,797	74.3
Commercial and Industrial Loans	6,975	10.0
Agricultural Production and Other Loans to Farmers	2,975	4.3
Consumer Loans	7,596	10.9
Obligations of State and Political Subdivisions in the U.S.	268	0.4
Other Loans	75	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	69,686	100.0
<i>Source: Reports of Condition and Income June 30, 2023</i>		

Examiners did not identify any legal, financial, or other impediments that affect the bank's ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Heritage Bank Minnesota continues to designate two assessment areas in Minnesota, the Non-Metropolitan Assessment area and the Rochester Assessment Area. Additional details regarding assessment area demographics and other information can be found under the respective assessment area sections.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated November 29, 2017, to the current evaluation dated October 17, 2023. Examiners used Interagency Small Institution Examination Procedures to evaluate Heritage Bank Minnesota's CRA performance. These procedures focus on the bank's performance under the Lending Test as outlined in the Small Bank Performance Criteria Appendix.

Examiners determined it was most appropriate to complete full-scope reviews for both assessment areas, considering the volume of loan and deposit activity and distribution of offices. When reaching overall conclusions, the most weight was given to the Non-Metropolitan Assessment Area, as this is where a majority of the bank's loans and branches are located. The following table provides a breakdown of loans, deposits, and branches in the assessment areas.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Non-Metropolitan Assessment Area	40,207	88.9	38,322	49.8	2	66.7
Rochester Assessment Area	5,000	11.1	38,647	50.2	1	33.3
Total	45,207	100.0	76,969	100.0	3	100.0

Source: 2022 Bank Data; Bank Deposit Data as of 9/30/2023

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage lending followed by commercial lending. This conclusion considered discussions with management regarding the bank's business strategy, review of bank records of the number and dollar volume of loans originated during the evaluation period, and a review of Reports of Condition and Income (Reports of Condition) data. When arriving at overall conclusions, home mortgage loans received the most weight, followed by small business loans, which is consistent with management's stated business focus and the volume of loans originated. Examiners did not review small farm or consumer lending activities because they represent a small portion of the loan portfolio, are not a primary business focus of the institution, and do not provide any material support for conclusions.

Bank records indicate, and management confirmed, that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed all home mortgage and small business loans originated or renewed in 2022. This period was considered representative of the bank's performance during the entire evaluation period. The 2020 U.S Census data provided a standard of comparison for the bank's home mortgage lending performance. D&B data for 2022 provided a standard of comparison for the bank's small business lending performance.

Examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All loans originated inside the assessment areas were further reviewed to evaluate the Geographic Distribution criterion. To evaluate the Borrower Profile criterion, examiners reviewed a sample of home mortgage and small business loans originated inside the Non-Metropolitan Assessment Area. All home mortgage and small business loans originated inside the Rochester Assessment Area were reviewed due to limited lending activity during the review period. The table below provides information on the number and dollar volume of loans reviewed.

Loan Products Reviewed				
Loan Category	Universe		Sampled/Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage	109	22,262	47	7,938
Small Business	81	5,208	49	3,100

Source: 2022 Bank Data

While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Heritage Bank Minnesota demonstrated satisfactory performance under the Lending Test. The bank's performance under the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs in the assessment areas. The bank's ratio, calculated from Report of Condition data, averaged 81.4 percent over the past 23 calendar quarters from December 31, 2017, to June 30, 2023. The ratio ranged from a high of 99.6 percent as of June 30, 2019, to a low of 67.8 percent as of March 31, 2022. Heritage Bank Minnesota maintained a ratio that is comparable to the other similarly situated institutions shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2023 (\$000s)	Average Net LTD Ratio (%)
Heritage Bank Minnesota, West Concord, Minnesota	94,281	81.4
First Security Bank, Byron, Minnesota	114,688	79.0
Lake City Federal Bank, Lake City, Minnesota	77,247	75.7
Lakeview Bank, Lakeville, Minnesota	151,441	86.4
<i>Source: Reports of Condition and Income 12/31/2017 through 6/30/2023</i>		

Assessment Area Concentration

Heritage Bank Minnesota originated a majority of its home mortgage loans and a substantial majority of its small business loans within its assessment areas, as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage	75	68.8	34	31.2	109	14,481	65.0	7,781	35.0	22,262
Small Business	77	95.1	4	4.9	81	4,838	92.9	370	7.1	5,208
Source: Bank Data										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion overall. This conclusion is based on the bank's reasonable performance in the Non-Metropolitan Assessment Area. While the bank's performance in the Rochester Assessment Areas was excellent, it did not raise the overall performance for this criterion as it was less heavily weighted. Refer to comments specific to each assessment area later in this evaluation for further information.

Borrower Profile

The distribution of borrowers reflects reasonable penetration of loans overall. This conclusion is based on the bank's reasonable performance in the Non-Metropolitan Assessment Area. While the bank's performance in the Rochester Assessment Area was excellent, it did not raise the overall performance for this criterion as it was less heavily weighted. Refer to comments specific to each assessment area later in this evaluation for further information.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

NON-METROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NON-METROPOLITAN ASSESSMENT AREA

The Non-Metropolitan Assessment Area includes all of Goodhue and Rice counties and three census tracts (614.02, 615.01, and 615.02) in southern Dakota County, all in Minnesota. Goodhue and Rice counties are located in nonmetropolitan Minnesota, while Dakota County is part of the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin Metropolitan Statistical Area (MSA). Heritage Bank Minnesota expanded the Non-Metropolitan Assessment Area to include all of Rice County in conjunction with the opening of the Northfield location. In addition, census tracts have been updated based on 2020 U.S. Census data. Heritage Bank Minnesota's Dennison branch is located in Goodhue County in an upper-income census tract, and the Northfield branch is located in Rice County in a middle-income census tract.

Economic and Demographic Data

According to 2020 U.S. Census data, the Non-Metropolitan Assessment Area is comprised of 30 census tracts. Specifically, the assessment area contains 3 moderate-income, 13 middle-income, and 14 upper-income census tracts. The assessment area does not contain any low-income census tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	30	0.0	10.0	43.3	46.7	0.0
Population by Geography	123,865	0.0	10.1	40.7	49.2	0.0
Housing Units by Geography	49,369	0.0	10.3	41.5	48.3	0.0
Owner-Occupied Units by Geography	34,918	0.0	8.1	40.0	51.8	0.0
Occupied Rental Units by Geography	11,161	0.0	16.8	49.0	34.2	0.0
Vacant Units by Geography	3,290	0.0	10.6	31.1	58.3	0.0
Businesses by Geography	11,479	0.0	12.3	35.9	51.8	0.0
Farms by Geography	1,190	0.0	3.4	27.6	69.1	0.0
Family Distribution by Income Level	30,908	14.0	15.9	22.1	48.0	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 33460 Minneapolis-St. Paul-Bloomington, MN-WI MSA	\$103,977		Median Housing Value			\$232,844
Median Family Income Non-Metropolitan - MN	\$74,737		Median Gross Rent			\$883
			Families Below Poverty Level			5.3%
Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2022 D&B data, the services industry represents the largest portion of business operations at 32.5 percent; followed by non-classifiable establishments at 17.9 percent; and retail trade at 10.1 percent. Additionally, 67.3 percent of assessment area businesses have four or fewer employees, and 92.7 percent operate from a single location.

The FFIEC provides updated median family incomes that are used to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the 2022 low-, moderate-, middle-, and upper-income categories for the nonmetropolitan area of Minnesota and the Minneapolis-St. Paul-Bloomington, MN-WI MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Minneapolis-St. Paul-Bloomington, MN-WI MSA Median Family Income (33460)				
2022 (\$117,800)	<\$58,900	\$58,900 to <\$94,240	\$94,240 to <\$141,360	≥\$141,360
MN NA Median Family Income (99999)				
2022 (\$83,600)	<\$41,800	\$41,800 to <\$66,880	\$66,880 to <\$100,320	≥\$100,320
Source: FFIEC				

Competition

The assessment area is competitive for credit products and financial services. According to Reports of Condition data filed by financial institutions, there are 24 financial institutions operating 43 locations within the assessment area. These institutions range from small community banks to larger national financial institutions. Heritage Bank Minnesota is ranked 18th with 1.0 percent of the deposit market share.

Heritage Bank Minnesota also faces significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. Heritage Bank Minnesota was not required to collect or report home mortgage loan data during the review period. Therefore, examiners did not compare the bank's home mortgage lending performance to aggregate Home Mortgage Disclosure Act (HMDA) data within this evaluation. However, the aggregate HMDA data provides an indication of the level of demand for home mortgage loans and the level of competition within the assessment area. According to 2022 aggregate HMDA data, 258 HMDA-reporting institutions originated or purchased 3,334 home mortgage loans in the assessment area, reflecting a highly competitive market.

Heritage Bank Minnesota is not required to collect or report small business CRA loan data and has elected not to do so. Therefore, examiners did not compare the bank's small business lending performance to aggregate CRA data within this evaluation. However, the aggregate CRA data provides an indication of the level of demand for small business loans and the level of competition within the assessment area. According to 2021 aggregate CRA data (most recent available), 125 CRA data reporters collectively reported 12,132 small business loans originated within the counties in the assessment area. This figure does not include the number of loans originated by smaller institutions that are not required to report small business lending data but operate within the assessment area. The overall volume of small business lending in the assessment area reflects a heavily competitive market.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. For this evaluation, examiners reviewed a recently completed community contact interview with a representative from an economic development organization that serves a portion of the assessment area.

The contact indicated the local economy has remained relatively stable despite various economic shocks. Labor supply in the area is restricted due to competition from the Twin Cities Metro area, and employers struggle to fill vacancies. Regardless, there is a need for continued investment in affordable housing for both individual homeownership and rentals. An almost nonexistent rental vacancy rate and an increase in the average sales price and number of single-family home sales reflect this increase in demand. Additionally, local businesses in the area have performed well; however, larger businesses were thriving following the pandemic.

The contact stated that local financial institutions are helping to meet the credit needs of the community, and they have not heard anything negative regarding the performance of any particular

institution. Additionally, the contact stated that there are numerous local lending programs available that institutions are aware of that have resulted in providing credit. The contact indicated that financial institutions make every effort to assist businesses or prospective businesses with credit needs.

Credit Needs

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that home mortgage and small business lending are the assessment area's primary credit needs.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-METROPOLITAN ASSESSMENT AREA

LENDING TEST

Heritage Bank Minnesota demonstrated reasonable performance under the Lending Test in the Non-Metropolitan Assessment Area. The bank's Geographic Distribution and Borrower Profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable home mortgage and small business lending performance supports the conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table indicates that the bank's lending performance in the moderate-income census tracts in the assessment area is lower than demographic data. However, as stated previously, there is significant competition for home mortgage loans that affects lending opportunities in the assessment area, which was confirmed by management and HMDA aggregate data. Further, management stated, and demographic data confirmed, the bank's branch structure and location relative to the moderate-income census tracts, makes it difficult to meet lending needs in these areas when considering competition and distance. Examiners' review of Reports of Condition data filed by financial institutions confirmed six competing financial institutions operate six offices in the moderate-income geographies in the assessment area. Further, examiners identified numerous financial institutions that operate in close proximity to these moderate-income geographies. Therefore, the bank's performance is reasonable.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner Occupied Housing Units	#	%	\$(000s)	%
Moderate	8.1	1	1.6	205	1.6
Middle	40.0	17	26.6	3,414	26.5
Upper	51.8	46	71.9	9,260	71.9
Totals	100.0	64	100.0	12,879	100.0
<i>Source: 2020 U.S. Census; 2022 Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table indicates that the bank has not originated any loans in the moderate-income census tracts in the assessment area. As noted previously, the bank faces competition for small business loans in the moderate-income census tracts, and the bank's branch structure and location relative to the moderate-income areas, makes it difficult to meet lending needs in these areas when considering competition and distance. As noted above, there are six financial institutions that operate six offices in the moderate-income geographies. Further, there are numerous financial institutions that operate in close proximity to the moderate-income geographies. Considering these factors, the bank's performance is reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	12.3	0	0.0	0	0.0
Middle	35.9	16	25.0	989	22.9
Upper	51.8	48	75.0	3,330	77.1
Totals	100.0	64	100.0	4,319	100.0
<i>Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration overall in the Non-Metropolitan Assessment Area. The bank's reasonable home mortgage and small business lending performance supports this conclusion.

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration to individuals of different income levels. As shown in the following table, the bank's lending performance to low-income borrowers is lower than demographic data. However, the bank's lending performance to moderate-income borrowers is comparable to demographic data. Per 2022 D&B data, the median housing value in the Non-Metropolitan Assessment Area is \$203,305, which may be difficult for low-income borrowers to afford. In addition, 3.6 percent of families in the assessment area live below the poverty level, and the community contact noted a shortage of affordable housing. In addition to the

rising interest rate environment in 2022, management noted that area home sale prices are higher and confirmed there is a lack of affordable housing in the area, which may contribute to the difficulty for lower-income individuals to qualify for home mortgage loans due to monthly payment and down payment requirements. Considering these factors, the bank's performance is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	14.0	2	5.6	452	7.1
Moderate	15.9	5	13.9	531	8.4
Middle	22.1	9	25.0	1,247	19.7
Upper	48.0	15	41.7	3,232	51.0
Not Available	0.0	5	13.9	874	13.8
Totals	100.0	36	100.0	6,336	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of sampled small business loans reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less. As shown in the following table, the bank's lending to businesses with gross annual revenues of \$1 million or less is comparable to demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	88.2	29	80.6	2,022	78.4
>\$1,000,000	3.6	6	16.7	482	18.7
Revenue Not Available	8.1	1	2.8	77	3.0
Total	100.0	36	100.0	2,581	100.0
<i>Source: 2022 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

ROCHESTER ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ROCHESTER ASSESSMENT AREA

The Rochester Assessment Area contains all of Dodge County in Minnesota, which is part of the Rochester, MN MSA. The composition of the assessment area has not changed since the previous evaluation; however, census tracts have been updated based on 2020 U.S. Census data. Heritage Bank Minnesota's main office in West Concord is located in the moderate-income census tract in this assessment area.

Economic and Demographic Data

According to 2020 U.S. Census data, the Rochester Assessment Area is comprised of five census tracts. Specifically, the assessment area contains one moderate-income, three middle-income, and one upper-income census tract. The assessment area does not contain any low-income census tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	20.0	60.0	20.0	0.0
Population by Geography	20,867	0.0	11.1	67.6	21.3	0.0
Housing Units by Geography	8,338	0.0	12.3	67.6	20.1	0.0
Owner-Occupied Units by Geography	6,636	0.0	11.2	66.4	22.4	0.0
Occupied Rental Units by Geography	1,140	0.0	11.4	79.4	9.2	0.0
Vacant Units by Geography	562	0.0	26.5	58.9	14.6	0.0
Businesses by Geography	1,753	0.0	8.4	67.8	23.7	0.0
Farms by Geography	238	0.0	13.9	62.6	23.5	0.0
Family Distribution by Income Level	5,822	16.4	24.4	23.9	35.3	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 40340 Rochester, MN MSA	\$94,698	Median Housing Value				\$203,305
		Median Gross Rent				\$743
		Families Below Poverty Level				3.6%
Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2022 D&B data, the service industry represents the largest portion of business operations at 28.9 percent; followed by non-classifiable establishments at 17.1 percent; construction at 12.1 percent; and agriculture, forestry and fishing at 12.0 percent. Additionally, 69.5 percent of assessment area businesses have four or fewer employees, and 93.2 percent operate from a single location.

The FFIEC provides updated median family incomes that are used to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the 2022 low-, moderate-, middle-, and upper-income categories for the Rochester, MN MSA.

Table B – Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Rochester, MN MSA Median Family Income (40340)				
2022 (\$109,000)	<\$54,500	\$54,500 to <\$87,200	\$87,200 to <\$130,800	≥\$130,800
Source: FFIEC				

Competition

The assessment area is a competitive market for credit products and financial services. According to Reports of Condition data filed by financial institutions, there were 5 financial institutions operating 7 locations within the assessment area. Of these institutions, Heritage Bank Minnesota ranked 4th with 11.0 percent deposit market share. The top two financial institutions make up approximately 46.8 and 19.7 percent of the overall deposit market share in the assessment area, respectively.

Heritage Bank Minnesota also faces competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. According to 2022 aggregate HMDA data, 103 HMDA-reporting institutions originated or purchased 702 home mortgage loans in the assessment area. The top lender (US Bank, N.A.) had the highest percentage of market share at 7.6 percent and originated or purchased only 53 home mortgage loans in 2022 in the assessment area, demonstrating a generally limited demand for home mortgage loans overall.

According to 2021 aggregate CRA data, 32 CRA data reporters collectively reported 314 small business loans originated within the assessment area. The top three lenders by number are large national institutions that originated 40.5 percent of the market share. These figures do not include a high number of loans originated by smaller or mid-sized institutions, such as Heritage Bank Minnesota, that are not required to report small business lending data but that operate within the assessment area. Further, the top lender (Wells Fargo Bank, N.A.) had the highest percentage of market share at 16.2 percent and originated only 51 small business loans in the assessment area, demonstrating a generally limited demand for small business loans in the assessment area.

Credit Needs

Considering information from bank management and demographic and economic data, examiners determined that home mortgage lending is the assessment area's primary credit need.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ROCHESTER ASSESSMENT AREA

LENDING TEST

Heritage Bank Minnesota demonstrated excellent performance under the Lending Test in the Rochester Assessment Area. The bank's Geographic Distribution and Borrower Profile performance supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank's excellent home mortgage and small business lending performance supports the overall conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The following table shows that Heritage Bank Minnesota's home mortgage lending performance in the moderate-income census tract significantly exceeds demographic data, representing excellent overall performance.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner Occupied Housing Units	#	%	\$(000s)	%
Moderate	11.2	8	72.7	789	49.2
Middle	66.4	2	18.2	214	13.3
Upper	22.4	1	9.1	600	37.5
Totals	100.0	11	100.0	1,603	100.0
Source: 2020 U.S. Census; 2022 Bank Data. Due to rounding, totals may not equal 100.0%					

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The following table indicates the bank's performance in the moderate-income census tract significantly exceeds demographic data, representing an excellent performance.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	8.4	8	61.5	424	81.6
Middle	67.8	3	23.1	29	5.6
Upper	23.7	2	15.4	66	12.7
Totals	100.0	13	100.0	519	100.0
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

Borrower Profile

The distribution of borrowers reflects excellent penetration overall in the Rochester Assessment Area. The bank's excellent home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans reflects excellent penetration among individuals of different income levels. As shown in the following table, Heritage Bank Minnesota's lending performance to low-income borrowers significantly exceeds demographic data, and lending

performance to moderate-income borrowers is comparable to demographic data. Overall, performance is considered excellent.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	16.4	8	72.7	636	39.7
Moderate	24.4	2	18.2	366	22.9
Middle	23.9	1	9.1	600	37.4
Upper	35.3	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	11	100.0	1,602	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses with gross annual revenues of \$1 million or less. The bank originated all 13 loans within the assessment area to businesses with gross annual revenues of \$1 million or less. D&B demographic data for 2022 notes that 89.4 percent of businesses fall into this revenue category.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the institution under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.



HERITAGE
— B A N K —

Loan-to-Deposit Ratio Historical Information

Quarter End	Loans (Thou)	Deposits (Thou)	Loan-to-Deposit
March 31, 2020	\$42,741	\$49,429	86.5%
June 30, 2020	\$44,530	\$55,576	80.1%
September 30, 2020	\$43,724	\$56,444	77.5%
December 31, 2020	\$44,543	\$58,669	75.9%
March 31, 2021	\$45,219	\$64,484	70.1%
June 30, 2021	\$50,876	\$64,498	78.9%
September 30, 2021	\$49,576	\$69,112	71.7%
December 31, 2022	\$51,056	\$70,032	72.9%
March 31, 2022	\$50,954	\$74,258	68.6%
June 30, 2022	\$55,794	\$75,092	74.3%
September 30, 2022	\$59,653	\$80,061	74.5%
December 31, 2022	\$63,538	\$79,047	80.4%
March 31, 2023	\$66,064	\$77,939	84.8%
June 30, 2023	\$69,687	\$83,348	83.6%
September 30, 2023	\$73,902	\$84,928	87.0%
December 31, 2023	\$78,537	\$80,819	97.2%



Home Mortgage Disclosure

The HMDA data about our residential mortgage lending is available online for review. The data shows geographic distribution of loans and applications; ethnicity, race, sex, age and income of applicants and borrowers; and information about loan approvals and denials. HMDA data for many other financial institutions are also available online.

For more information please visit the Consumer Financial Protection Bureau's website at www.consumerfinance.gov/hmda