

Form 5500

Annual Return/Report of Employee Benefit Plan

OMB Nos. 1210-0110 1210-0089

2024

This Form is Open to Public Inspection

Department of the Treasury Internal Revenue Service

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).

Complete all entries in accordance with the instructions to the Form 5500.

Department of Labor Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Part I Annual Report Identification Information

For calendar plan year 2024 or fiscal plan year beginning 01/01/2024 and ending 12/31/2024

- A This return/report is for: [] a multiemployer plan [] a multiple-employer plan... [X] a single-employer plan [] a DFE... B This return/report is: [] the first return/report [] the final return/report... C If the plan is a collectively-bargained plan, check here... D Check box if filing under: [] Form 5558 [] automatic extension... E If this is a retroactively adopted plan permitted by SECURE Act section 201, check here...

Part II Basic Plan Information—enter all requested information

1a Name of plan: HILLS BANK AND TRUST EMPLOYEE STOCK OWNERSHIP PLAN
1b Three-digit plan number (PN): 001
1c Effective date of plan: 12/31/1974
2a Plan sponsor's name (employer, if for a single-employer plan): CHARLES W. HIPPEE, 590 WEST FOREVERGREEN ROAD, NORTH LIBERTY, IA 52317
2b Employer Identification Number (EIN): 42-0310580
2c Plan Sponsor's telephone number: 319-338-1522
2d Business code (see instructions): 522110

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

Table with 4 columns: SIGN HERE, Signature, Date, and Name. Rows include plan administrator, employer/plan sponsor, and DFE.

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2024) v. 240311

3a Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor	3b Administrator's EIN	
	3c Administrator's telephone number	
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN	
	4d PN	
5 Total number of participants at the beginning of the plan year	5	671
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g(1) Number of participants with account balances as of the beginning of the plan year (only defined contribution plans complete this item) g(2) Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6a(1)	445
	6a(2)	418
	6b	17
	6c	227
	6d	662
	6e	0
	6f	662
	6g(1)	670
6g(2)	622	
6h	51	
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:
2E 20

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

9a Plan funding arrangement (check all that apply)	9b Plan benefit arrangement (check all that apply)
(1) <input type="checkbox"/> Insurance	(1) <input type="checkbox"/> Insurance
(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts	(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts
(3) <input checked="" type="checkbox"/> Trust	(3) <input checked="" type="checkbox"/> Trust
(4) <input type="checkbox"/> General assets of the sponsor	(4) <input type="checkbox"/> General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules	b General Schedules
(1) <input checked="" type="checkbox"/> R (Retirement Plan Information)	(1) <input checked="" type="checkbox"/> H (Financial Information)
(2) <input type="checkbox"/> MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary	(2) <input type="checkbox"/> I (Financial Information – Small Plan)
(3) <input type="checkbox"/> SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	(3) <input type="checkbox"/> A (Insurance Information) – Number Attached _____
(4) <input type="checkbox"/> DCG (Individual Plan Information) – Number Attached _____	(4) <input checked="" type="checkbox"/> C (Service Provider Information)
(5) <input type="checkbox"/> MEP (Multiple-Employer Retirement Plan Information)	(5) <input type="checkbox"/> D (DFE/Participating Plan Information)
	(6) <input type="checkbox"/> G (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) Yes No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) Yes No

11c Enter the Receipt Confirmation Code for the 2024 Form M-1 annual report. If the plan was not required to file the 2024 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2024 This Form is Open to Public Inspection.
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For calendar plan year 2024 or fiscal plan year beginning **01/01/2024** and ending **12/31/2024**

A Name of plan HILLS BANK AND TRUST EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 HILLS BANK AND TRUST COMPANY	D Employer Identification Number (EIN) 42-0310580	

Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)... Yes No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

BGHN ASSOCIATES, P.C.

1845 51ST STREET NE
CEDAR RAPIDS, IA 52402

42-1508032

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
10	AUDITOR	10150	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

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Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

**SCHEDULE H
(Form 5500)**

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration
Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2024

This Form is Open to Public Inspection

For calendar plan year 2024 or fiscal plan year beginning **01/01/2024** and ending **12/31/2024**

A Name of plan HILLS BANK AND TRUST EMPLOYEE STOCK OWNERSHIP PLAN		B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 HILLS BANK AND TRUST COMPANY		D Employer Identification Number (EIN) 42-0310580	

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other	1b(3)	6525	6505
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	2026621	1648641
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	6791324	6912004
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities.....	1d(1)	46212256	50267700
(2) Employer real property.....	1d(2)		
e Buildings and other property used in plan operation.....	1e		
f Total assets (add all amounts in lines 1a through 1e).....	1f	55036726	58834850
Liabilities			
g Benefit claims payable.....	1g		
h Operating payables.....	1h		
i Acquisition indebtedness.....	1i		
j Other liabilities.....	1j		
k Total liabilities (add all amounts in lines 1g through 1j).....	1k		
Net Assets			
l Net assets (subtract line 1k from line 1f).....	1l	55036726	58834850

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers.....	2a(1)(A)	1368994	
(B) Participants.....	2a(1)(B)		
(C) Others (including rollovers).....	2a(1)(C)		
(2) Noncash contributions.....	2a(2)		
(3) Total contributions. Add lines 2a(1)(A), (B), (C), and line 2a(2).....	2a(3)		1368994
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit).....	2b(1)(A)		
(B) U.S. Government securities.....	2b(1)(B)		
(C) Corporate debt instruments.....	2b(1)(C)		
(D) Loans (other than to participants).....	2b(1)(D)		
(E) Participant loans.....	2b(1)(E)		
(F) Other.....	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F).....	2b(1)(G)		
(2) Dividends:			
(A) Preferred stock.....	2b(2)(A)		
(B) Common stock.....	2b(2)(B)	747551	
(C) Registered investment company shares (e.g. mutual funds).....	2b(2)(C)	237677	
(D) Total dividends. Add lines 2b(2)(A), (B), and (C).....	2b(2)(D)		985228
(3) Rents.....	2b(3)		
(4) Net gain (loss) on sale of assets:			
(A) Aggregate proceeds.....	2b(4)(A)	8126134	
(B) Aggregate carrying amount (see instructions).....	2b(4)(B)	7836053	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result.....	2b(4)(C)		290081
(5) Unrealized appreciation (depreciation) of assets:			
(A) Real estate.....	2b(5)(A)		
(B) Other.....	2b(5)(B)	4671626	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B).....	2b(5)(C)		

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		207488
c Other income	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		7523417

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)	3715143	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other.....	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		3715143
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses:			
(1) Salaries and allowances	2i(1)	10150	
(2) Contract administrator fees	2i(2)		
(3) Recordkeeping fees	2i(3)		
(4) IQPA audit fees	2i(4)		
(5) Investment advisory and investment management fees	2i(5)		
(6) Bank or trust company trustee/custodial fees	2i(6)		
(7) Actuarial fees	2i(7)		
(8) Legal fees	2i(8)		
(9) Valuation/appraisal fees	2i(9)		
(10) Other trustee fees and expenses	2i(10)		
(11) Other expenses.....	2i(11)		
(12) Total administrative expenses. Add lines 2i(1) through (11)	2i(12)		10150
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		3725293

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		3798124
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) Unmodified (2) Qualified (3) Disclaimer (4) Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) DOL Regulation 2520.103-8 (2) DOL Regulation 2520.103-12(d) (3) neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **BGHN ASSOCIATES, P.C.**

(2) EIN: **42-1508032**

d The opinion of an independent qualified public accountant is **not attached** as part of Schedule H because:

(1) This form is filed for a CCT, PSA, DCG or MTIA. (2) It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l. DCGs do not complete lines 4e, 4f, 4k, 4l, and 5, and DCGs generally complete the rest of Part IV collectively for all plans in the DCG, except as otherwise provided (see instructions).

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)		X	
e Was this plan covered by a fidelity bond?	X		12000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? Yes No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) Yes No Not determined
 If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2024 This Form is Open to Public Inspection.
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For calendar plan year 2024 or fiscal plan year beginning 01/01/2024 and ending 12/31/2024

A Name of plan <u>HILLS BANK AND TRUST EMPLOYEE STOCK OWNERSHIP PLAN</u>	B Three-digit plan number (PN) ▶	<u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>HILLS BANK AND TRUST COMPANY</u>	D Employer Identification Number (EIN) <u>42-0310580</u>	

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....

1	
---	--

2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):
EIN(s): 42-6244709

Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.

3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....

3	
---	--

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
----------------	---

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? Yes No N/A
If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____
If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a	
b Enter the amount contributed by the employer to the plan for this plan year	6b	
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c	

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline?..... Yes No N/A

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? Yes No N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... Increase Decrease Both No

Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? Yes No

11 a Does the ESOP hold any preferred stock? Yes No

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) Yes No

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? Yes No

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. Complete as many entries as needed to report all applicable employers.

a Name of contributing employer _____

b EIN _____ **c** Dollar amount contributed by employer _____

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: Hourly Weekly Unit of production Other (specify): _____

a Name of contributing employer _____

b EIN _____ **c** Dollar amount contributed by employer _____

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: Hourly Weekly Unit of production Other (specify): _____

a Name of contributing employer _____

b EIN _____ **c** Dollar amount contributed by employer _____

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: Hourly Weekly Unit of production Other (specify): _____

a Name of contributing employer _____

b EIN _____ **c** Dollar amount contributed by employer _____

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: Hourly Weekly Unit of production Other (specify): _____

a Name of contributing employer _____

b EIN _____ **c** Dollar amount contributed by employer _____

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: Hourly Weekly Unit of production Other (specify): _____

a Name of contributing employer _____

b EIN _____ **c** Dollar amount contributed by employer _____

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: Hourly Weekly Unit of production Other (specify): _____

14 Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:

a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: <input type="checkbox"/> last contributing employer <input type="checkbox"/> alternative <input type="checkbox"/> reasonable approximation (see instructions for required attachment).....	14a	
b The plan year immediately preceding the current plan year. <input type="checkbox"/> Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....	14b	
c The second preceding plan year. <input type="checkbox"/> Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....	14c	

15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

16 Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers.....	16b	

17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment

19 If the total number of participants is 1,000 or more, complete lines (a) and (b):

a Enter the percentage of plan assets held as:
 Public Equity: _____% Private Equity: _____% Investment-Grade Debt and Interest Rate Hedging Assets: _____%
 High-Yield Debt: _____% Real Assets: _____% Cash or Cash Equivalents: _____% Other: _____%

b Provide the average duration of the Investment-Grade Debt and Interest Rate Hedging Assets:
 0-5 years 5-10 years 10-15 years 15 years or more

20 PBGC missed contribution reporting requirements. If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? Yes No

b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:
 Yes.
 No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.
 No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.
 No. Other. Provide explanation: _____

Part VII IRS Compliance Questions

21a Does the plan satisfy the coverage and nondiscrimination tests of Code sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules? Yes No

21b If this is a Code section 401(k) plan, check all boxes that apply to indicate how the plan is intended to satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under Code sections 401(k)(3) and 401(m)(2).
 Design-based safe harbor method
 "Prior year" ADP test
 "Current year" ADP test
 N/A

22 If the plan sponsor is an adopter of a pre-approved plan that received a favorable IRS Opinion Letter, enter the date of the Opinion Letter ___/___/____ (MM/DD/YYYY) and the Opinion Letter serial number _____.

**HILLS BANK AND TRUST COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULE

YEARS ENDED DECEMBER 31, 2024 AND 2023

with

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Trustees, Advisory Committee and Participants of the
Hills Bank and Trust Company Employee Stock Ownership Plan and Trust
North Liberty, Iowa

Opinion

We have audited the financial statements of Hills Bank and Trust Company Employee Stock Ownership Plan and Trust (the "Plan"), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), which comprise the statements of net assets available for benefits as of December 31, 2024 and 2023, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of Hills Bank and Trust Company Employee Stock Ownership Plan and Trust as of December 31, 2024 and 2023, and the changes in its net assets available for benefits 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hills Bank and Trust Company Employee Stock Ownership Plan and Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hills Bank and Trust Company Employee Stock Ownership Plan and Trust's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Responsibilities of Management for the Financial Statements, Continued

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Hills Bank and Trust Company Employee Stock Ownership Plan and Trust's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hills Bank and Trust Company Employee Stock Ownership Plan and Trust's ability to continue as a going concern for a reasonable period of time.

INDEPENDENT AUDITOR’S REPORT, CONTINUED

Auditor’s Responsibilities for the Audit of the Financial Statements, Continued

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 internal control-related matters that we identified during the audits.

Supplemental Schedule Required by ERISA

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor’s (“DOL”) Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the DOL’s Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion, the information in the accompanying schedule is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content are presented in conformity with the DOL’s Rules and Regulations for Reporting and Disclosure under ERISA.

BGHN Associates, P.C.

Cedar Rapids, Iowa
July 23, 2025

HILLS BANK AND TRUST COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2024 and 2023

	2024	2023
Assets:		
Investments, at fair value (Notes 3 and 5):		
Money market fund	\$ 1,648,641	\$ 2,026,621
Mutual funds	6,912,004	6,791,324
Common stock of Hills Bancorporation (Note 4)	50,267,700	46,212,256
Total investments	58,828,345	55,030,201
Accrued investment income	6,505	6,525
Net assets available for benefits	\$ 58,834,850	\$ 55,036,726

See notes to financial statements.

HILLS BANK AND TRUST COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Years ended December 31, 2024 and 2023

	2024	2023
Additions (deductions) to net assets attributed to:		
Investment income (loss) (Notes 3 and 5):		
Net appreciation (depreciation) in fair value of		
Hills Bancorporation common stock	\$ 4,671,626	\$ (2,672,402)
Net appreciation in fair value of		
other investments	497,569	872,090
Net appreciation (depreciation) in fair value	5,169,195	(1,800,312)
Interest and dividends:		
Hills Bancorporation (Note 4)	747,551	743,912
Other	237,677	213,670
Total interest and dividends	985,228	957,582
Total investment income (loss)	6,154,423	(842,730)
Employer contributions	1,368,994	1,403,377
Total additions	7,523,417	560,647
Deductions from net assets attributed to:		
Benefits paid to participants (Note 7)	3,160,220	4,855,456
Hills Bancorporation dividends distributed to		
participants (Note 4)	554,923	516,593
Administrative expenses (Note 6)	10,150	9,800
Total deductions	3,725,293	5,381,849
Net change in net assets available for benefits	3,798,124	(4,821,202)
Net assets available for benefits at beginning of year	55,036,726	59,857,928
Net assets available for benefits at end of year	\$ 58,834,850	\$ 55,036,726

See notes to financial statements.

HILLS BANK AND TRUST COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

1. Description of the plan

The following brief description of the Hills Bank and Trust Company Employee Stock Ownership Plan and Trust (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan Agreement or Summary Plan Description for a more complete description of the Plan’s provisions.

The Plan is a noncontributory, defined contribution employee stock ownership plan, covering all eligible employees of Hills Bank and Trust Company (the “Company” or “Plan Sponsor”). The Plan operates as an employee stock ownership plan and is designed to comply with Section 4975(e)(7), and the regulations thereunder, of the Internal Revenue Code and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”). Employees are eligible to participate in the Plan after completing one year of service (defined as working at least 1,000 hours during twelve consecutive months) and after the attainment of age eighteen. The plan entry date is January 1 of each year. Therefore, employees enter the Plan on January 1 of the year in which the employee becomes eligible to participate in the Plan. An employee may elect not to participate in the Plan.

Company contributions

The Company may elect annually to contribute a discretionary percentage of each participant’s eligible compensation, as determined by the Company’s Board of Directors, limited to the maximum amount deductible under the Internal Revenue Code. For the years ended December 31, 2024 and 2023, the Company contributed 4.5% of each participant’s eligible compensation. The contributions by the Company can be made in cash, common stock or other property acceptable to the Trustees of the Plan. Participants may not make elective contributions to the Plan.

Vesting

A participant’s vested benefit is based upon years of continuous service. Participants vest on a graduated basis with 100% vesting after six years of credited service or upon the participant’s death, disability, or attaining normal retirement age, as defined in the Plan Agreement.

1. Description of the plan, continued

Participant accounts

Each participant's account is credited with an allocation of the Company's contribution, Plan earnings or losses, and forfeitures of terminated participants' nonvested accounts, and charged with an allocation of administrative expenses. Allocations of the Company's contributions and forfeited participant balances are made in the same proportion as the participant's compensation for the year bears to the total compensation of all eligible participants for the year, as defined in the Plan Agreement. Earnings and losses on investments of the Plan (other than unrealized gains and losses and dividends on Hills Bancorporation common stock) are allocated in the same proportion that each participant's and former participant's beginning account balance (other than the portion relating to the Hills Bancorporation common stock) bear to the total of all participants' and former participants' beginning account balances. Unrealized gains and losses and dividends on Hills Bancorporation common stock are allocated in the same proportion that each participant's and former participant's individual shares bear to the total of all participants' and former participants' shares of Hills Bancorporation common stock. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Plan does not provide for participant-directed investments.

Forfeited accounts

Forfeited balances of terminated participants' nonvested accounts are first used to reinstate previously forfeited account balances of rehired former participants; with remaining forfeitures allocated among participant accounts in a manner similar to the Company's contributions. Forfeited nonvested accounts were \$106,078 and \$153,844 for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, there were no unallocated forfeitures.

Diversification

Diversification is offered to participants close to retirement so they may have the opportunity to move part of the value of their investment in Hills Bancorporation common stock into investments which are more diversified. Participants who are at least age 55 with at least ten years of participation in the Plan may elect to diversify a portion of their account. In each of the first five years, a participant is able to diversify up to 25% of the number of post-1986 shares allocated to his or her account, less any shares previously diversified. Participants may diversify up to 50% of their shares in the sixth year and beyond. Participants who elect to diversify receive a single stock certificate representing the number of shares elected. Such shares may then be sold and rolled to an individual retirement account, paid as a lump-sum, or paid in monthly, quarterly, semiannual, or annual installments for a period not to extend beyond the participant's life expectancy.

Voting rights

Participants have the right to vote the shares of Hills Bancorporation common stock held in their accounts.

1. Description of the plan, continued

Payment of benefits

Except in the case of diversification as described previously, no vested benefits will be paid until a participant retires, dies, becomes disabled or otherwise terminates employment with the Company. Upon termination of service, death or disability, a participant may elect to receive a lump-sum amount equal to the vested value of their account, or at retirement the participant may elect to receive payments in monthly, quarterly, semiannual or annual installments for a period not to extend beyond the participant's life expectancy. Distributions may be made in cash, Hills Bancorporation common stock or both, plus cash for any fractional shares, as defined in the Plan Agreement. Effective January 1, 2023, the plan was amended to allow for immediate distribution of account balances. If no benefit payment election form is completed, participants receive automatic lump-sum distributions for accounts with a value of \$200 or less. In addition, participants automatically have balances rolled into an individual retirement account at Hills Bank and Trust Company for accounts with balances between \$200 and \$7,000 if no election form is completed. Distributions of balances of less than \$7,000 are made as soon as administratively feasible after the close of the plan year of termination of employment. Distributions of balances of greater than \$7,000 are made at the election of the participants. Prior to December 31, 2023, the account balance that was automatically rolled into an individual retirement account was limited to \$5,000.

Shares of Hills Bancorporation common stock distributed from the Plan to former employees (or to beneficiaries of former employees) are subject to a right of first refusal. With this right of first refusal, whenever such a shareholder wishes to sell or transfer shares of Hills Bancorporation common stock received from the ESOP, the shareholder must first notify the Company of the proposed sale or transfer and offer the Company the opportunity to buy the shares at the same price. The Company has the option to buy the shares but is not required to do so. The Company may also waive this right of first refusal in limited circumstances.

Put option

The Hills Bancorporation common stock held by the Plan and its participants is not readily tradable on an established securities market; therefore it includes a put option. The put option is a right to demand the Company to buy any shares of stock distributed to participants for which there is no market. The put price is representative of the fair market value of the stock as determined by an independent appraiser. The Company can pay for the purchase with interest over a period not to exceed five years, or, in limited circumstances, ten years. The purpose of the put option is to ensure that participants ultimately have the ability to obtain cash for their stock.

Plan termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of the Plan are prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein, and disclosures in the financial statements. Actual results may differ from those estimates. Material estimates that are particularly subject to significant change in the near-term relate to the valuation of the Hills Bancorporation common stock.

Investment valuation and income recognition

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The Plan administrator determines the Plan's valuation policies utilizing information provided by the investment advisors and custodians. See Note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Concentration of investment risk

Approximately 85% and 84% of the Plan's investments at December 31, 2024 and 2023, respectively, were comprised of Hills Bancorporation common stock.

Payment of benefits

Benefits are recorded when paid.

Income tax status

The Internal Revenue Service ("IRS") has determined and informed the Company by letter dated October 3, 2017, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code ("IRC") and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. Although the Plan was amended after this date, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

3. Risks and uncertainties

The Plan provides for investments in various securities, which in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants’ account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

4. Investment in Hills Bancorporation common stock

The Plan’s investment in Hills Bancorporation common stock as of December 31 is presented in the following table:

	<u>2024</u>	<u>2023</u>
Number of shares	670,236	679,592
Cost	\$ 15,649,873	\$ 14,507,857
Estimated fair value	\$ 50,267,700	\$ 46,212,256

During the years ended December 31, 2024 and 2023, the Plan received dividend income of \$747,551 and \$743,912, respectively, from its investment in Hills Bancorporation common stock. During the years ended December 31, 2024 and 2023, the Plan distributed \$554,923 and \$516,593, respectively, in dividends received from its investment in Hills Bancorporation common stock to certain participants.

5. Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

5. Fair value measurements, continued

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

Money market fund: Valued at cost, which approximates fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Common stock of Hills Bancorporation: Valued at fair value based upon quarterly appraisals performed by Hovde Group, an independent appraisal firm. The valuation of the common stock is based on a combination of the income and market approaches. The income approach uses a discounted cash flow model based on projected earnings to determine fair value. The market approach uses comparable guideline companies which are publicly traded in the same industry and actual transactions of the stock in the local market to determine fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. Fair value measurements, continued

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2024 and 2023, respectively:

	<u>Assets at Fair Value as of December 31, 2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ 1,648,641	\$ -	\$ -	\$ 1,648,641
Mutual funds	6,912,004	-	-	6,912,004
Common stock of Hills Bancorporation	-	50,267,700	-	50,267,700
Total assets at fair value	<u>\$ 8,560,645</u>	<u>\$ 50,267,700</u>	<u>\$ -</u>	<u>\$ 58,828,345</u>

	<u>Assets at Fair Value as of December 31, 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ 2,026,621	\$ -	\$ -	\$ 2,026,621
Mutual funds	6,791,324	-	-	6,791,324
Common stock of Hills Bancorporation	-	46,212,256	-	46,212,256
Total assets at fair value	<u>\$ 8,817,945</u>	<u>\$ 46,212,256</u>	<u>\$ -</u>	<u>\$ 55,030,201</u>

The Plan held no investments in Level 3 of the fair value hierarchy as of December 31, 2024 and 2023.

The Plan's policy is to recognize transfers between, into, and out of the various Levels as of the date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2024 and 2023, there were no such transfers.

6. Administrative expenses

Hills Bank and Trust Company, a party-in-interest, provides recordkeeping and administrative services to the Plan, but no fees are charged for these services. The Plan paid audit fees to BGHN Associates, P.C., a party-in-interest, totaling \$10,150 and \$9,800 for the years ended December 31, 2024 and 2023, respectively. The Plan Sponsor pays appraisal fees on behalf of the Plan.

7. Related party and party-in-interest transactions

The Plan invests in Company common stock. During 2024 and 2023, the Plan distributed 23,574 and 39,018 shares of Company common stock to participants with fair value totaling \$1,603,032 and \$2,809,296, respectively, on the date of distribution. The Company also purchased 14,218 and 10,122 shares of Company common stock from former participants with total cost of \$986,851 and \$682,818, in 2024 and 2023, respectively. The Plan has agreements with SEI Private Trust Company and Computershare to provide custodial services for the Plan's investments. The Plan also has an agreement with Hovde Group to provide appraisal services for the Company common stock. Additional party-in-interest transactions are discussed in Note 6.

8. Subsequent events

On January 10, 2025, the Company declared dividends on Hills Bancorporation common stock of \$1.15 per share. The Plan received \$770,771 of dividend income on January 17, 2025. On January 27, 2025 the Plan distributed \$550,706 of these dividends to certain participants.

Management has evaluated subsequent events through July 23, 2025, the date the financial statements were available to be issued.

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SUPPLEMENTAL SCHEDULE

HILLS BANK AND TRUST COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2024

EIN: 42-0310580
PLAN NUMBER: 001

Identity of issue, borrower, lessor or similar party	Description of investment including maturity date, rate of interest, par or maturity value	Cost	Current value
Money market fund:			
Goldman Sachs Financial Square Government Fund	1,648,641 Class F shares	\$ 1,648,641	\$ 1,648,641
Mutual funds:			
DFA Emerging Markets Portfolio Fund	7,147 Class I shares	204,524	204,188
DFA International Core Equity Fund	13,263 Class I shares	190,722	204,519
Dodge & Cox International Stock Fund	2,419 shares	111,135	120,695
Dodge & Cox Stock Fund	3,365 shares	755,962	865,447
Federated Hermes Total Return Bond Fund	126,766 Class R6 shares	1,259,916	1,183,998
Flexshares Global Quality Real Estate Fund	1,784 shares	107,287	101,658
Flexshares Global Upstream Natural Resources Fund	1,873 shares	83,934	68,102
Harbor Capital Appreciation Fund	2,255 Institutional Class shares	199,223	257,410
Invesco Bulletshares 2026 Corporate Bond ETF	16,253 shares	307,434	315,796
Invesco Bulletshares 2027 Corporate Bond ETF	14,342 shares	278,083	279,382
Invesco Bulletshares 2028 Corporate Bond ETF	13,761 shares	277,875	277,009
Invesco Bulletshares 2029 Corporate Bond ETF	15,051 shares	280,551	276,035
Invesco Bulletshares 2030 Corporate Bond ETF	12,210 shares	200,366	199,878
iShares iBonds Dec 2025 Term Treasury ETF	13,520 shares	312,702	315,286
JP Morgan Global Bond Opportunities Fund	53,285 shares	516,933	513,664

HILLS BANK AND TRUST COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR), CONTINUED
December 31, 2024

EIN: 42-0310580
PLAN NUMBER: 001

Identity of issue, borrower, lessor or similar party	Description of investment including maturity date, rate of interest, par or maturity value	Cost	Current value
Mutual funds, continued:			
Lazard Global Listed Infrastructure Fund	6,894 Class I shares	103,291	107,757
SPDR Portfolio S&P 400 Mid Cap ETF	1,861 shares	90,054	101,778
T. Rowe Price Growth Stock Fund	2,760 Class I shares	211,629	292,395
T. Rowe Price Mid Cap Growth Fund	1,048 Class I shares	110,708	104,819
Vanguard Index 500 Fund	1,657 Admiral Class shares	584,189	899,199
Vanguard International Growth Fund	1,186 Admiral Class shares	134,140	120,480
Vanguard Selected Value Fund	3,788 Investor Class shares	<u>103,058</u>	<u>102,509</u>
Total mutual funds		<u>6,423,716</u>	<u>6,912,004</u>
Employer common stock:			
Hills Bancorporation common stock*	670,236 common shares	<u>15,649,873</u>	<u>50,267,700</u>
Total assets (held at end of year)		<u>\$ 23,722,230</u>	<u>\$ 58,828,345</u>

*Indicates a party-in interest to the Plan

HILLS BANK AND TRUST COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2024

EIN: 42-0310580
PLAN NUMBER: 001

Identity of issue, borrower, lessor or similar party	Description of investment including maturity date, rate of interest, par or maturity value	Cost	Current value
Money market fund:			
Goldman Sachs Financial Square Government Fund	1,648,641 Class F shares	\$ 1,648,641	\$ 1,648,641
Mutual funds:			
DFA Emerging Markets Portfolio Fund	7,147 Class I shares	204,524	204,188
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JP Morgan Global Bond Opportunities Fund	53,285 shares	516,933	513,664

HILLS BANK AND TRUST COMPANY
EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR), CONTINUED
December 31, 2024

EIN: 42-0310580
PLAN NUMBER: 001

Identity of issue, borrower, lessor or similar party	Description of investment including maturity date, rate of interest, par or maturity value	Cost	Current value
Mutual funds, continued:			
Lazard Global Listed Infrastructure Fund	6,894 Class I shares	103,291	107,757
SPDR Portfolio S&P 400 Mid Cap ETF	1,861 shares	90,054	101,778
T. Rowe Price Growth Stock Fund	2,760 Class I shares	211,629	292,395
T. Rowe Price Mid Cap Growth Fund	1,048 Class I shares	110,708	104,819
Vanguard Index 500 Fund	1,657 Admiral Class shares	584,189	899,199
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*Indicates a party-in interest to the Plan