

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-39085

HBT Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

401 North Hershey Rd
Bloomington, Illinois 61704

(Address of principal executive offices,
including zip code)

37-1117216

(I.R.S. Employer
Identification No.)

(309) 662-4444

(Registrant's telephone number,
including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	HBT	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates on the last business day of the registrant's most recently completed second fiscal quarter was \$240.1 million, determined using a per share closing price for the registrant's common stock on that date of \$18.44, as quoted on The Nasdaq Global Select Market.

As of February 23, 2024, there were 31,643,206 shares outstanding of the registrant's common stock, \$0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12, 13 and 14 of Part III incorporate information by reference from the definitive Proxy Statement for the 2024 Annual Meeting of Stockholders of HBT Financial, Inc. to be filed within 120 days of December 31, 2023.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report are forward-looking statements. Forward-looking statements may include statements relating to our plans, strategies and expectations, near-term loan growth, net interest margin, mortgage banking profits, wealth management fees, expenses, asset quality, capital levels, continued earnings, and liquidity. Forward-looking statements are generally identifiable by use of the words "believe," "may," "will," "should," "could," "expect," "estimate," "intend," "anticipate," "project," "plan" or similar expressions. Forward-looking statements are frequently based on assumptions that may or may not materialize and are subject to numerous uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that could cause actual results to differ materially from the results anticipated or projected and which could materially and adversely affect our operating results, financial condition or prospects include, but are not limited to:

- the strength of the local, state, national, and international economies (including effects of inflationary pressures and supply chain constraints);
- the economic impact of any future terrorist threats and attacks, widespread disease or pandemics, acts of war or other threats thereof (including the Israeli-Palestinian conflict and the Russian invasion of Ukraine), or other adverse external events that could cause economic deterioration or instability in credit markets, and the response of the local, state and national governments to any such adverse external events;
- changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies, the Financial Accounting Standards Board (the "FASB") or the Public Company Accounting Oversight Board (including the Company's adoption of the current expected credit losses ("CECL") methodology);
- changes in state and federal laws, regulations and governmental policies concerning the Company's general business and any changes in response to the recent failures of other banks;
- changes in interest rates and prepayment rates of the Company's assets (including potential changes in interest rates by the Federal Reserve);
- increased competition in the financial services sector, including from non-bank competitors such as credit unions and "fintech" companies, and the inability to attract new customers;
- changes in technology and the ability to develop and maintain secure and reliable electronic systems;
- unexpected results of acquisitions, which may include failure to realize the anticipated benefits of acquisitions and the possibility that transaction costs may be greater than anticipated;
- the loss of key executives or employees;
- changes in consumer spending;
- unexpected outcomes of existing or new litigation involving the Company;
- the economic impact of exceptional weather occurrences such as tornadoes, floods and blizzards;
- fluctuations in the value of securities held in our securities portfolio;
- concentrations within our loan portfolio, large loans to certain borrowers, and large deposits from certain clients;
- the concentration of large deposits from certain clients who have balances above current FDIC insurance limits and may withdraw deposits to diversify their exposure;
- the level of non-performing assets on our balance sheets;
- interruptions involving our information technology and communications systems or third-party servicers;
- breaches or failures of our information security controls or cybersecurity-related incidents;
- our asset quality and any loan charge-offs;
- the composition of our loan portfolio;
- the effects of changes in interest rates on our net interest income, net interest margin, our investments, our loan originations, and our modeling estimates relating to interest rate changes;
- our access to sources of liquidity and capital to address our liquidity needs;
- our inability to receive dividends from the Bank, pay dividends to our common stockholders or satisfy obligations as they become due;
- the effects of problems encountered by other financial institutions;
- our ability to achieve organic loan and deposit growth and the composition of such growth;
- our ability to successfully develop and commercialize new or enhanced products and services;
- current and future business, economic and market conditions in the United States ("U.S.") generally or in the States of Illinois and Iowa in particular;
- the geographic concentration of our operations in the States of Illinois and Iowa;

- our ability to attract and retain customer deposits;
- our ability to maintain the Bank's reputation;
- possible impairment of our goodwill and other intangible assets;
- possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations;
- the effectiveness of our risk management and internal disclosure controls and procedures;
- market perceptions associated with certain aspects of our business;
- our ability to meet our obligations as a public company, including our obligations under Section 404 of the Sarbanes-Oxley Act of 2002;
- damage to our reputation from any of the factors described above;
- our success at managing the risks involved in the foregoing items; and
- the factors discussed in Part I, Item 1A "Risk Factors", Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations", or elsewhere in this Annual Report on Form 10-K.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Forward-looking statements speak only as of the date they are made. We do not undertake any obligation to update any forward-looking statement in the future, or to reflect circumstances and events that occur after the date on which the forward-looking statement was made.

PART I

ITEM 1. BUSINESS

COMPANY OVERVIEW

HBT Financial, Inc. (the “Company” or “HBT Financial”), a Delaware corporation incorporated in 1982, is a bank holding company headquartered in Bloomington, Illinois that has elected to be regulated as a financial holding company. As of December 31, 2023, we had total assets of \$5.1 billion, loans held for investment of \$3.4 billion, and total deposits of \$4.4 billion. Through our bank subsidiary, Heartland Bank and Trust Company (“Heartland Bank” or the “Bank”), we provide a comprehensive suite of financial products and services to consumers, businesses, and municipal entities throughout Illinois and Eastern Iowa. The Company’s common stock is traded on the Nasdaq Global Select Market under the symbol “HBT.”

The roots of our Company can be traced back to 1920 when M.B. Drake, the grandfather of our Executive Chairman, Fred Drake, helped found a community bank in Cornland, Illinois. The Drake family went on to operate several banks throughout Central Illinois, and in 1982, George Drake (M.B.’s son and Fred’s father) incorporated the Company as one of the first multi-bank holding companies in Illinois. Since that time, we have grown both organically and through the successful integration of more than a dozen community bank acquisitions.

The foundation for our success has been built upon a steadfast commitment to our core operating principles:

- **Prioritize safety and soundness.** We engage in safe and sound banking practices that preserve the asset quality of our balance sheet and protect our deposit base.
- **Maintain strong profitability.** We have produced consistently strong earnings even through challenging cycles such as the 2008-2009 global financial crisis as well as the COVID-19 pandemic.
- **Continue disciplined growth.** We have a strong track record of successful organic and acquisitive growth with our seasoned senior management team.
- **Uphold our Midwestern values.** We convey the values of the Midwest through hard work and perseverance. We serve our customers attentively; provide development opportunities and rewards for our staff; and generate positive returns for our stockholders.

TOWN AND COUNTRY FINANCIAL CORPORATION ACQUISITION

On February 1, 2023, HBT Financial completed its acquisition of Town and Country Financial Corporation (“Town and Country”), the holding company for Town and Country Bank. The acquisition of Town and Country further enhanced HBT Financial’s footprint in Central Illinois and expanded our footprint into metro-east St. Louis. At the time of acquisition, Town and Country Bank operated ten full-service branch locations which began operating as branches of Heartland Bank. The core system conversion was successfully completed in April 2023. After considering business combination accounting adjustments, Town and Country added total assets of \$937.2 million, total loans held for investment of \$635.4 million, and total deposits of \$720.4 million.

Total consideration consisted of 3.4 million shares of HBT Financial’s common stock and \$38.0 million in cash. Based upon the closing price of HBT Financial common stock of \$21.12 on February 1, 2023, the aggregate consideration was approximately \$109.4 million. Goodwill of \$30.5 million was recorded in the acquisition.

NXT BANCORPORATION, INC. ACQUISITION

On October 1, 2021, HBT Financial completed its acquisition of NXT Bancorporation, Inc. (“NXT”), the holding company for NXT Bank. The acquisition expanded our footprint into Eastern Iowa and provided an opportunity to utilize our excess liquidity at the time to replace NXT’s higher cost funding. The four locations acquired from NXT began operating as branches of Heartland Bank following the merger and systems conversion of NXT Bank into Heartland Bank in December 2021. After considering business combination accounting adjustments, NXT added total assets of \$239.9 million, total loans of \$194.6 million, and total deposits of \$181.6 million.

Total consideration consisted of 1.8 million shares of HBT Financial's common stock and \$10.6 million in cash. Based upon the closing price of HBT Financial common stock of \$16.27 on October 1, 2021, the aggregate consideration was approximately \$39.9 million. Goodwill of \$5.7 million was recorded in the acquisition.

PRODUCTS AND SERVICES

Our products and services are primarily deposit, lending, and ancillary products that offer a broad range of options to meet the financial needs of consumers, businesses, and municipal entities. We continue to enhance our digital banking suite of products so that all consumer and commercial customers can do their banking at their convenience, through their channels of choice.

Additionally, we provide traditional trust and investment services, farmland management, and farmland sales through our wealth management division.

Lending Products and Services

We offer a broad range of lending products with a focus on regulatory commercial real estate ("CRE"), which includes non-owner occupied CRE, construction and land development ("C&D") and multi-family; commercial and industrial ("C&I") and owner-occupied CRE; agricultural and farmland; and one-to-four family residential loans. We also provide municipal, consumer and other loans.

We have a strong credit culture that is prudent, favors asset quality first, and balances local lenders' knowledge of their marketplace with a strong centralized credit process. We maintain a well-diversified portfolio of loans and control concentrations related to loan types and specific industries or businesses.

Regulatory CRE

We provide financing for a wide variety of property types including multi-family, retail, warehouse, office, senior living, and hotel/motel. Our C&D portfolio includes both ground up construction projects and renovation projects in addition to some developed and undeveloped land. We focus on borrowers with successful backgrounds in owning, managing, and developing real estate projects.

C&I and Owner-Occupied CRE

We make loans to a wide variety of businesses with no material concentration in any one industry. C&I loans primarily include loans for working capital and equipment needs. Owner-occupied CRE primarily includes amortizing first mortgage loans on properties occupied by our C&I customers. We focus on small and middle market businesses in the communities that we serve.

Agriculture and Farmland

With our roots in rural Illinois communities, we have a long history of financing agriculture production and land. We originate loans to agriculture producers for input costs, equipment, and land. Most of our agriculture loans are to family farms growing corn and soybeans.

One-to-Four Family Residential

These loans include both owner-occupied and non-owner occupied one-to-four family homes and condominiums. They consist of first mortgage amortizing loans, second mortgage amortizing loans, and home equity lines of credit, primarily originated by our lenders through our branch network on properties in the communities that we serve.

Deposit Products and Services

We offer traditional bank deposit account services as well as digital banking services tailored to meet the needs of today's deposit consumers. Our deposit accounts consist of noninterest-bearing demand deposits, interest-bearing transaction accounts, money market accounts, savings accounts, certificates of deposits, HSA, and IRA accounts. Our digital banking services include online banking, mobile banking, digital payments, and personal

financial management tools. We also provide small business and commercial checking accounts and related services such as treasury management.

Wealth Management

Our wealth management division provides financial planning to consumers, trusts, and estates; trustee and custodial services; investment management; corporate retirement plan consulting and administration; and retail brokerage services. Further, our agriculture services department operates under our wealth management division and provides farm management services and brokers farmland sales and crop insurance throughout our markets.

Residential Mortgage Origination and Servicing

We originate one-to-four family residential mortgage loans primarily through our mortgage lenders within our branch network. To a lesser extent, we purchase loans originated by smaller, rural market banks in Illinois. We sell conventional loans to both Freddie Mac and Fannie Mae and retain the servicing for substantially all those loans. We also originate FHA, VA, and Rural Development loans.

MARKET AREA

As of December 31, 2023, our branch network included 67 full-service branch locations in throughout Illinois and Eastern Iowa. We hold a leading deposit market share in many of our markets in Central Illinois, which we define as a top three deposit share rank, providing the foundation for our strong deposit base. The stability provided by this low-cost funding is a key driver of our strong track record of financial performance. Our long history of providing relationship-based, personal banking services; the successful integration of several strategic in-market acquisitions; and a relatively small presence of money center and super-regional banks in our mid-sized markets has enabled us to maintain meaningful market share in these markets.

Our management team believes our diverse footprint in both urban and rural markets positions us well relative to our competition in terms of access to both high quality, stable funding sources and loan growth opportunities in attractive markets. We consider ourselves to be well positioned to meet the needs of commercial and retail customers through our branch network, our comprehensive suite of banking and wealth management products, and our commitment to building and maintaining customer relationships.

BUSINESS STRATEGY

We intend to pursue the following strategies that we believe will continue to drive growth while maintaining our high levels of asset quality and profitability:

Preserve Strong Ties to our Communities

Our community banking approach stems from our Midwestern values—hard work and perseverance. We attentively serve our customers and provide development opportunities and rewards to our staff. Our senior management team lives and works in the communities we serve, allowing us to deliver banking solutions tailored to our target customers' needs. This dedication strengthens our presence and drives growth in our markets. The quality of our comprehensive suite of products and services coupled with our relationship-based approach to banking contribute meaningfully to our growth and success.

Deploy Excess Deposit Funding into Loan Growth Opportunities

Our strong market share in our core mid-sized markets provides a stable source of attractive funding. Our management believes our scale in these mid-sized markets and the relative scarcity of money center banking institutions operating in them creates a highly defensible market position whereby we can continue to maintain our funding cost advantage relative to our peers. We believe the Chicago MSA provides significant opportunities for loan growth. Many competitors in this market are money center or super-regional banks, and we believe our responsive, local decision-making provides a competitive advantage over these larger, more bureaucratic institutions. Further, we could benefit from continued market disruption in the Chicago MSA, caused by recent significant bank acquisitions, by acquiring talent and customers experiencing displacement.

Maintain a Prudent Approach to Credit Underwriting

Robust underwriting and pricing standards have been a hallmark of the Company and continue to serve as a central tenet of our banking strategy even as we grow our loan portfolio in newer markets. We intend to prudently deploy our excess funding and liquidity into assets that optimize risk-adjusted returns with minimal losses. Further, we believe our history of maintaining strong asset quality and minimal levels of problem assets even through the global financial crisis confirms the effectiveness of our strong credit underwriting.

Pursue Strategic Acquisitions

Our management team has a history of successfully integrating strategic acquisitions over several decades. We believe this track record will position the Company to be an attractive acquirer for many potential partners. We continue to opportunistically seek acquisitions that are either located within our market footprint, in adjacent markets or provide a new growth opportunity that is strategically and financially compelling and consistent with our culture.

HUMAN CAPITAL RESOURCES

Employees

At December 31, 2023, we had 844 full-time equivalent employees. Our employees are not represented by a collective bargaining unit, and we consider our working relationship with our employees to be good. At December 31, 2023, our average tenure was 7.1 years.

Employee Engagement and Retention

We recognize that the fulfillment of our mission requires attracting, developing, and retaining a diverse group of highly qualified employees. To support these objectives, our human resources programs are designed to identify, reward, and recognize excellent performance and loyalty. We utilize regular employee engagement surveys to seek feedback on a variety of topics, including but not limited to, confidence in Company leadership, competitiveness of compensation and benefits, career growth opportunities, corporate culture, and communications. We provide a variety of employee recognition programs and an open, social work environment that encourages employees to be engaged and inclusive.

We understand the importance of offering employees a career path and career development opportunities. By doing so, we are well-positioned to retain our talent, support our communities, and produce needed results. We provide required and self-directed job and career development training to cultivate talent throughout the Company, from entry-level to leadership.

Compensation & Benefits

To attract and retain high-performing, skilled individuals, we offer competitive base pay and benefits. Utilizing various industry specific compensation surveys and member associations, we analyze pay practices for jobs and job families on a regular basis to ensure we remain competitive in the markets we operate and to maintain internal pay equity.

To support the well-being of our employees and their families, we provide access to a variety of flexible and convenient healthcare programs for physical and mental health, long-term and short-term disability, paid time off, and a Company-matched 401(k) plan.

COMPETITION

Our profitability and growth are affected by the highly competitive nature of the financial services industry. We compete with community banks in all of our markets and, to a lesser extent, with money center banks, primarily in the Chicago MSA. Additionally, we compete with non-bank financial services companies and other financial institutions operating within the areas we serve.

Our competition for loans comes principally from commercial banks, savings banks, mortgage banking companies, the U.S. Government, credit unions, leasing companies, insurance companies, real estate conduits and other companies that provide financial services to businesses and individuals.

Our most direct competition for deposits has historically come from commercial banks and credit unions. We face increasing competition for deposits from online financial institutions and non-depository competitors such as the mutual fund industry, securities and brokerage firms, and insurance companies.

Financial technology companies are becoming a more direct threat to traditional financial institutions as they begin to offer deposit accounts insured by the Federal Deposit Insurance Corporation (the "FDIC") and online lending platforms alongside their core product offerings.

We seek to meet this competition by emphasizing relationship-based service, efficient decision-making tailored to individual needs, and offering robust digital functionality.

We continue to see strong competition for new loan production, including competitive pressures on loan rates and terms. Competition for deposit customers was minimal in 2020 and 2021, given the excess liquidity at most financial institutions, but increased substantially during 2022 and 2023, as the Federal Reserve started to raise short-term interest rates. Continued loan and deposit pricing pressure may affect our financial results in the future.

We do not rely on any individual, group, or entity for a material portion of our loans or our deposits.

COMPANY WEBSITE

The Company maintains a website at ir.hbtfinancial.com. The contents of this website are not a part of this report. All periodic and current reports of the Company and amendments to these reports filed with the Securities and Exchange Commission ("SEC") can be accessed, free of charge, through this website and at www.sec.gov as soon as reasonably practicable after these materials are filed with the SEC.

SUPERVISION AND REGULATION

General

FDIC-insured institutions, their holding companies, and their affiliates are extensively regulated under federal and state law. As a result, our growth and earnings performance may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state statutes, and by the regulations and policies of various bank regulatory agencies, including the Illinois Department of Financial and Professional Regulation (the "IDFPR"), the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the FDIC, and the Consumer Financial Protection Bureau (the "CFPB"). Furthermore, taxation laws administered by the Internal Revenue Service (the "IRS") and state taxing authorities, accounting rules developed by the FASB, securities laws administered by the SEC and state securities authorities, and anti-money laundering laws enforced by the U.S. Department of the Treasury (the "Treasury") have an impact on our business. The effect of these statutes, regulations, regulatory policies, and accounting rules are significant to our operations and results.

We are subject to federal and state banking laws that impose a comprehensive system of supervision, regulation, and enforcement on our operations that is intended primarily for the protection of the FDIC-insured deposits and depositors of banks, rather than shareholders. These laws, and the regulations of the bank regulatory agencies issued under them, affect, among other things, the scope of our business, the kinds and amounts of investments that the Company and the Bank may make, required capital levels relative to assets, the nature and amount of collateral for loans, the establishment of branches, the ability to merge, consolidate and acquire, dealings with the Company's and the Bank's insiders and affiliates, and our payment of dividends.

In reaction to the global financial crisis, and particularly following the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), we experienced heightened regulatory requirements and scrutiny. Although the reforms primarily targeted systemically important financial service providers, their influence filtered down in varying degrees to community banks over time and caused our compliance and risk

management processes, and the costs thereof, to increase. The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 (“Regulatory Relief Act”) eliminated questions about the applicability of certain Dodd-Frank Act reforms to community bank systems, including relieving us of any requirement to engage in mandatory stress tests, maintain a risk committee or comply with the Volcker Rule’s complicated prohibitions on proprietary trading and ownership of private funds. These reforms have been favorable to our operations.

The supervisory framework for U.S. banking organizations subjects banks and bank holding companies to regular examination by their respective regulatory agencies, which results in examination reports and ratings that are not publicly available, and that can impact the conduct and growth of their business. These examinations consider not only compliance with applicable laws and regulations, but also capital levels, asset quality and risk, management ability and performance, earnings, liquidity, and various other factors. The regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law, or are otherwise inconsistent with laws and regulations.

The following is a summary of the material elements of the supervisory and regulatory framework applicable to the Company and our subsidiary bank. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those that are described. The descriptions are qualified in their entirety by reference to the particular statutory and regulatory provision.

The Role of Capital

Regulatory capital represents the net assets of a banking organization available to absorb losses. Because of the risks attendant to their business, FDIC-insured institutions generally are required to hold more capital than other businesses, which directly affects our earnings capabilities. Although capital historically has been one of the key measures of the financial health of both bank holding companies and banks, its role became fundamentally more important in the wake of the global financial crisis, as the banking regulators recognized that the amount and quality of capital held by banks prior to the crisis was insufficient to absorb losses during periods of severe stress.

Capital Levels

Banks have been required to hold minimum levels of capital based on guidelines established by the bank regulatory agencies since 1983. The minimums have been expressed in terms of ratios of “capital” divided by “total assets.” The capital guidelines for U.S. banks beginning in 1989 have been based upon international capital accords (known as “Basel” rules) adopted by the Basel Committee on Banking Supervision, a committee of central banks and bank supervisors that acts as the primary global standard-setter for prudential regulation, as implemented by the U.S. bank regulatory agencies on an interagency basis. The accords recognized that bank assets, for the purpose of the capital ratio calculations, needed to be risk weighted (the theory being that riskier assets should require more capital), and that off-balance sheet exposures needed to be factored in the calculations. Following the global financial crisis, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced agreement on a strengthened set of capital requirements for banking organizations around the world, known as Basel III, to address deficiencies recognized in connection with the global financial crisis.

The Basel III Rule

The U.S. bank regulatory agencies adopted the Basel III regulatory capital reforms, and, at the same time, effected changes required by the Dodd-Frank Act, in regulations that were effective (with certain phase-ins) in 2015 (the “Basel III Rule”). The Basel III reforms established capital standards for banks and bank holding companies that are meaningfully more stringent than those in place previously.

The Basel III Rule is applicable to all banking organizations that are subject to minimum capital requirements, including federal and state banks and savings and loan associations, as well as to most bank and savings and loan holding companies. The Company and the Bank are both subject to the Basel III Rule.

Basel III also increased the required quantity and quality of capital. Not only did it increase most of the required minimum capital ratios in effect prior to January 1, 2015, but, in requiring that forms of capital be of higher

quality to absorb loss, it introduced the concept of Common Equity Tier 1 Capital, which consists primarily of common stock, related surplus (net of Treasury stock), retained earnings, and Common Equity Tier 1 minority interests subject to certain regulatory adjustments. The Basel III Rule also changed the definition of capital by establishing more stringent criteria that instruments must meet to be considered Additional Tier 1 Capital (primarily non-cumulative perpetual preferred stock that meets certain requirements) and Tier 2 Capital (primarily other types of preferred stock and subordinated debt, subject to limitations). The Basel III Rule also constrained the inclusion of minority interests, mortgage-servicing assets, and deferred tax assets in capital, and it required deductions from Common Equity Tier 1 Capital if such assets exceeded a percentage of a banking institution's Common Equity Tier 1 Capital.

The Basel III Rule requires **minimum** capital ratios as follows:

- A ratio of Common Equity Tier 1 Capital equal to 4.5% of risk-weighted assets;
- A ratio of Tier 1 Capital equal to 6% of risk-weighted assets;
- A continuation of the minimum required amount of Total Capital (Tier 1 plus Tier 2) at 8% of risk-weighted assets; and
- A leverage ratio of Tier 1 Capital to total quarterly average assets equal to 4% in all circumstances.

In addition, institutions that want to make capital distributions (including for dividends and repurchases of stock), and pay discretionary bonuses to executive officers without restriction, also must maintain 2.5% in Common Equity Tier 1 Capital attributable to a capital conservation buffer. The purpose of the conservation buffer is to ensure that banking institutions maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. Factoring in the conservation buffer increases the minimum ratios depicted above to 7% for Common Equity Tier 1 Capital, 8.5% for Tier 1 Capital and 10.5% for Total Capital.

Well-Capitalized Requirements

The ratios described above are minimum standards for banking organizations to be considered "adequately capitalized." Bank regulatory agencies uniformly encourage banks to hold more capital and be "well-capitalized" and, to that end, federal law and regulations provide various incentives for banking organizations to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a banking organization that is well-capitalized may: (i) qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities; (ii) qualify for expedited processing of other required notices or applications; and (iii) accept, roll-over, or renew brokered deposits. Higher capital levels also could be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities, or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (i.e., Tier 1 Capital less all intangible assets), well above the minimum levels.

Under the capital regulations of the Federal Reserve, in order to be well capitalized, a banking organization must maintain:

- A ratio of Common Equity Tier 1 Capital to risk-weighted assets of 6.5% or more;
- A ratio of Tier 1 Capital to total risk-weighted assets of 8% or more;
- A ratio of Total Capital to total risk-weighted assets of 10% or more; and
- A leverage ratio of Tier 1 Capital to total adjusted average quarterly assets of 5% or more.

It is possible under the Basel III Rule to be well-capitalized while remaining out of compliance with the capital conservation buffer discussed above.

As of December 31, 2023: (i) the Bank was not subject to a directive from the FDIC to increase its capital; and (ii) the Bank was well-capitalized, as defined by FDIC regulations. As of December 31, 2023, the Company had regulatory capital in excess of the Federal Reserve's requirements and met the requirements to be well-capitalized. The Company also is in compliance with the capital conservation buffer.

Prompt Corrective Action

The concept of an institution being “well-capitalized” is part of a regulatory enforcement regime that provides the federal banking regulators with broad power to take “prompt corrective action” to resolve the problems of depository institutions based on the capital level of each particular institution. The extent of the regulators’ powers depends on whether the institution in question is “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized,” in each case as defined by regulation. Depending on the capital category to which an institution is assigned, the regulators’ corrective powers include: (i) requiring the institution to submit a capital restoration plan; (ii) limiting the institution’s asset growth and restricting its activities; (iii) requiring the institution to issue additional capital stock (including additional voting stock) or to sell itself; (iv) restricting transactions between the institution and its affiliates; (v) restricting the interest rate that the institution may pay on deposits; (vi) ordering a new election of directors of the institution; (vii) requiring that senior executive officers or directors be dismissed; (viii) prohibiting the institution from accepting deposits from correspondent banks; (ix) requiring the institution to divest certain subsidiaries; (x) prohibiting the payment of principal or interest on subordinated debt; and (xi) ultimately, appointing a receiver for the institution.

Community Bank Capital Simplification

Community banks have long raised concerns with bank regulators about the regulatory burden, complexity, and costs associated with certain provisions of the Basel III Rule. In response, Congress provided an “off-ramp” for institutions, like the Company, with total consolidated assets of less than \$10 billion. Section 201 of the Regulatory Relief Act instructed the federal banking regulators to establish a single “Community Bank Leverage Ratio” (“CBLR”) of between 8 and 10%. Under the final rule, a community banking organization is eligible to elect the new framework if it has less than \$10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a CBLR greater than 9%. The Company may elect the CBLR framework at any time, but has not currently determined to do so.

Supervision and Regulation of the Company

General

As the sole shareholder of the Bank, we are a bank holding company. As a bank holding company, we are registered with, and are subject to regulation supervision and enforcement by, the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the “BHCA”). We are legally obligated to act as a source of financial strength to the Bank, and to commit resources to support the Bank in circumstances where we might not otherwise do so. Under the BHCA, we are subject to periodic examination by the Federal Reserve. We are required to file with the Federal Reserve periodic reports of our operations, and such additional information regarding us and our subsidiaries as the Federal Reserve may require.

Acquisitions, Activities and Financial Holding Company Election

The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve for any merger involving a bank holding company, or any acquisition by a bank holding company of another bank or bank holding company. Subject to certain conditions (including deposit concentration limits established by the BHCA), the Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its FDIC-insured institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company. Furthermore, in accordance with the Dodd-Frank Act, bank holding companies must be well-capitalized and well-managed in order to effect interstate mergers or acquisitions. For a discussion of the capital requirements, see “—The Role of Capital” above.

The BHCA generally prohibits us from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank, and from engaging in any business other than that of banking, managing and controlling banks, or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve prior to November

11, 1999 to be “so closely related to banking ... as to be a proper incident thereto.” This authority permits the Company to engage in a variety of banking-related businesses, including the ownership and operation of a savings association, or any entity engaged in consumer finance, equipment leasing, the operation of a computer service bureau (including software development), and mortgage banking and brokerage services. The BHCA does not place territorial restrictions on the domestic activities of nonbank subsidiaries of bank holding companies.

Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance underwriting and sales, merchant banking, and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature or incidental to any such financial activity, or that the Federal Reserve determines by order to be complementary to any such financial activity, as long as the activity does not pose a substantial risk to the safety or soundness of FDIC-insured institutions or the financial system generally. The Company has elected to operate as a financial holding company. To maintain its status as a financial holding company, the Company and the Bank must be well-capitalized, well-managed, and the Bank must have a least a satisfactory CRA rating. If the Federal Reserve determines that a financial holding company is not well-capitalized or well-managed, the Federal Reserve will provide a period of time in which to achieve compliance, but during the period of noncompliance, the Federal Reserve may place any limitations on the Company that it deems to be appropriate. Furthermore, if the Federal Reserve determines that a financial holding company’s subsidiary bank has not received a satisfactory CRA rating, that company will not be able to commence any new financial activities or acquire a company that engages in such activities.

Change in Control

Federal law prohibits any person or company from acquiring “control” of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. “Control” is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company, but may arise under certain circumstances between 10% and 24.99% ownership.

Capital Requirements

Bank holding companies are required to maintain capital in accordance with Federal Reserve capital adequacy requirements. For a discussion of capital requirements, see “—The Role of Capital” above.

Dividend Payments

The Company’s ability to pay dividends to its stockholders may be affected by both general corporate law considerations and policies of the Federal Reserve applicable to bank holding companies. As a Delaware corporation, the Company is subject to the limitations of the Delaware General Corporation Law (“DGCL”), which allow the Company to pay dividends only out of its surplus (as defined and computed in accordance with the provisions of the DGCL) or if the Company has no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should eliminate, defer or significantly reduce dividends to shareholders if: (i) the company’s net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the prospective rate of earnings retention is inconsistent with the company’s capital needs and overall current and prospective financial condition; or (iii) the company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. The Federal Reserve also possesses enforcement powers over bank holding companies and their nonbank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. In addition, under the Basel III Rule, institutions that seek the freedom to pay dividends have to maintain 2.5% in Common Equity Tier 1 Capital attributable to the capital conservation buffer. See “—The Role of Capital” above.

Incentive Compensation

There have been a number of developments in recent years focused on incentive compensation plans sponsored by bank holding companies and banks, reflecting recognition by the bank regulatory agencies and Congress that flawed incentive compensation practices in the financial industry were one of many factors contributing to the global financial crisis. The result is interagency guidance on sound incentive compensation practices.

The interagency guidance recognized three core principles. Effective incentive plans should: (i) provide employees incentives that appropriately balance risk and reward; (ii) be compatible with effective controls and risk-management; and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Much of the guidance addresses large banking organizations and, because of the size and complexity of their operations, the regulators expect those organizations to maintain systematic and formalized policies, procedures, and systems for ensuring that the incentive compensation arrangements for all executive and non-executive employees covered by this guidance are identified and reviewed, and appropriately balance risks and rewards.

Monetary Policy

The monetary policy of the Federal Reserve has a significant effect on the operating results of financial or bank holding companies and their subsidiaries. Among the tools available to the Federal Reserve to affect the money supply are open market transactions in U.S. government securities, and changes in the discount rate on bank borrowings. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid on deposits.

Federal Securities Regulation

The Company's common stock is registered with the SEC under the Securities Act of 1933, as amended ("Securities Act"), and the Securities Exchange Act of 1934, as amended ("Exchange Act"). Consequently, the Company is subject to the information, proxy solicitation, insider trading, and other restrictions and requirements of the SEC under the Exchange Act.

Corporate Governance

The Dodd-Frank Act addressed many investor protection, corporate governance, and executive compensation matters that will affect most U.S. publicly traded companies. The Dodd-Frank Act increased shareholder influence over boards of directors by requiring companies to give shareholders a nonbinding vote on executive compensation and so-called "golden parachute" payments, and authorizing the SEC to promulgate rules that would allow shareholders to nominate and solicit voters for their own candidates using a company's proxy materials. The legislation also directed the Federal Reserve to promulgate rules prohibiting excessive compensation paid to executives of bank holding companies, regardless of whether such companies are publicly traded.

Supervision and Regulation of the Bank

General

The Bank is an Illinois-chartered bank. The deposit accounts of the Bank are insured by the FDIC's Deposit Insurance Fund ("DIF") to the maximum extent provided under federal law and FDIC regulations, currently \$250,000 per insured depositor category. As an Illinois-chartered FDIC-insured bank, the Bank is subject to the examination, supervision, reporting, and enforcement requirements of the IDFP, the chartering authority for Illinois banks. Because the Bank is not a member of the Federal Reserve System, it is subject to the examination, supervision, reporting, and enforcement requirements of the FDIC, as the Bank's primary federal regulator.

Deposit Insurance

As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system, whereby FDIC-insured institutions pay insurance premiums at rates based on their risk classification. For institutions like the Bank that are not considered large and highly complex banking organizations, assessments are now based on examination ratings and financial ratios. The total base assessment rates currently range from 1.5 basis points to 30 basis points.

At least semi-annually, the FDIC updates its loss and income projections for the DIF and, if needed, increases or decreases the assessment rates, following notice and comment on proposed rulemaking. For this purpose, the reserve ratio is the DIF balance divided by estimated insured deposits. In response to the global financial crisis, the Dodd-Frank Act increased the minimum reserve ratio from 1.15% to 1.35% of the estimated amount of total insured deposits. In the semiannual update in June 2022, the FDIC projected that the reserve ratio was at risk of not reaching the statutory minimum of 1.35% by September 30, 2028, the statutory deadline. Based on this update, the FDIC approved an increase in initial base deposit insurance assessment rate schedules by two basis points, applicable to all insured depository institutions. The increase was effective on January 1, 2023, applicable to the first quarterly assessment period of the 2023 assessment (January 1 through March 31, 2023).

In addition, because the total cost of the failures of Silicon Valley Bank and Signature Bank was approximately \$16.3 billion, the FDIC adopted a special assessment for banks having deposits above \$5 billion, at an annual rate of 13.4 basis points beginning with the first quarterly assessment period of 2024 (January 1 through March 31, 2024) with an invoice payment date of June 28, 2024, and will continue to collect special assessments for an anticipated total of eight quarterly assessment periods. The base for the special assessment is equal to an insured depository institution's estimated uninsured deposits for the December 31, 2022 reporting period, adjusted to exclude the first \$5 billion in estimated uninsured deposits.

Supervisory Assessments

All Illinois-chartered banks are required to pay supervisory assessments to the IDFPF to fund the operations of that agency. The amount of the assessment is calculated on the basis of the Bank's total assets. During the year ended December 31, 2023, the Bank paid supervisory assessments to the IDFPF totaling \$0.3 million.

Capital Requirements

Banks are generally required to maintain capital levels in excess of other businesses. For a discussion of capital requirements, see "—The Role of Capital" above.

Liquidity Requirements

Liquidity is a measure of the ability and ease with which bank assets may be converted to meet financial obligations to pay deposits or other funding sources. Banks are required to implement liquidity risk management frameworks that ensure they maintain sufficient liquidity, including a cushion of unencumbered, high quality liquid assets, to withstand a range of stress events. The level and speed of deposit outflows contributing to the failures of Silicon Valley Bank, Signature Bank and First Republic Bank in the first half of 2023 was unprecedented and contributed to acute liquidity and funding strain. These events have further underscored the importance of liquidity risk management and contingency funding planning by insured depository institutions like the Bank.

The primary role of liquidity risk management is to: (i) prospectively assess the need for funds to meet obligations; and (ii) ensure the availability of cash or collateral to fulfill those needs at the appropriate time by coordinating the various sources of funds available to the institution under normal and stressed conditions. Basel III includes a liquidity framework that requires the largest insured institutions to measure their liquidity against specific liquidity tests. One test, referred to as the Liquidity Coverage Ratio, or LCR, is designed to ensure that the banking entity has an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet liquidity needs for a 30-calendar day liquidity stress scenario. The other test, known as the Net Stable Funding Ratio, or NSFR, is designed to promote more intermediate and long-term funding of the assets and activities of FDIC-insured institutions over a

one-year horizon. These tests provide an incentive for banks and holding companies to increase their holdings in Treasury securities and other sovereign debt as a component of assets, increase the use of long-term debt as a funding source and rely on stable funding like core deposits (in lieu of brokered deposits).

Although these tests do not, and will not, apply to the Bank, we continue to review our liquidity risk management policies in light of regulatory requirements and industry developments.

Dividend Payments

Our primary source of funds is dividends from the Bank. Under Illinois banking law, Illinois-chartered banks generally may pay dividends only out of undivided profits. The IDFPB may restrict the declaration or payment of a dividend by an Illinois-chartered bank, such as the Bank. Moreover, the payment of dividends by any FDIC-insured institution is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and an FDIC-insured institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. Notwithstanding the availability of funds for dividends, however, the FDIC and the IDFPB may prohibit the payment of dividends by the Bank if either or both determine that such payment would constitute an unsafe or unsound practice. In addition, under the Basel III Rule, institutions that seek the freedom to pay unrestricted dividends have to maintain 2.5% in Common Equity Tier 1 Capital attributable to the capital conservation buffer. See “—The Role of Capital” above.

State Bank Investments and Activities

The Bank is permitted to make investments and engage in activities directly or through subsidiaries as authorized by Illinois law. However, under federal law and FDIC regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. Federal law and FDIC regulations also prohibit FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as principal in any activity that is not permitted for a national bank unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the FDIC determines that the activity would not pose a significant risk to the DIF. These restrictions have not had, and are not currently expected to have, a material impact on the operations of the Bank.

Insider Transactions

The Bank is subject to certain restrictions imposed by federal law on “covered transactions” between the Bank and its “affiliates.” We are an affiliate of the Bank for purposes of these restrictions, and covered transactions subject to the restrictions include extensions of credit to us, investments in our stock or other securities, and the acceptance of our stock and other securities as collateral for loans made by the Bank. The Dodd-Frank Act enhanced the requirements for certain transactions with affiliates, including an expansion of the definition of “covered transactions” and an increase in the amount of time for which collateral requirements regarding covered transactions must be maintained.

Certain limitations and reporting requirements also are placed on extensions of credit by the Bank to its directors and officers, to directors and officers of the Company and its subsidiaries, to principal shareholders of the Company, and to “related interests” of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms on which any person who is a director or officer of the Company or the Bank, or a principal shareholder of the Company, may obtain credit from banks with which the Bank maintains a correspondent relationship.

Safety and Soundness Standards/Risk Management

The federal banking agencies have adopted operational and managerial standards to promote the safety and soundness of FDIC-insured institutions. The standards apply to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality, and earnings.

In general, the safety and soundness standards prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. Although regulatory

standards do not have the force of law, if an institution operates in an unsafe and unsound manner, the FDIC-insured institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an FDIC-insured institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the FDIC-insured institution's rate of growth, require the FDIC-insured institution to increase its capital, restrict the rates that the institution pays on deposits, or require the institution to take any action that the regulator deems appropriate under the circumstances. Noncompliance with safety and soundness also may constitute grounds for other enforcement action by the federal bank regulatory agencies, including cease and desist orders and civil money penalty assessments.

During the past decade, the bank regulatory agencies have increasingly emphasized the importance of sound risk management processes and strong internal controls when evaluating the activities of the FDIC-insured institutions that they supervise. Properly managing risks has been identified as critical to the conduct of safe and sound banking activities and has become even more important as new technologies, product innovation, and the size and speed of financial transactions have changed the nature of banking markets. The agencies have identified a spectrum of risks facing a banking institution including, but not limited to, credit, market, liquidity, operational, legal, and reputational risk. The Bank is expected to have active board and senior management oversight; adequate policies, procedures, and limits; adequate risk measurement, monitoring, and management information systems; and comprehensive internal controls.

Privacy and Cybersecurity

The Bank is subject to many U.S. federal and state laws and regulations governing requirements for maintaining policies and procedures to protect non-public confidential information of their customers. These laws require the Bank to periodically disclose its privacy policies and practices relating to sharing such information, and permit consumers to opt out of their ability to share information with unaffiliated third parties under certain circumstances. They also impact the Bank's ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact customers with marketing offers. In addition, the Bank is required to implement a comprehensive information security program that includes administrative, technical, and physical safeguards to ensure the security and confidentiality of customer records and information. These security and privacy policies and procedures are in effect across all businesses and geographic locations.

Branching Authority

Illinois banks, such as the Bank, have the authority under Illinois law to establish branches anywhere in the State of Illinois, subject to receipt of all required regulatory approvals. The Dodd-Frank Act permits well-capitalized and well-managed banks to establish new interstate branches or acquire individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) without impediments.

Federal law permits state and national banks to merge with banks in other states subject to: (i) regulatory approval; (ii) federal and state deposit concentration limits; and (iii) state law limitations requiring the merging bank to have been in existence for a minimum period of time (not to exceed five years) prior to the merger.

Community Reinvestment Act Requirements

The Community Reinvestment Act of 1977 ("CRA") requires the Bank to have a continuing and affirmative obligation in a safe and sound manner to help meet the credit needs of the entire community, including low- and moderate-income neighborhoods. Federal regulators regularly assess the Bank's record of meeting the credit needs of its communities. Applications for acquisitions would be affected by the evaluation of the Bank's effectiveness in meeting its CRA requirements.

On October 24, 2023, the bank regulatory agencies issued a final rule to strengthen and modernize the CRA regulations (the "CRA Rule"), some of which is effective on April 1, 2024. The CRA Rule is designed to update how CRA activities qualify for consideration, where CRA activities are considered, and how CRA activities are evaluated. More specifically, the bank regulatory agencies described the goals of the CRA Rule as follows: (i) to expand access to credit, investment, and basic banking services in low and moderate income communities; (ii)

to adapt to changes in the banking industry, including mobile and internet banking by modernizing assessment areas while maintaining a focus on branch based areas; (iii) to provide greater clarity, consistency, and transparency in the application of the regulations through the use of standardized metrics as part of CRA evaluation and clarifying eligible CRA activities focused on low and moderate income communities and underserved rural communities; (iv) to tailor CRA rules and data collection to bank size and business model; and (v) to maintain a unified approach among the regulators. Management of the Bank is assessing the impact of the CRA Rule on its CRA lending and investment activities in its markets.

In 2022, the Bank, like all Illinois chartered banks, became subject to state level CRA standards, following passage of the Illinois Community Reinvestment Act (the "Illinois CRA"). This means that, in addition to the federal CRA review, the Bank will be reviewed by the IDFPFR to assess the Bank's record of meeting the credit needs of its communities. Like the potential impact under the federal CRA, applications for additional acquisitions or activities would be affected by the evaluation of the Bank's effectiveness in meeting its Illinois CRA requirements.

Anti-Money Laundering

The Bank Secrecy Act ("BSA") is the common name for a series of laws and regulations enacted in the United States to combat money laundering and the financing of terrorism. They are designed to deny terrorists and criminals the ability to obtain access to the U.S. financial system and have significant implications for FDIC-insured institutions and other businesses involved in the transfer of money. The so-called Anti-Money Laundering / Countering the Financing of Terrorism ("AML/CFT") regime under the BSA provides a foundation to promote financial transparency and deter and detect those who seek to misuse the U.S. financial system to launder criminal proceeds, finance terrorist acts, or move funds for other illicit purposes.

The laws mandate financial services companies to have policies and procedures with respect to measures designed to address: (i) customer identification programs; (ii) money laundering; (iii) terrorist financing; (iv) identifying and reporting suspicious activities and currency transactions; (v) currency crimes; and (vi) cooperation between FDIC-insured institutions and law enforcement authorities.

Federal Home Loan Bank Membership

The Bank is a member of the Federal Home Loan Bank ("FHLB") System, an organization created under the Federal Home Loan Bank Act of 1932 to serve as a central credit facility for its members through eleven U.S. government-sponsored banks, including the FHLB of Chicago. The FHLB of Chicago makes loans to member banks in the form of advances, all of which are required to be fully collateralized, as determined by the FHLB of Chicago. In the event that a member financial institution fails, the right of the FHLB of Chicago to seek repayment of funds loaned to that institution will take priority (a super lien) over the rights of all other creditors. To qualify for membership in the FHLB System, and to be eligible to borrow funds from such Federal Home Loan Bank under the FHLB System's advance program, the Bank is required to hold a certain amount of common stock in one of the Federal Home Loan Banks. There is no secondary market for the FHLB of Chicago's common stock, but additional purchases from, or repurchases by, the FHLB of Chicago may occur under prescribed circumstances. Specifically, the board of directors of the FHLB of Chicago can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Agency. Because the extent of any obligation to increase the level of investment in the FHLB of Chicago depends entirely upon the occurrence of future events, we are unable to determine the extent of future required potential payments to the FHLB of Chicago at this time.

Residential Mortgage Lending

As required by the Dodd-Frank Act, the CFPB issued a series of final rules in January 2013 amending Regulation Z, implementing the Truth in Lending Act, which requires mortgage lenders to make a reasonable and good faith determination, based on verified and documented information, that a consumer applying for a residential mortgage loan has a reasonable ability to repay the loan according to its terms. These final rules prohibit creditors from extending residential mortgage loans without regard for the consumer's ability to repay and add restrictions and requirements to residential mortgage origination and servicing practices. In addition,

these rules restrict the imposition of prepayment penalties and restrict compensation practices relating to residential mortgage loan origination. Mortgage lenders are required to determine consumers' ability-to-repay in one of two ways. The first alternative requires the mortgage lender to consider eight underwriting factors when making the credit decision. Alternatively, the mortgage lender can originate "qualified mortgages," which are entitled to a presumption that the creditor making the loan satisfied the ability-to-repay requirements. In general, a qualified mortgage is a residential mortgage loan that does not have certain high-risk features, such as negative amortization, interest-only payments, balloon payments, or a term exceeding 30 years. In addition, to be a qualified mortgage, the points and fees paid by a consumer cannot exceed 3% of the total loan amount, and the borrower's total debt-to-income ratio must be no higher than 43% (subject to certain limited exceptions for loans eligible for purchase, guarantee or insurance by a government sponsored enterprise or a federal agency).

Concentrations in Commercial Real Estate

Concentration risk exists when FDIC-insured institutions deploy too many assets to any one industry or segment. A concentration in commercial real estate is one example of regulatory concern. The interagency Concentrations in Commercial Real Estate ("CRE") Lending, Sound Risk Management Practices guidance ("CRE Guidance") provides supervisory criteria, including the following numerical indicators, to assist bank examiners in identifying banks with potentially significant commercial real estate loan concentrations that may warrant greater supervisory scrutiny: (i) CRE loans exceeding 300% of capital and increasing 50% or more in the preceding three years, or (ii) construction and land development loans exceeding 100% of capital. The CRE Guidance does not limit banks' levels of CRE lending activities, but rather guides institutions in developing risk management practices and levels of capital that are commensurate with the level and nature of their commercial real estate concentrations. On December 18, 2015, the federal banking agencies issued a statement to reinforce prudent risk-management practices related to CRE lending, having observed substantial growth in many CRE asset and lending markets, increased competitive pressures, rising CRE concentrations in banks, and an easing of CRE underwriting standards. The federal bank agencies reminded FDIC-insured institutions to maintain underwriting discipline and exercise prudent risk-management practices to identify, measure, monitor, and manage the risks arising from CRE lending. In addition, FDIC-insured institutions must maintain capital commensurate with the level and nature of their CRE concentration risk. On December 18, 2023, the FDIC issued a statement to reemphasize the importance of strong capital, appropriate credit loss allowance levels, and robust credit risk-management practices for institutions with CRE concentrations. As of December 31, 2023, the Bank did not exceed these guidelines.

Consumer Financial Services

The historical structure of federal consumer protection regulation applicable to all providers of consumer financial products and services changed significantly on July 21, 2011, when the CFPB commenced operations to supervise and enforce consumer protection laws. The CFPB has broad rulemaking authority for a wide range of consumer protection laws that apply to all providers of consumer products and services, including the Bank, as well as the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB has examination and enforcement authority over providers with more than \$10 billion in assets. FDIC-insured institutions with \$10 billion or less in assets, like the Bank, continue to be examined by their applicable bank regulators.

Because abuses in connection with residential mortgages were a significant factor contributing to the global financial crisis, many rules issued by the CFPB, as required by the Dodd-Frank Act, addressed mortgage and mortgage-related products, their underwriting, origination, servicing and sales. The Dodd-Frank Act significantly expanded underwriting requirements applicable to loans secured by one-to-four family residential real property and augmented federal law combating predatory lending practices. In addition to numerous disclosure requirements, the Dodd-Frank Act and the CFPB's enabling rules imposed new standards for mortgage loan originations on all lenders, including banks and savings associations, in an effort to strongly encourage lenders to verify a borrower's ability to repay, while also establishing a presumption of compliance for certain "qualified mortgages." The CFPB's rules have not had a significant impact on the Bank's operations, except for higher compliance costs.

ITEM 1A. RISK FACTORS

The material risks and uncertainties that management believes affect us are described below. You should carefully consider these risks, together with all of the information included herein. Any of the following risks, as well as risks that we do not know or currently deem immaterial, could have a material adverse effect on our business, financial condition or results of operations.

SUMMARY

Risk Factor	Description
• Credit Risks	Borrowers or counterparties may be unable or unwilling to repay their obligations to us in accordance with the underlying contractual terms which could lead to unexpected losses.
• Interest Rate Risks	Fluctuations in interest rates may reduce our earnings or the value of our financial instruments.
• Liquidity Risks	An inability to obtain liquid funds at a reasonable price to timely meet our financial obligations may have a material adverse impact on our operations and jeopardize our business.
• Technology and Cybersecurity Risks	Our business is highly dependent upon secure and uninterrupted information technology systems. A disruption or breach to these systems may have a material adverse impact on our business.
• Legal and Regulatory Compliance Risks	The banking industry is highly regulated. Failure to comply with regulatory capital requirements, changes in the United States' monetary policy, legislative and regulatory actions taken now or in the future regarding the financial services industry, financial reform legislation and increased regulatory rigor around consumer protection mortgage-related issues, or federal, state and local consumer lending laws may adversely impact us.
• Business Strategy	Our strategy of pursuing growth via suitable acquisitions exposes us to heightened operational risks and could have a material adverse impact on our financial condition, results of operations, and growth prospects.
• Ownership of Our Common Stock	Our principal stockholder, Heartland Bancorp, Inc. Voting Trust U/A/D 5/4/2016, has significant influence over us, and its interests could conflict with those of our other stockholders.
• External Risks	Adverse changes in the economic conditions, particularly such changes in the Illinois and Iowa markets we operate, may adversely impact our borrowers and our business.

CREDIT RISKS

We may not be able to adequately measure and limit our credit risk, which could lead to unexpected losses.

Our business depends on our ability to successfully measure and manage credit risk. As a lender, we are exposed to the risk that the principal of, or interest on, a loan will not be repaid timely or at all or that the value of any collateral supporting a loan will be insufficient to cover our outstanding exposure. In addition, we are exposed to risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting, risks resulting from changes in economic and industry conditions, and risks inherent in dealing with individual loans and borrowers. The creditworthiness of a borrower is affected by many factors including local market conditions and general economic conditions. If the overall economic climate in the U.S., generally, or our market areas, specifically, experience a material disruption, our borrowers may experience difficulties in repaying their loans, the collateral we hold may decrease in value or become illiquid, and the level of nonperforming loans, charge-offs and delinquencies could rise and require significant additional provisions for credit losses. In general, these risks have increased as a result of the recent increases in prevailing interest rates, which have potentially increased the risk of a near-term decline in growth or an economic downturn.

Our risk management practices, such as monitoring the concentration of our loans within specific industries and our credit approval, review and administrative practices may not adequately reduce credit risk, and our credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio. Moreover, default risk may arise from events or circumstances that are difficult to detect, such as fraud, or difficult to predict, such as the impact of catastrophic events on certain industries. A failure to effectively measure and limit the credit risk associated with our loan portfolio may result in loan defaults, foreclosures and additional charge-offs, and may necessitate that we significantly increase our allowance for credit losses, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have an adverse effect on our business, financial condition and results of operations.

The small to midsized businesses to which we lend may have fewer resources to weather adverse business developments, which may impair a borrower's ability to repay a loan, and such impairment could adversely affect our results of operations and financial condition.

We target our business development and marketing strategy primarily to serve the banking and financial services needs of small to mid-sized businesses. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities, can have less access to capital sources and loan facilities, frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete, and may experience substantial volatility in operating results, any of which may impair a borrower's ability to repay a loan. In addition, the success of a small or medium-sized business often depends on the management talents and efforts of one person or a small group of people, and the death, disability or resignation of one or more of these people could have a material adverse impact on the business and its ability to repay its loan. If general economic conditions negatively impact the markets in which we operate or any of our borrowers otherwise are affected by adverse business developments, our small to mid-sized borrowers may be disproportionately affected and their ability to repay outstanding loans may be negatively affected, resulting in an adverse effect on our results of operations and financial condition.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions, and in evaluating and monitoring our loan portfolio on an ongoing basis, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We may also rely on representations of those customers or counterparties or of other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate, incomplete, fraudulent or misleading financial statements, credit reports or other financial or business information, or the failure to receive such information on a timely basis, could result in credit losses, reputational damage or other effects that could have a material adverse effect on our business, financial condition or results of operations.

The appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property, foreclosed real estate and other repossessed assets may not accurately describe the fair value of the asset.

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and real estate values may change significantly in relatively short periods of time (especially in periods of heightened economic uncertainty). Therefore, this estimate may not accurately describe the fair value of the real property collateral after the loan is made. As a result, we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property.

We also rely on appraisals and other valuation techniques to establish the value of real estate and personal property that we acquire through foreclosure proceedings and to determine certain loan impairments. If any of these valuations are inaccurate, our consolidated financial statements may not reflect the correct value of our foreclosed assets, and our allowance for credit losses may not be accurate. This could have a material adverse effect on our business, financial condition or results of operations.

We are subject to environmental liability risk associated with lending activities.

A significant portion of our loan portfolio is, and is expected to be, secured by real property and during the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In addition, we own the vast majority of our branch properties. If hazardous or toxic substances are found on our foreclosed or branch properties, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations.

The majority of our loan portfolio consists of commercial and regulatory CRE loans, which may have a higher degree of risk than some other types of loans.

Commercial and regulatory CRE loans are often larger and involve greater risks than other types of lending. Because payments on such loans are often dependent on the successful operation or development of the property or business involved, repayment of such loans is often more sensitive than other types of loans to adverse conditions in the real estate market or the general business climate and economy. Accordingly, a downturn in the real estate market or a challenging business and economic environment may increase our risk related to commercial and commercial real estate loans. Unlike residential mortgage loans, which generally are made on the basis of the borrowers' ability to make repayment from their employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial loans typically are made on the basis of the borrowers' ability to make repayment from the cash flow of the commercial venture. Economic events, including decreases in office occupancy following the COVID-19 pandemic, or governmental regulations outside of the control of the borrower or lender could negatively impact the future cash flow and market values of the affected properties. Our commercial operating loans are primarily made based on the identified cash flow of the borrower and secondarily on the collateral underlying the loans. Most often, this collateral consists of accounts receivable, inventory and equipment. Inventory and equipment may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. If the cash flow from business operations is reduced, the borrower's ability to repay the loan may be impaired. Due to the larger average size of each commercial loan as compared with other loans such as residential loans, as well as collateral that is generally less readily-marketable, losses incurred on a small number of commercial or regulatory CRE loans could have a material adverse impact on our financial condition and results of operations.

Real estate construction loans are based upon estimates of costs and values associated with the complete project. These estimates may be inaccurate, and we may be exposed to significant losses on loans for these projects.

Real estate construction lending involves additional risks because funds are advanced upon the security of the project, which is of uncertain value prior to its completion, and costs may exceed realizable values. Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated or market values or rental rates decline, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, we may not be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs. In addition, we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while we attempt to dispose of it.

We provide loans and services to the agriculture industry and the health of this industry is impacted by factors outside our control and the control of our customers.

Our loan portfolio includes loans to agricultural producers and loans secured by farmland. In addition, our commercial loan portfolio includes loans to farm implement dealerships, grain elevators and other businesses that provide products and services to agricultural producers. The success of our agricultural loans, and commercial loans serving the agriculture industry, may be adversely affected by many factors outside the control of the borrower, including:

- adverse weather conditions, adverse impacts of climate change, restrictions on water supply or other conditions that prevent the planting of a crop or limit crop yields, or that affect crop harvesting;
- loss of crops or livestock due to disease or other factors;
- declines in the market prices or demand for agricultural products (both domestically and internationally), for any reason;
- increases in production costs (such as the costs of labor, rent, feed, fuel and fertilizer);
- adverse changes in interest rates, currency exchange rates, agricultural land values or other factors that may affect delinquency levels and credit losses on agricultural loans;
- the impact of government policies and regulations (including changes in price supports, subsidies, government-sponsored crop insurance, minimum ethanol content requirements for gasoline, tariffs, trade barriers and health and environmental regulations);
- access to technology and the successful implementation of production technologies; and
- changes in the general economy that could affect the availability of off-farm sources of income and prices of real estate for borrowers.

Although we attempt to account for the possibility of such factors in underwriting, structuring and monitoring our agriculture loans, there is no guarantee that our efforts will be successful. As a result, we may experience increased delinquencies or defaults in this portfolio or be required to increase our provision for credit losses, which could have an adverse effect on our business, financial condition and results of operations.

Additionally, we provide farm management advice, engage in farmland sale services, and arrange for crop insurance as part of our wealth management services. Decreases in commodity prices or lower crop yields may result in a decrease in wealth management fees collected for our agricultural services.

INTEREST RATE RISKS

Fluctuations in interest rates may reduce net interest income and otherwise negatively impact our financial condition and results of operations.

The majority of our banking assets are monetary in nature and are subject to risk from changes in interest rates. Like most financial institutions, our earnings and cash flows depend to a great extent upon the level of our net interest income. Changes in interest rates can increase or decrease our net interest income, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest-bearing liabilities mature or reprice more quickly, or to a greater degree than interest-earning assets in a period, an increase in interest rates could reduce net interest income. Similarly, when interest-earning assets mature or reprice more quickly, or to a greater degree than interest-bearing liabilities, falling interest rates could reduce net interest income.

Additionally, an increase in interest rates may, among other things, reduce the demand for loans, increase the cost of deposit and wholesale funding, reduce our ability to originate loans and decrease prepayments on our loan and securities portfolio. Conversely, a decrease in the general level of interest rates may, among other things, decrease our net interest margin and increase prepayments on our loan and securities portfolios. Although our asset-liability management strategy is designed to control and mitigate exposure to the risks related to changes in market interest rates, those rates are affected by many factors outside of our control, including governmental monetary policies, inflation, deflation, recession, changes in unemployment, the money supply, international disorder and instability in domestic and foreign financial markets.

We may seek to mitigate our interest rate risk by entering into interest rate swaps and other interest rate derivative contracts from time to time with counterparties. Our hedging strategies rely on assumptions and projections regarding interest rates, asset levels and general market factors and subject us to counterparty risk. There is no assurance that our interest rate mitigation strategies will be successful and if our assumptions and projections prove to be incorrect or our hedging strategies do not adequately mitigate the impact of changes in interest rates, we may incur losses that could adversely affect our earnings.

The value of the financial instruments we own may decline in the future.

An increase in market interest rates may affect the fair value of our securities portfolio, potentially reducing accumulated other comprehensive income or earnings. The fair value of these investments may also be affected by factors other than the underlying performance of the issuer of the securities or the mortgages underlying the securities, such as changes in the interest rate environment, negative trends in the residential and commercial real estate markets, ratings downgrades, adverse changes in the business climate and a lack of liquidity for certain investment securities. In addition, we may sell securities in our available-for-sale investment securities portfolio, and any such sale could cause us to realize currently unrealized losses that resulted from the recent increases in the prevailing interest rates.

Additionally, an increase in market interest rates may reduce the value of our loan portfolio, although, in accordance with GAAP, such a decline in value may not be reflected in the carrying balance of our loans in the same manner as our debt securities available-for-sale.

Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.

The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market purchases and sales of U.S. government securities, adjustments to the federal funds target rate, and changes in banks' reserve requirements against bank deposits. These instruments are used in varying

combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

In the current environment, economic and business conditions are significantly affected by U.S. monetary policy, particularly the actions of the Federal Reserve in its effort to fight elevated levels of inflation. The Federal Reserve is mandated to pursue the goals of maximum employment and price stability, and beginning in March 2022 it made a series of significant increases to the target Federal Funds rate as part of an effort to combat elevated levels of inflation affecting the U.S. economy. This has helped drive a significant increase in prevailing interest rates and, while this increased our net interest income, it also led to \$105.5 million of unrealized losses in the available-for-sale debt securities portfolio during the year ended December 31, 2022, which negatively affected our tangible book value per share. Some of this unrealized loss reversed during the year ended December 31, 2023 with a \$16.9 million unrealized gain on debt securities available-for-sale. Higher interest rates can also negatively affect our customers' businesses and financial condition, and the value of collateral securing loans in our portfolio.

Given the complex factors affecting the strength of the U.S. economy, including uncertainties regarding the persistence of inflation; record-high U.S. credit card debt; increasing delinquencies in mortgages, auto loans, and credit cards; geopolitical developments, such as Russia's invasion of Ukraine and the Israeli-Palestinian conflict; tight labor market conditions; and supply chain issues, there is a meaningful risk that the Federal Reserve and other central banks may continue to raise interest rates or maintain them at elevated levels, which may negatively impact the entire national economy. As noted above, this could decrease loan demand, harm the credit characteristics of our existing loan portfolio and decrease the value of collateral securing loans in the portfolio.

LIQUIDITY RISKS

Liquidity risks could affect operations and jeopardize our business, financial condition and results of operations.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and/or investment securities and from other sources could have a substantial negative effect on our liquidity. Our most important source of funds consists of our customer deposits. Such deposit balances can decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments, we could lose a relatively low-cost source of funds, which could require us to seek wholesale funding alternatives in order to continue to grow, thereby increasing our funding costs and reducing our net interest income and net income.

In addition to our deposit base, our liquidity is provided by cash from operations and investment maturities, redemptions and sales as well as cash flow from loan prepayments and maturing loans that are not renewed. When needed, additional liquidity is sometimes provided by our ability to borrow from the Federal Reserve Bank of Chicago and the Federal Home Loan Bank of Chicago (the "FHLB"), through federal funds lines with our correspondent banks, and through other wholesale funding sources including brokered certificates of deposits or deposits placed with the Certificate of Deposit Account Registry Service. Our access to funding sources in amounts adequate to finance or capitalize our activities or on terms that are acceptable to us could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. In addition, increased competition with other banks and FinTechs for retail deposits may impact our ability to raise funds through deposits and could have a negative effect on our liquidity. For example, as customer deposit levels have decreased over the past two years, we have observed that the sensitivity of market deposit rates to changes in prevailing interest rates has increased.

Any decline in available funding could adversely impact our ability to continue to implement our business plan, including originating loans, investing in securities, meeting our expenses or fulfilling obligations such as repaying our borrowings and meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations.

We may need to raise additional capital in the future, and such capital may not be available when needed or at all.

We may need to raise additional capital, in the form of debt or equity securities, in the future to have sufficient capital resources to meet our commitments and our regulatory requirements, and to fund our business needs and future growth, particularly if the quality of our assets or earnings were to deteriorate significantly. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial condition. We may not be able to obtain capital on acceptable terms or at all. Any occurrence that may limit our access to capital, such as a decline in the confidence of debt purchasers, depositors of the Bank or counterparties participating in the capital markets or other disruption in capital markets, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Further, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would then have to compete with those institutions for investors. In particular, if we were required to raise additional capital in the current interest rate environment, we believe the pricing and other terms investors may require in such an offering may not be attractive to us. An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on our business, financial condition or results of operations.

We may be adversely affected by changes in the actual or perceived soundness or condition of other financial institutions.

Financial institutions are interconnected as a result of trading, investment, liquidity management, clearing, counterparty and other relationships. Concerns about, or a default by, one institution could lead to significant liquidity problems and losses or defaults by other institutions, as the commercial and financial soundness of many financial institutions is closely related as a result of these credit, trading, clearing and other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by various institutions. This systemic risk may adversely affect financial intermediaries with which we interact on a daily basis or key funding providers such as the FHLB, any of which could have a material adverse effect on our access to liquidity or otherwise have a material adverse effect on our business, financial condition or results of operations.

Loss of customer deposits could increase our funding costs.

We rely on deposits as a low cost and stable source of funding. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits, our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs could reduce our net interest margin and net interest income and could have a material adverse effect on our business, financial condition, and results of operations.

TECHNOLOGY AND CYBERSECURITY RISKS

The occurrence of fraudulent activity, breaches or failures of our information security controls or cybersecurity-related incidents could have a material adverse effect on our business, financial condition or results of operations.

As a financial institution, we are susceptible to fraudulent activity, information security breaches and cybersecurity-related incidents that may be committed against us or our customers, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our customers, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Information security breaches and cybersecurity-related incidents may include fraudulent or unauthorized access to systems used by us or our customers, denial or degradation of service attacks, and malware or other cyber-attacks. There continues to be a rise in electronic fraudulent activity, security breaches and cyber-attacks within the financial services industry, including as a result of increasingly sophisticated methods of conducting cyber-attacks, including those employing artificial intelligence. Moreover, several large corporations, including financial institutions and retail companies, have suffered major data breaches, in some cases exposing not only confidential and proprietary corporate information, but also

sensitive financial and other personal information of their customers and employees and subjecting them to potential fraudulent activity. Some of our customers may have been affected by these breaches, which could increase their risks of identity theft and other fraudulent activity that could involve their accounts with us.

We also face risks related to cyber-attacks and other security breaches in connection with debit card and credit card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties, including retailers and payment processors. Some of these parties have in the past been the target of security breaches and cyber-attacks, and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or cyber-attacks affecting any of these third parties could affect us through no fault of our own. In some cases, we may have exposure and suffer losses for breaches or attacks relating to them, including costs to replace compromised debit and credit cards and to address fraudulent transactions.

We depend on information technology and telecommunications systems of third parties, and any systems failures, interruptions or data breaches involving these systems could adversely affect our operations and financial condition.

Our business is highly dependent on the secure and uninterrupted functioning of our information technology and telecommunications systems, third-party servicers, accounting systems, digital banking platforms and financial intermediaries. We outsource to third parties many of our major systems, such as digital banking and card processing systems. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process loans or gather deposits and provide customer service, compromise our ability to operate effectively, result in potential noncompliance with applicable laws or regulations, damage our reputation, result in a loss of customer business and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. In addition, failure of third parties to comply with applicable laws and regulations, or fraud or misconduct on the part of employees of any of these third parties, could disrupt our operations or adversely affect our reputation.

It may also be difficult for us to replace some of our third-party vendors, particularly vendors providing our core banking and card processing services, in a timely manner if they are unwilling or unable to provide us with these services in the future for any reason and even if we are able to replace them, it may be at higher cost or result in the loss of customers. Any such events could have a material adverse effect on our business, financial condition or results of operations.

Our operations rely heavily on the secure processing, storage and transmission of information and the monitoring of a large number of transactions on a minute-by-minute basis, and even a short interruption in service could have significant consequences. We also interact with and rely on retailers, for whom we process transactions, as well as financial counterparties and regulators. Each of these third parties may be targets of the same types of fraudulent activity, computer break-ins and other cybersecurity breaches described above or herein, including as a result of increasingly sophisticated methods of conducting cyber-attacks, including those employing artificial intelligence, and the cybersecurity measures that they maintain to mitigate the risk of such activity may be different than our own and may be inadequate.

As a result of financial entities and technology systems becoming more interdependent and complex, a cyber-incident, information breach or loss, or technology failure that compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including ourselves. Although we review business continuity and backup plans for our vendors and take other safeguards to support our operations, such plans or safeguards may be inadequate. As a result of the foregoing, our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact.

Our use of third-party vendors and our other ongoing third-party business relationships is subject to increasing regulatory requirements and attention.

Our use of third-party vendors for certain information systems is subject to increasingly demanding regulatory requirements and attention by our bank regulators. Regulatory guidance requires us to enhance our due diligence, ongoing monitoring and control over our third-party vendors and other ongoing third-party business relationships. In certain cases we may be required to renegotiate our agreements with these vendors to meet these enhanced requirements, which could increase our costs. If our regulators conclude that we have not exercised adequate oversight and control over our third-party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect our business, financial condition or results of operations.

We continually encounter technological change and may have fewer resources than many of our larger competitors to continue to invest in technological improvements.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We also may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers.

The widespread adoption of new technologies, including internet services, cryptocurrencies and payment systems, could require us in the future to make substantial expenditures to modify or adapt our existing products and services as we grow and develop new products to satisfy our customers' expectations and comply with regulatory guidance.

In addition, we expect that new technologies and business processes applicable to the banking industry will continue to emerge, and these new technologies and business processes may be better than those we currently use. The implementation of technological changes and upgrades to maintain current systems and integrate new ones may cause service interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. Because the pace of technological change is high and our industry is intensely competitive, we may not be able to sustain our investment in new technology as critical systems and applications become obsolete or as better ones become available. A failure to maintain current technology and business processes could cause disruptions in our operations or cause our products and services to be less competitive, all of which could have a material adverse effect on our business, financial condition or results of operations.

LEGAL AND REGULATORY COMPLIANCE RISKS

The banking industry is highly regulated, and the regulatory framework, together with any future legislative or regulatory changes, may have a significant adverse effect on our business, financial condition, results of operations and future prospects.

As a bank holding company, we and our subsidiaries are subject to extensive examination, supervision and comprehensive regulation under both federal and state laws and regulations that are intended primarily for the protection of depositors, customers, the DIF and the overall financial stability of the United States, not for the protection of our stockholders and creditors. We are subject to regulation and supervision by the Federal Reserve, and the Bank is subject to regulation and supervision by the FDIC and the IDFP. The banking laws and regulations applicable to us govern a variety of matters, including, among other things, the types of business activities in which we and our subsidiaries can engage; permissible types, amounts and terms of loans and investments we may make; the maximum interest rate that we may charge; the amount of reserves we must hold against deposits we take; the types of deposits we may accept; maintenance of adequate capital and liquidity; changes in the control of us and the Bank; restrictions on dividends or other capital distributions; and establishment of new offices or branches. These requirements may constrain our operations or require us to

obtain approval from our regulators before engaging in certain activities, with no assurance that such approvals may be obtained, either in a timely manner or at all. Also, the burden imposed by those federal and state regulations may place banks in general at a competitive disadvantage compared to their non-bank competitors.

Applicable banking laws, regulations, interpretations, enforcement policies, and accounting principles have been subject to significant changes in recent years and may be subject to significant future changes. In addition, regulators may elect to alter standards or the interpretation of the standards used to measure regulatory compliance or to determine the adequacy of liquidity, certain risk management or other operational practices for bank holding companies in a manner that impacts our ability to implement our strategy and could affect us in substantial and unpredictable ways. Compliance with existing and any potential new or changed regulations, as well as regulatory scrutiny, may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and limit our ability to pursue business opportunities in an efficient manner. Our failure to comply with banking laws, regulations and policies, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, the commencement of informal or formal enforcement actions against us, and other negative consequences, including reputational damage, any of which could adversely affect our business, financial condition, results of operations, capital base and the price of our securities.

Federal and state regulators periodically examine our business, and we may be required to remediate adverse examination findings.

The Federal Reserve (with respect to us) and the FDIC and the IDFP (with respect to the Bank) periodically examine our business, including our compliance with applicable laws and regulations. These regulatory agencies have extremely broad discretion in their interpretation of regulations and laws, and in their interpretation of the quality of our loan portfolio, securities portfolio and other assets. If, as a result of an examination, a banking agency were to determine that our financial condition, capital resources, asset quality, lending practices, investment practices, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil money penalties, to fine or remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance and place us into receivership or conservatorship. Any regulatory action against us could have an adverse effect on our business, financial condition, results of operations and growth prospects.

We are subject to capital adequacy requirements and may be subject to more stringent capital requirements and, if we fail to meet these requirements, we will be subject to restrictions on our ability to make capital distributions and other restrictions.

The Basel III Rule require us to maintain a minimum Common Equity Tier 1 capital ratio of 4.5%, a minimum total Tier 1 capital ratio of 6%, a minimum total capital ratio of 8% and a minimum Tier 1 leverage ratio of 4%, and a capital conservation buffer of greater than 2.5% of risk-weighted assets (the "Capital Conservation Buffer"). Failure to maintain the Capital Conservation Buffer would result in increasingly stringent restrictions on our ability to make dividend payments and other capital distributions and to pay discretionary bonuses to our executive officers. See "Supervision and Regulation—The Role of Capital" for more information on the capital adequacy standards that we must meet and maintain.

While we currently meet the requirements of the Basel III Rule, we may fail to do so in the future and may be unable to raise additional capital to remediate any capital deficiencies. The failure to meet applicable regulatory capital requirements could result in one or more of our regulators placing limitations or conditions on our activities or restricting the commencement of new activities, including our growth initiatives, and could affect customer and investor confidence, our costs of funds and level of required deposit insurance assessments to the FDIC, our ability to pay dividends on our capital stock, our ability to make acquisitions, and our business, results of operations and financial conditions generally.

Future legislative or regulatory change could impose higher capital standards on us or the Bank. The Federal Reserve may also set higher capital requirements for holding companies whose circumstances warrant it. For

example, holding companies experiencing internal growth or making acquisitions are expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets.

The Federal Reserve may require us to commit capital resources to support the Bank.

Federal law requires a bank holding company to act as a source of financial and managerial strength to its subsidiary bank, and to commit resources to support such subsidiary bank. Under the "source of strength" doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the Company may not have the resources to provide it and therefore may be required to borrow the funds or raise capital. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the institution's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the Company to make a required capital injection into the Bank could be more difficult and expensive to obtain and could have an adverse effect on our business, financial condition and results of operations.

Our risk management framework may not be effective in mitigating risks and/or losses to us.

Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate and compliance. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances or that it will adequately mitigate any risk or loss to us. If our framework is not effective, we could suffer unexpected losses and our business, financial condition, results of operations or growth prospects could be materially and adversely affected. We may also be subject to potentially adverse regulatory consequences.

Future consumer legislation or regulation could harm our performance and competitive position.

The Dodd-Frank Act established the CFPB as an independent federal agency that has broad rulemaking authority over consumer financial products and services for all financial institutions, including deposit products, residential mortgages, home-equity loans and credit cards. In addition, the CFPB also has exclusive supervisory and examination authority and primary enforcement authority with respect to various federal consumer financial laws and regulations for insured depository institutions with more than \$10 billion in total consolidated assets. The Bank is not subject to the examination and supervisory authority of the CFPB because it has less than \$10 billion in total assets, but it is required to comply with the rules and regulations issued by the CFPB. The FDIC has the primary responsibility for supervising and examining the Bank's compliance with federal consumer financial laws and regulations, including CFPB regulations. See "Supervision and Regulation—Supervision and Regulation of the Bank—Consumer Financial Services" for additional information.

In addition to the enactment of the Dodd-Frank Act, various state and local legislative bodies have adopted or have been considering augmenting their existing framework governing consumers' rights. These considerations could also be impacted by the recent changes in federal administration. Such legislative or regulatory changes to consumer financial laws and regulations could result in changes to our pricing, practices, products and procedures; increases in our costs related to regulatory oversight, supervision and examination; or result in remediation efforts and possible penalties. We may be required to add additional compliance personnel or incur other significant compliance-related expenses to meet the demands of these consumer protection laws. We cannot predict whether new legislation or regulation will be enacted and, if enacted, the effect that it would have on our activities, financial condition, or results of operations.

We are subject to numerous laws and regulations designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The CRA requires the Bank, consistent with safe and sound operations, to ascertain and meet the credit needs of their entire communities, including low and moderate income areas. The Bank's failure to comply with the CRA could, among other things, result in the denial or delay of certain corporate applications filed by us or the Bank, including applications for branch openings or relocations and applications to acquire, merge or consolidate with another banking institution or holding company. In addition, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations prohibit discriminatory lending practices by financial institutions. The U.S. Department of Justice, federal banking agencies, and other federal agencies are responsible for enforcing these laws and regulations. A challenge to an institution's compliance with fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and growth prospects. See "Supervision and Regulation—Supervision and Regulation of the Bank—Community Reinvestment Act Requirements".

The expanding body of federal, state and local regulations and/or the licensing of loan servicing, collections or other aspects of our business and our sales of loans to third parties may increase the cost of compliance and the risks of noncompliance and subject us to litigation.

Loan servicing is subject to extensive regulation by federal, state and local governmental authorities as well as to various laws and judicial and administrative decisions imposing requirements and restrictions on those activities. The volume of new or modified laws and regulations has increased in recent years and, in addition, some individual municipalities have begun to enact laws that restrict loan servicing activities including delaying or temporarily preventing foreclosures or forcing the modification of certain mortgages. If regulators impose new or more restrictive requirements, we may incur significant additional costs to comply with such requirements which may adversely affect us. In addition, we are subject to regulatory investigation or regulatory action regarding our loan modification and foreclosure practices, our financial condition and results of operation could be adversely affected. We have also sold loans to third parties. In connection with these sales, we, or certain of our subsidiaries, make or have made various representations and warranties, breaches of which may result in a requirement that we repurchase the loans or otherwise make whole or provide other remedies to counterparties. These aspects of our business or our failure to comply with applicable laws and regulations could possibly lead to, among other things, civil and criminal liability, loss of licensure, damage to our reputation in the industry or with customers, fines and penalties, litigation (including class action lawsuits) and administrative enforcement actions. Any of these outcomes could materially and adversely affect us.

Non-compliance with the USA PATRIOT Act, the Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

Financial institutions are required under the USA PATRIOT Act of 2001 and the BSA to develop programs to prevent financial institutions from being used for money-laundering, terrorist financing and other illicit activities. Financial institutions are also obligated to file suspicious activity reports with the Office of Financial Crimes Enforcement Network ("FinCEN") of the Treasury if such activities are detected. These rules also require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure or the inability to comply with these regulations could result in fines or penalties, curtailment of expansion opportunities, intervention or sanctions by regulators and costly litigation or expensive additional controls and systems. In recent years, several banking institutions have received large fines for non-compliance with these laws and regulations. In addition, FinCEN requires financial institutions to enhance their customer due diligence programs, including verifying the identity of beneficial owners of qualifying business customers. We have developed policies and continue to augment procedures and systems designed to assist in compliance with these laws and regulations, but these policies may not be effective to provide such compliance. If we violate these laws and regulations, or our policies, procedures and systems are deemed deficient, we could face severe consequences, including sanctions, fines, regulatory actions and reputational consequences. Any of these results could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Regulation in the areas of privacy and data security could increase our costs.

We are subject to various regulations related to privacy and data security, and we could be negatively impacted by these regulations. For example, we are subject to the safeguards guidelines under the Gramm-Leach-Bliley Act ("GLBA"). The safeguards guidelines require that each financial institution develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate to the financial institution's size and complexity, the nature and scope of the financial institution's activities and the sensitivity of any customer information at issue. Further, there are various other statutes and regulations relevant to the direct email marketing, debt collection and text-messaging industries including the Telephone Consumer Protection Act.

In addition to the foregoing enhanced data security requirements, various federal banking regulatory agencies, and all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands, have enacted data security regulations and laws requiring varying levels of consumer notification in the event of a security breach and/or requirements to disclose to consumers information collected about them. Also, federal legislators and regulators are increasingly pursuing new guidelines, laws and regulations, including with respect to the use of artificial intelligence by financial institutions and service providers, that, if adopted, could further restrict how we collect, use, share and secure consumer information, which could impact some of our current or planned business initiatives. The interpretation of many of these statutes and regulations is evolving in the courts and administrative agencies and an inability or failure to comply with them may have an adverse impact on our business.

Litigation and regulatory actions, including possible enforcement actions, could subject us to significant fines, penalties, judgments or other requirements resulting in increased expenses or restrictions on our business activities.

Our business is subject to increased litigation and regulatory enforcement risks due to a number of factors, including the highly regulated nature of the financial services industry and the focus of state and federal prosecutors on banks and the financial services industry generally. This focus has intensified in recent years, with regulators and prosecutors focusing on a variety of financial institution practices and requirements, including foreclosure, overdraft fees, compliance with applicable consumer protection laws, and compliance with anti-money laundering statutes, the BSA and sanctions administered by the Office of Foreign Assets Control of the Treasury.

In the normal course of business, from time to time, we have in the past and may in the future be named as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our business activities or the prior business activities of a company acquired by us. Legal actions could include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. In addition, while the arbitration provisions in certain of our customer agreements historically have limited our exposure to consumer class action litigation, there can be no assurance that we will be successful in enforcing our arbitration clause in the future. We may also, from time to time, be the subject of subpoenas, requests for information, reviews, investigations and proceedings (both formal and informal) by governmental agencies regarding our business activities. Any such legal or regulatory actions may subject us to substantial compensatory or punitive damages, significant fines, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. Our involvement in any such matters, whether tangential or otherwise and even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. Further, any settlement, consent order or adverse judgment in connection with any formal or informal proceeding or investigation by government agencies may result in litigation, investigations or proceedings as other litigants and government agencies begin independent reviews of the same activities. As a result, the outcome of legal and regulatory actions could have a material adverse effect on our business, results of operations, financial condition and cash flows.

See "Note 22 – Commitments and Contingencies – Legal Contingencies" to the consolidated financial statements for additional information regarding certain legal actions and litigation to which we are subject, including a discussion of potential losses and related accruals.

The preparation of our consolidated financial statements requires us to make estimates and judgments, which are subject to an inherent degree of uncertainty and which may differ from actual results.

Our consolidated financial statements are prepared in accordance with GAAP, which requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Some accounting policies, such as those pertaining to our allowance, require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty and actual results may differ from these estimates and judgments under different assumptions or conditions, which may have a material adverse effect on our financial condition or results of operations in subsequent periods.

From time to time, the FASB and the SEC change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of our external financial statements. In addition, trends in financial and business reporting, including environmental social and governance (“ESG”) related disclosures, could require us to incur additional reporting expense. These changes are beyond our control, can be difficult to predict and could materially impact how we report our financial condition and results of operations.

RISKS RELATED TO OUR BUSINESS STRATEGY

We may not be able to continue growing our business, particularly if we cannot make acquisitions or increase loans through organic loan growth, either because of an inability to find suitable acquisition candidates, constrained capital resources or otherwise.

We anticipate that much of our future growth will be dependent on our ability to successfully implement our acquisition growth strategy because certain of our market areas are comprised of mature, rural communities with limited population growth. A risk exists, however, that we will not be able to identify suitable additional candidates for acquisitions. In addition, even if suitable targets are identified, we expect to compete for such businesses with other potential bidders, which may have greater financial resources than we have, which may adversely affect our ability to make acquisitions at attractive prices. In light of the foregoing, our ability to continue to grow successfully will depend to a significant extent on our capital resources. It also will depend, in part, upon our ability to attract deposits, identify favorable loan and investment opportunities, and maintain cost controls and asset quality, as well on other factors beyond our control, such as national, regional and local economic conditions and interest rate trends.

Our strategy of pursuing growth via acquisitions exposes us to financial, execution and operational risks that could have a material adverse effect on our business, financial position, results of operations and growth prospects.

We have been pursuing a strategy of leveraging our human and financial capital by acquiring other financial institutions in our target markets, including acquisitions of failed insured depository institutions with the assistance of the FDIC. We continue to opportunistically seek acquisitions that are either located within our market footprint, in adjacent markets or provide a new growth opportunity that is strategically and financially compelling and consistent with our culture.

Our acquisition activities could require us to use a substantial amount of cash, other liquid assets, and/or issue debt or additional equity. In addition to the general risks associated with any growth plans, acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things:

- the time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions;
- inaccuracies in the estimates and judgments used to evaluate credit, operations, management, and market risks with respect to the target institution. If the actual results fall short or exceed our estimates, our earnings, capital and financial condition may be materially and adversely affected;
- the ability to finance an acquisition and possible dilution to existing stockholders;
- the failure to realize some or all of the anticipated transaction benefits within the expected time frame, or ever;

- compliance and legal risks associated with acquiring unfamiliar customers, products and services, and branches in new geographical markets; and
- risks associated with integrating the operations and personnel of the acquired business in a manner that permits growth opportunities and does not materially disrupt existing customer relationships or result in decreased revenues resulting from any loss of customers.

With respect to the risks particularly associated with the integration of an acquired business, we may encounter a number of difficulties, such as: (1) customer loss and revenue loss; (2) the loss of key employees; (3) the disruption of its operations and business; (4) the inability to maintain and increase its competitive presence; (5) possible inconsistencies in standards, control procedures and policies; and/or (6) unexpected problems with costs, operations, personnel, technology and credit. In addition to the risks posed by the integration process itself, the focus of management's attention and effort on integration may result in a lack of sufficient management attention to other important issues, causing harm to our business. Also, general market and economic conditions or governmental actions affecting the financial industry generally may inhibit our successful integration of an acquired business.

Generally, any acquisition of financial institutions, banking centers or other banking assets by us will require approval by, and cooperation from, a number of governmental regulatory agencies, including the Federal Reserve, the IDFP, and the FDIC. Such regulators could deny our applications based on various prescribed criteria or other considerations, which would restrict our growth, or the regulatory approvals may not be granted on terms that are acceptable to us. For example, we could be required to sell banking centers as a condition to receiving regulatory approvals and such a condition may not be acceptable to us or may reduce the benefit of any acquisition. These regulatory approvals and the factors considered in reviewing such applications are described in greater detail in "Supervision and Regulation—Acquisitions and Branching."

We cannot assure you that we will be successful in overcoming these risks or any other problems encountered in connection with acquisitions. Our inability to overcome risks associated with acquisitions could have an adverse effect on our ability to successfully implement our acquisition growth strategy and grow our business and profitability.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

Our principal stockholder, Heartland Bancorp, Inc. Voting Trust U/A/D 5/4/2016, has significant influence over us, and its interests could conflict with those of our other stockholders.

As of December 31, 2023, our principal stockholder, Heartland Bancorp, Inc. Voting Trust U/A/D 5/4/2016 ("the Voting Trust"), owned approximately 54.3% of the outstanding shares of our common stock and its trustee is our Executive Chairman. As a result, the Voting Trust is able to influence matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other extraordinary transactions. The Voting Trust may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. The concentration of ownership may also have the effect of delaying, preventing or deterring a change of control of the Company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

The Voting Trust could sell its interest in us to a third-party in a private transaction, which may not lead to your realization of any change of control premium on shares of our common stock and would subject us to the influence of a presently unknown third-party.

The ability of the Voting Trust to sell its shares of our common stock privately, with no requirement for a concurrent offer to be made to acquire all of the shares of our outstanding common stock, could prevent our stockholders from realizing any change of control premium on shares of our common stock that they own that may accrue to the Voting Trust on its private sale of our common stock.

Even if the Voting Trust's ownership of our shares falls below a majority, the Voting Trust may continue to be able to influence or effectively control our decisions.

We are classified as a "controlled company" for purposes of the Nasdaq Listing Rules and, as a result, we qualify for certain exemptions from certain corporate governance requirements. You may not have the same protections afforded to stockholders of companies that are subject to such requirements.

As of the date of this report, the Voting Trust controls a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the corporate governance standards of the Nasdaq Listing Rules. Under the Nasdaq Listing Rules, a company of which more than 50% of the outstanding voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain stock exchange corporate governance requirements, including:

- the requirement that a majority of the board of directors consists of independent directors;
- the requirement that nominating and corporate governance matters be decided solely by independent directors; and
- the requirement that executive and officer compensation matters be decided solely by independent directors.

Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.

Our ability to continue to pay dividends to our stockholders is restricted by applicable laws and regulations and by the ability of our subsidiaries to pay dividends to us.

Holders of our common stock are only entitled to receive such cash dividends as our board, in its sole discretion, may declare out of funds legally available for such payments. Any decision to declare and pay dividends will be dependent on a variety of factors, including our financial condition, earnings, legal requirements, our general liquidity needs, and other factors that our board deems relevant. As a bank holding company, our ability to declare and pay dividends to our stockholders is subject to certain banking laws, regulations, and policies, including minimum capital requirements and, as a Delaware corporation, we are subject to certain restrictions on dividends under the DGCL. In addition, we are a separate legal entity, and, accordingly, our ability to pay dividends depends primarily upon the receipt of dividends or other capital distributions from the Bank. The ability of the Bank to make distributions or pay dividends to us is subject to its earnings, financial condition, and liquidity needs, as well as federal and state laws, regulations, and policies applicable to the Bank, which limit the amount the Bank can pay as dividends or other capital distributions to us. Finally, our ability to pay dividends to our stockholders, or the Bank's ability to pay dividends or other distributions to us, may be limited by covenants in any financing arrangements that we or the Bank may enter into in the future. See "Supervision and Regulation."

As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate at any time, future dividends on our common stock. Any change in the level of our dividends or the suspension of the payment thereof could have a material adverse effect on the market price of our common stock.

We cannot guarantee that we will be able to pay dividends to our stockholders, or that the board of directors of the Bank will be able to or will elect to pay dividends to us, nor can we guarantee the timing or amount of any such dividends actually paid. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

Future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares. The shares of our common stock held by each of our executive officers and directors and the trustee of the Voting Trust may be sold in accordance with the volume, manner of sale, and other limitations under Rule 144, and may also be sold pursuant to a Registration Statement on Form S-3 filed by the Company, which was declared effective by the SEC on April 19, 2023.

In the future, we may also issue securities in connection with acquisitions or investments. The number of shares of our common stock issued in connection with an acquisition or investment could constitute a material portion of our then-outstanding shares of our common stock.

We are an “emerging growth company” and may elect to comply with reduced public company reporting requirements which could make our common stock less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Act of 2012 (the “JOBS Act”). For as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various public company reporting requirements. These exemptions include, but are not limited to, (i) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, (ii) reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements, and (iii) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company until the end of the fiscal year following the fifth anniversary of the completion of our initial public offering, which is December 31, 2024. However, if certain events occur prior to the end of such five-year period, including if we become a “large accelerated filer,” our annual gross revenue exceeds \$1.235 billion or we issue more than \$1.0 billion of non-convertible debt in any three-year period, we would cease to be an emerging growth company prior to the end of such five-year period. We have taken advantage of certain reduced disclosure obligations regarding executive compensation and may elect to take advantage of other reduced disclosure obligations in future filings. As a result, the information that we provide to holders of our common stock may be different than you might receive from other public reporting companies in which you hold equity interests. We cannot predict if investors will find our common stock less attractive as a result of our reliance on these exemptions. If some investors find our common stock less attractive as a result of any choice we make to reduce disclosure, there may be a less active trading market for our common stock and the price for our common stock may be more volatile.

Under the JOBS Act, emerging growth companies may also elect to delay adoption of new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies.

Anti-takeover provisions in our charter documents and Delaware law, and the banking laws and regulations to which we are subject, might discourage or delay acquisition attempts for us that you might consider favorable.

Our restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of the Company more difficult without the approval of our board of directors. These provisions:

- authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend or other rights or preferences superior to the rights of the holders of common stock;
- prohibit stockholder action by written consent, requiring all stockholder actions be taken at a meeting of our stockholders, if the Voting Trust ceases to own more than 35% of our outstanding common stock;
- provide that the board of directors is expressly authorized to make, alter or repeal our amended and restated bylaws;
- establish advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and
- prohibit stockholders from calling special meetings of stockholders.

These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of the Company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

Furthermore, banking laws impose notice, approval and ongoing regulatory requirements on any stockholder or other party that seeks to acquire direct or indirect “control,” as defined under applicable law, of an FDIC-insured

depository institution. These laws include the BHCA and the CBCA. These laws could, among other things, limit the equity held by certain stockholders, restrain a stockholder's ability to influence proxy matters, or prevent an acquisition of the Company, in each case without first obtaining regulatory approval. See "Supervision and Regulation—Supervision and Regulation of the Company—Change in Control."

Our restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our restated certificate of incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provision of the DGCL, our certificate of incorporation or our by-laws or (iv) any other action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our certificate of incorporation described above. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

EXTERNAL RISKS

Adverse changes in local economic conditions and adverse conditions in an industry on which a local market in which we do business depends could hurt our business in a material way.

Our financial performance generally, and in particular the ability of our borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets in which we operate and in the United States as a whole. Unlike larger banks that are more geographically diversified, we provide banking and financial services to customers primarily in Illinois and Iowa. The economic conditions in our local markets may be different from, or worse than, the economic conditions in the United States as a whole. Some elements of the business environment that affect our financial performance include short-term and long-term interest rates, the prevailing yield curve, inflation and price levels, tax policy, monetary policy, unemployment and the strength of the domestic economy and the local economy in the markets in which we operate.

Unfavorable market conditions can result in a deterioration in the credit quality of our borrowers and the demand for our products and services, an increase in the number of loan delinquencies, defaults and charge-offs, additional provisions for loan losses, adverse asset values and an overall material adverse effect on the quality of our loan portfolio. Unfavorable or uncertain economic and market conditions can be caused by, among other factors, declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; changes in inflation or interest rates; increases in real estate and other state and local taxes; high unemployment; natural disasters; pandemics; climate change; acts of terrorism or war (including the Israeli-Palestinian conflict and the Russian invasion of Ukraine); or a combination of these or other factors.

Continued elevated levels of inflation could adversely impact our business and results of operations.

The United States has recently experienced elevated levels of inflation. Continued levels of inflation could have complex effects on our business and results of operations, some of which could be materially adverse. For example, elevated inflation harms consumer purchasing power, which could negatively affect our retail

customers and the economic environment and, ultimately, many of our business customers, and could also negatively affect our levels of non-interest expense. In addition, if interest rates were to rise in response to elevated levels of inflation, the value of our securities and loan portfolios may be negatively impacted. Continued elevated levels of inflation could also cause increased volatility and uncertainty in the business environment, which could adversely affect loan demand and our clients' ability to repay indebtedness. It is also possible that governmental responses to the current inflation environment could adversely affect our business, such as changes to monetary and fiscal policy that are too strict, or the imposition or threatened imposition of price controls. The duration and severity of the current inflationary period cannot be estimated with precision.

Labor shortages and failure to attract and retain qualified employees could negatively impact our business, results of operations and financial condition.

A number of factors may adversely affect the labor force available to us or increase labor costs, including high employment levels, decreased labor force size and participation rates, and potential government actions affecting the labor force. Although we have not experienced any material labor shortage to date, we have recently observed an overall tightening and competitive local labor market. A sustained labor shortage or increased turnover rates within our employee base could lead to increased costs, such as increased compensation expense to attract and retain employees.

In addition, if we are unable to hire and retain employees capable of performing at a high-level, or if mitigation measures we may take to respond to a decrease in labor availability have unintended negative effects, our business could be adversely affected. An overall labor shortage, lack of skilled labor, increased turnover or labor inflation could have a material adverse impact on our operations, results of operations, liquidity or cash flows.

The State of Illinois has experienced significant financial difficulties, and this could adversely impact certain borrowers and our business.

Historically, the financial condition of the State of Illinois has been characterized by significant financial difficulties, including material pension funding shortfalls and large budget deficits. These issues could impact the economic vitality of the State of Illinois and our customers, and could specifically encourage businesses to relocate, and discourage new employers from starting or moving businesses to Illinois. These issues could also result in delays in the payment of accounts receivable owed to borrowers that conduct business with the State of Illinois and Medicaid payments to nursing homes and other healthcare providers in Illinois and impair their ability to repay their loans when due.

Climate change could have a material negative impact on the Company and our customers.

The Company's business, as well as the operations and activities of our customers, could be negatively impacted by climate change. Climate change presents both immediate and long-term risks to the Company and our customers, and these risks are expected to increase over time. Climate change presents multi-faceted risks, including, but not limited to:

- operational risk from the physical effects of climate events on the Company and our customers' facilities and other assets;
- credit risk from borrowers with significant exposure to climate risk;
- legal and regulatory compliance risk as our regulators, investors, and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change, both directly and with respect to their customers, which may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities; and
- reputational risk from stakeholder concerns about the Company's practices related to climate change, the Company's carbon footprint, and the Company's business relationships with clients who operate in carbon-intensive industries.

The risks associated with climate change are changing and evolving in an escalating fashion, making them difficult to assess due to limited data and other uncertainties. The Company could experience increased expenses resulting from strategic planning, litigation, technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny, and reduced investor and stakeholder confidence due

to the Company's response to climate change and its climate change strategy, which, in turn, could have a material negative impact on business, results of operations, and financial condition.

Our future growth and success will depend on our ability to compete effectively in a highly competitive environment.

We face substantial competition in all phases of our operations from a variety of different competitors. Our future growth and success will depend on our ability to compete effectively in this highly competitive environment. To date, our competitive strategies have focused on attracting deposits in our local markets and growing our loan portfolio by emphasizing specific loan products in which we have significant experience and expertise, identifying and targeting markets in which we believe we can effectively compete with larger institutions and other competitors, and offering highly competitive pricing to borrowers with appropriate risk profiles. We compete for loans, deposits and other financial services with other commercial banks, credit unions, brokerage houses, mutual funds, insurance companies, real estate conduits, mortgage brokers and specialized finance companies. Many of our competitors offer products and services that we do not offer, and some offer loan structures and have underwriting standards that are not as restrictive as our required loan structures and underwriting standards. Some larger competitors have substantially greater resources and lending limits, name recognition and market presence that benefit them in attracting business. In addition, larger competitors may be able to price loans more aggressively than we do, and because of their larger capital bases, their underwriting practices for smaller loans may be subject to less regulatory scrutiny than they would be for smaller banks. Newer competitors may be more aggressive in pricing their products in order to increase their market share.

Some of the financial institutions and financial services organizations with which we compete are not subject to the extensive regulations imposed on banks insured by the FDIC and their holding companies. As a result, these nonbank competitors have certain advantages over us in accessing funding and in providing various financial services. Additionally, technology and other changes are allowing consumers and businesses to complete financial transactions through alternative methods that historically have involved banks. For example, the wide acceptance of Internet-based commerce has resulted in a number of alternative payment processing systems and lending platforms in which banks play only minor roles. Customers can now maintain funds in prepaid debit cards or digital currencies and pay bills and transfer funds directly without the direct assistance of banks. The diminishing role of banks as financial intermediaries has resulted and could continue to result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the potential loss of lower cost deposits as a source of funds could have a material adverse effect on our business, financial condition and results of operations.

Additionally, while we do not offer products relating to digital assets, including cryptocurrencies and other similar assets, there has been a significant increase in digital asset adoption globally over the past several years. Certain characteristics of digital asset transactions, such as the speed with which such transactions can be conducted, the ability to transact without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions, and the anonymous nature of the transactions, are appealing to certain consumers notwithstanding the various risks posed by such transactions. Accordingly, digital asset service providers—which, at present are not subject to the same degree of scrutiny and oversight as banking organizations and other financial institutions—are becoming active competitors to more traditional financial institutions. The process of eliminating banks as intermediaries, known as “disintermediation,” could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and deposits could have a material adverse effect on our financial condition and results of operations. Potential partnerships with digital asset companies, moreover, could also entail significant investment.

Our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially adversely affect our business and the value of our stock.

We are a community bank, and our reputation is one of the most valuable components of our business. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. Maintenance of our reputation depends not only on our success in maintaining our service-focused

culture, but also on our success in identifying and appropriately addressing issues that may arise in areas such as potential conflicts of interest, anti-money laundering, customer personal information and privacy issues, employee, customer and other third-party fraud, recordkeeping, regulatory investigations, and any litigation that may arise from the failure or perceived failure of us to comply with legal and regulatory requirements. If our reputation is negatively affected, by the intentional, inadvertent or unsubstantiated misconduct of our employees, directors, customers, third parties, or otherwise, our business and, therefore, our operating results and the value of our stock may be materially adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

We rely extensively on various information systems and other electronic resources to operate our business. In addition, nearly all of our customers, service providers and other business partners on whom we depend, including the providers of our online banking, mobile banking and accounting systems, use these systems and their own electronic information systems. Any of these systems can be compromised, including through the employees, customers and other individuals who are authorized to use them, and bad actors use a sophisticated and constantly evolving set of software, tools and strategies to do so. Moreover, the nature of our business, as a financial services provider, and our relative size, make us and our business partners high-value targets for these bad actors to pursue.

Accordingly, we have long devoted significant resources to assessing, identifying and managing risks associated with cybersecurity threats, including:

- internal resources who are responsible for conducting regular assessments of our information systems, existing controls, vulnerabilities and potential improvements;
- continuous monitoring tools that can detect and help respond to cybersecurity threats in real-time;
- performing due diligence with respect to our third-party service providers, including their cybersecurity practices, and requiring contractual commitments from our service providers to take certain cybersecurity measures;
- third-party cybersecurity consultants, who conduct periodic penetration testing, vulnerability assessments and other procedures to identify potential weaknesses in our systems and processes; and
- periodic cybersecurity training for our workforce.

This information security program is a key part of our overall risk management system, which is administered by our Chief Risk Officer. The program includes administrative, technical and physical safeguards to help ensure the security and confidentiality of customer records and information. These security and privacy policies and procedures are in effect across all of our lines of business and geographic locations.

From time-to-time, we have identified cybersecurity threats that require us to make changes to our processes and to implement additional safeguards. While none of these identified threats or incidents have materially affected us, it is possible that threats and incidents we identify in the future could have a material adverse effect on our business strategy, results of operations and financial condition.

Our management team is responsible for the day-to-day management of risks we face, including our Chief Information Officer. Our current Chief Information Officer has over 20 years of technology experience, including 15 years in Banking.

In addition, our board of directors is responsible for the oversight of risk management. In that role, our board of directors, with support from the Company's cybersecurity advisors, are responsible for ensuring that the risk management processes designed and implemented by management are adequate and functioning as designed. To carry out those duties, our board of directors receive reports from our management team regarding cybersecurity risks, and the Company's efforts to prevent, detect, mitigate and remediate any cybersecurity incidents. These reports are delivered at least quarterly, with additional information and trainings provided at least twice per year.

ITEM 2. PROPERTIES

HBT Financial and Heartland Bank's headquarters are located at 401 North Hershey Road, Bloomington, Illinois. The Company owns these headquarters, and it also owns or leases other facilities, such as banking centers of Heartland Bank, for business operations. The Company considers its properties to be suitable and adequate for its present needs.

ITEM 3. LEGAL PROCEEDINGS

We are sometimes party to legal actions that are routine and incidental to our business. Management, in consultation with legal counsel, does not expect the ultimate disposition of any or a combination of these matters to have a material adverse effect on our assets, business, cash flow, condition (financial or otherwise), liquidity, prospects and results of operations. However, given the nature, scope and complexity of the extensive legal and regulatory landscape applicable to our business, including laws and regulations governing consumer protection, fair lending, fair labor, privacy, information security and anti-money laundering and anti-terrorism laws, we, like all banking organizations, are subject to heightened legal and regulatory compliance and litigation risk.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information and Holders of Record**

HBT Financial, Inc.'s common stock is listed on the Nasdaq Global Select Market under the symbol "HBT."

As of February 23, 2024, HBT Financial, Inc. had approximately 122 shareholders of record. A substantially greater number of holders of our common stock are "street name" or beneficial holders, whose shares are held by banks, brokers and other financial institutions.

Dividends

During 2023, we paid quarterly cash dividends of \$0.17 per share on our common stock. The quarterly cash dividend was increased to \$0.19 per share on January 23, 2024. We expect to continue our policy of paying quarterly cash dividends. Our board of directors may change or eliminate the payment of future dividends at its discretion, without notice to our stockholders. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including general and economic conditions, industry standards, our financial condition and operating results, our available cash and current and anticipated cash needs, capital requirements, banking regulations, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us, and such other factors as our board of directors may deem relevant.

Issuer Purchases of Equity Securities

On December 21, 2022, the Company's board of directors approved a stock repurchase program that authorized the Company to repurchase up to \$15 million of its common stock which expired on January 1, 2024 (the "2023 Repurchase Plan"). On December 19, 2023, the Company's board of directors approved a new stock repurchase program that took effect upon the expiration of the old stock repurchase program and expires on January 1, 2025 (the "2024 Repurchase Plan"). The 2024 Repurchase Plan authorizes the Company to repurchase up to \$15 million of its common stock. The timing of purchases and number of shares repurchased are dependent upon a variety of factors including price, trading volume, corporate and regulatory requirements, and market conditions. The Company is not obligated to purchase any shares under the stock repurchase program, and the stock repurchase program could be suspended or discontinued at any time without notice.

The following table sets forth information about the Company's purchases of its common stock during the fourth quarter of 2023:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs (in thousands)
October 1 - 31, 2023	78,312	\$ 17.94	78,312	\$ 6,171
November 1 - 30, 2023	—	—	—	6,171
December 1 - 31, 2023	—	—	—	6,171
Total	78,312	\$ 17.94	78,312	\$ 6,171 ⁽¹⁾

(1) As of December 31, 2023, there was \$6.2 million left under the 2023 Repurchase Plan, which expired on January 1, 2024. There are no longer any shares subject to repurchase under the 2023 Repurchase Plan. The 2024 Repurchase Plan took effect upon the expiration of the 2023 Repurchase Plan, and there remains \$15.0 million in common stock subject to repurchase thereunder.

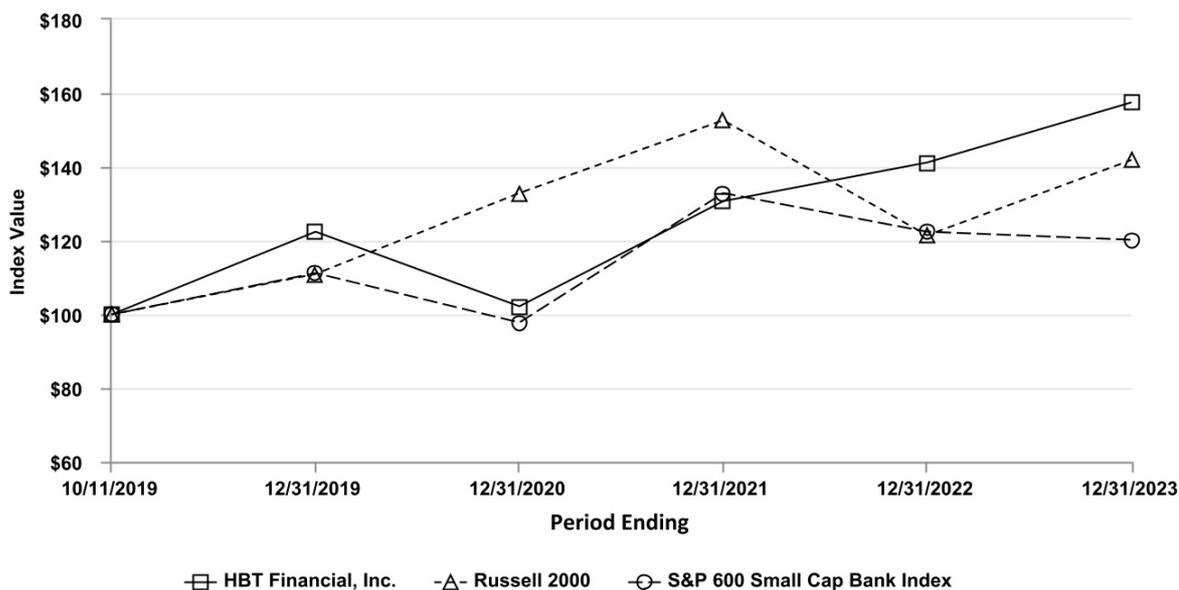
Unregistered Sales of Equity Securities

None.

Stock Performance Graph

The performance graph and table below compares the cumulative total return on the Company's common stock from October 11, 2019 (the date of the Company's IPO and listing on the Nasdaq Global Select Market) through December 31, 2023, with the cumulative total return of: (a) the Russell 2000 Index which reflects a broad equity market index and (b) the S&P 600 Small Cap Bank Index. The performance graph and table assume an initial investment of \$100 and reinvestment of dividends. Returns are presented on a total return basis.

COMPARISON OF CUMULATIVE TOTAL RETURN



Index	October 11, 2019	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
HBT Financial, Inc.	\$ 100.00	\$ 122.20	\$ 101.97	\$ 130.55	\$ 141.07	\$ 157.53
Russell 2000	100.00	110.74	132.84	152.53	121.36	141.90
S&P 600 Small Cap Bank Index	100.00	111.20	97.80	132.76	122.30	120.21

The performance graph and table represent past performance and should not be considered to be an indication of future performance. The information in the preceding paragraph, stock performance graph, and table shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, other than as provided in Item 201 of Regulation S-K, or to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that such information be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Exchange Act.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context requires otherwise, references in this report to the "Company," "we," "us" and "our" refer to HBT Financial, Inc. and its subsidiaries.

Management's discussion and analysis should be read in conjunction with the following parts of this Annual Report on Form 10-K: Part I, Item 1 "Business"; Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk", and Part II, Item 8 "Financial Statements and Supplementary Data". Detailed discussion and analysis of the financial condition and results of operation for 2023 as compared to 2022 can be found below.

OVERVIEW

HBT Financial, Inc., headquartered in Bloomington, Illinois, is the holding company for Heartland Bank and Trust Company, and has banking roots that can be traced back to 1920. We provide a comprehensive suite of financial products and services to businesses, families, and local governments throughout Illinois and Eastern Iowa. As of December 31, 2023, the Company had total assets of \$5.1 billion, loans held for investment of \$3.4 billion, and total deposits of \$4.4 billion.

Market Area

As of December 31, 2023, our branch network included 67 full-service branch locations throughout Illinois and Eastern Iowa. We hold a leading deposit share in many of our Central Illinois markets, which we define as a top three deposit share rank, providing the foundation for our strong deposit base. The stability provided by this low-cost funding is a key driver of our strong track record of financial performance. Below is a summary of our loan and deposit balances by geographic region:

	December 31, 2023		December 31, 2022	
	Loans	Deposits	Loans	Deposits
<i>(dollars in thousands)</i>				
Central	\$ 1,693,794	\$ 3,094,305	\$ 1,024,015	\$ 2,239,030
Chicago MSA	1,406,348	1,197,865	1,294,327	1,216,423
Illinois	3,100,142	4,292,170	2,318,342	3,455,453
Iowa	304,275	109,267	301,911	131,571
Total	\$ 3,404,417	\$ 4,401,437	\$ 2,620,253	\$ 3,587,024

Acquisitions

The Company incurred the following pre-tax acquisition expenses:

	Year Ended December 31,		
	2023	2022	2021
<i>(dollars in thousands)</i>			
PROVISION FOR CREDIT LOSSES ⁽¹⁾	\$ 5,924	\$ —	\$ —
NONINTEREST EXPENSE			
Salaries	3,584	—	65
Furniture and equipment	39	—	18
Data processing	2,031	304	355
Marketing and customer relations	24	—	12
Loan collection and servicing	125	—	11
Legal fees and other noninterest expense	1,964	788	955
Total noninterest expense	7,767	1,092	1,416
Total acquisition-related expenses	\$ 13,691	\$ 1,092	\$ 1,416

(1) Includes recognition of an allowance for credit losses on non-purchase credit deteriorated ("non-PCD") loans of \$5.2 million and an allowance for credit losses on unfunded commitments of \$0.7 million in connection with the Town and Country merger during the first quarter of 2023 in accordance with ASC 326 which was adopted on January 1, 2023.

Town and Country Financial Corporation

On February 1, 2023, HBT Financial completed its acquisition of Town and Country, the holding company for Town and Country Bank. The acquisition of Town and Country further enhanced HBT Financial's footprint in Central Illinois and expanded our footprint into metro-east St. Louis. At the time of acquisition, Town and Country Bank operated ten full-service branch locations which began operating as branches of Heartland Bank. The core system conversion was successfully completed in April 2023. After considering business combination accounting adjustments, Town and Country added total assets of \$937.2 million, total loans held for investment of \$635.4 million, and total deposits of \$720.4 million.

Total consideration consisted of 3.4 million shares of HBT Financial's common stock and \$38.0 million in cash. Based upon the closing price of HBT Financial common stock of \$21.12 on February 1, 2023, the aggregate consideration was approximately \$109.4 million. Goodwill of \$30.5 million was recorded in the acquisition.

NXT Bancorporation, Inc.

On October 1, 2021, HBT Financial completed its acquisition of NXT Bancorporation, Inc. ("NXT"), the holding company for NXT Bank. The acquisition expanded our footprint into Eastern Iowa with four locations that began operating as branches of Heartland Bank following the merger and system conversion of NXT Bank into Heartland Bank in December 2021. After considering business combination accounting adjustments, NXT added total assets of \$239.9 million, total loans of \$194.6 million, and total deposits of \$181.6 million.

Total consideration consisted of 1.8 million shares of HBT Financial's common stock and \$10.6 million in cash. Based upon the closing price of HBT Financial common stock of \$16.27 on October 1, 2021, the aggregate consideration was approximately \$39.9 million. Goodwill of \$5.7 million was recorded in the acquisition.

Branch Rationalization Plan

In April 2021, the Company made plans to close or consolidate six branches. One branch was consolidated during the second quarter of 2021, and the remaining five branches were closed during the third quarter of 2021. The Company estimated annual pre-tax cost savings, net of associated revenue impacts, related to the branch rationalization plan to be approximately \$1.1 million.

The Company incurred the following pre-tax branch closure costs during the year ended December 31, 2021 (dollars in thousands):

NONINTEREST INCOME	
Gains (losses) on other assets	\$ (682)
NONINTEREST EXPENSE	
Salaries	53
Marketing and customer relations	6
Legal fees and other noninterest expense	7
Total noninterest expense	66
Total branch closure costs	\$ 748

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic Conditions

The Company's business and financial performance are affected by economic conditions generally in the U.S. and more directly in the Illinois and Iowa markets where we primarily operate. The significant economic factors that are most relevant to our business and our financial performance include the general economic conditions in the U.S. and in the Company's markets (including the effect of inflationary pressures and supply chain constraints), unemployment rates, real estate markets, and interest rates.

Interest Rates

Net interest income is our primary source of revenue. Net interest income is equal to the excess of interest income earned on interest earning assets (including discount accretion on purchased loans plus certain loan fees) over interest expense incurred on interest-bearing liabilities. The level of interest rates as well as the volume of interest-earning assets and interest-bearing liabilities both impact net interest income. Net interest income is also influenced by both the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as local economic conditions, competition for loans and deposits, the monetary policy of the Federal Reserve Board ("FRB") and market interest rates.

The cost of our deposits and short-term wholesale borrowings is largely based on short-term interest rates, which are primarily driven by the FRB's actions. The yields generated by our loans and securities are typically driven by short-term and long-term interest rates, which are set by the market and, to some degree, by the FRB's actions. Our net interest income is therefore influenced by movements in such interest rates and the pace at which such movements occur. Generally, we expect increases in market interest rates will increase our net interest income and net interest margin in future periods, while decreases in market interest rates may decrease our net interest income and net interest margin in future periods.

Credit Trends

We focus on originating loans with appropriate risk/reward profiles. We have a detailed loan policy that guides our overall loan origination philosophy and a well-established loan approval process that requires experienced credit officers to approve larger loan relationships. Although we believe our loan approval and credit review processes are strengths that allow us to maintain a high-quality loan portfolio, we recognize that credit trends in the markets in which we operate and in our loan portfolio can materially impact our financial condition and performance and that these trends are primarily driven by the economic conditions in our markets.

Competition

Our profitability and growth are affected by the highly competitive nature of the financial services industry. We compete with community banks in all our markets and, to a lesser extent, with money center banks, primarily in the Chicago MSA. Additionally, we compete with non-bank financial services companies, FinTechs and other financial institutions operating within the areas we serve. We compete by emphasizing personalized service and efficient decision-making tailored to individual needs. We do not rely on any individual, group, or entity for a material portion of our loans or our deposits. We continue to see significant competitive pressure on loan rates and terms, as well as deposit pricing, which may affect our financial results in the future.

Digital Banking

Throughout the banking industry, in-person branch traffic is expected to continue to decline as more customers turn to digital banking for routine banking transactions. The COVID-19 pandemic accelerated this transition, and in-person branch traffic is not expected to return to pre-pandemic levels. Additionally, widespread adoption of faster payment and instant payment technologies could require us to substantially increase our expenditures on technology infrastructure, increase our regulatory compliance costs, and adversely impact the stability of our deposit base. We plan to continue investing in our digital banking platforms, while maintaining an appropriately sized branch network. An inability to meet evolving customer expectations, with the appropriate level of security, for both digital and in-person banking may adversely affect our financial results in the future.

Regulatory Environment and Trends

We are subject to federal and state regulation and supervision, which continue to evolve as the legal and regulatory framework governing our operations continues to change. The current operating environment includes extensive regulation and supervision in areas such as consumer compliance, the Bank Secrecy Act and anti-money laundering compliance, risk management and internal audit. We anticipate that this environment of extensive regulation and supervision will continue for the industry. As a result, changes in the regulatory environment may result in additional costs for additional compliance, risk management and audit personnel or professional fees associated with advisors and consultants.

FACTORS AFFECTING COMPARABILITY OF FINANCIAL RESULTS

JOBS Act Accounting Election

We qualify as an “emerging growth company” under the JOBS Act. The JOBS Act permits us an extended transition period for complying with new or revised accounting standards affecting public companies. The Company may remain an emerging growth company until the earliest to occur of: (1) the end of the fiscal year following the fifth anniversary of the completion of our initial public offering, which is December 31, 2024, (2) the last day of the fiscal year in which the Company has \$1.235 billion or more in annual revenues, (3) the date on which the Company is deemed to be a “large accelerated filer” under the Exchange Act or (4) the date on which the Company has, during the previous three year period, issued, publicly or privately, more than \$1.0 billion in non-convertible debt securities. We have elected to use the extended transition period until we are no longer an emerging growth company or until we choose to affirmatively and irrevocably opt out of the extended transition period. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements applicable to public companies.

RESULTS OF OPERATIONS

Overview of Recent Financial Results

The following table presents selected financial results and measures:

<i>(dollars in thousands, except per share amounts)</i>	Year Ended December 31,		
	2023	2022	2021
Total interest and dividend income	\$ 228,999	\$ 153,054	\$ 128,223
Total interest expense	37,927	7,180	5,820
Net interest income	191,072	145,874	122,403
Provision for credit losses	7,573	(706)	(8,077)
Net interest income after provision for credit losses	183,499	146,580	130,480
Total noninterest income	36,046	34,717	37,328
Total noninterest expense	130,964	105,107	91,246
Income before income tax expense	88,581	76,190	76,562
Income tax expense	22,739	19,734	20,291
Net income	\$ 65,842	\$ 56,456	\$ 56,271
Adjusted net income ⁽¹⁾	\$ 78,182	\$ 55,805	\$ 56,840
Net interest income (tax-equivalent basis) ⁽¹⁾⁽²⁾	\$ 193,830	\$ 148,373	\$ 124,431
Share and Per Share Information			
Earnings per share - Diluted	\$ 2.07	\$ 1.95	\$ 2.02
Adjusted earnings per share - Diluted ⁽¹⁾	2.46	1.93	2.04
Weighted average shares of common stock outstanding	31,626,308	28,853,697	27,795,806
Summary Ratios			
Net interest margin	4.09 %	3.54 %	3.18 %
Net interest margin (tax-equivalent basis) ⁽¹⁾⁽²⁾	4.15	3.60	3.23
Yield on loans	6.04	4.91	4.68
Yield on interest-earning assets	4.90	3.72	3.33
Cost of interest-bearing liabilities	1.14	0.26	0.23
Cost of total deposits	0.60	0.07	0.07
Cost of funds	0.86	0.19	0.16
Efficiency ratio	56.49 %	57.72 %	56.46 %
Efficiency ratio (tax-equivalent basis) ⁽¹⁾⁽²⁾	55.81	56.93	55.76
Return on average assets	1.34 %	1.32 %	1.41 %
Return on average stockholders' equity	14.60	14.73	14.81
Return on average tangible common equity ⁽¹⁾	17.63	16.02	15.95
Adjusted return on average assets ⁽¹⁾	1.59 %	1.31 %	1.43 %
Adjusted return on average stockholders' equity ⁽¹⁾	17.34	14.56	14.95
Adjusted return on average tangible common equity ⁽¹⁾	20.94	15.83	16.12

(1) See "Non-GAAP Financial Information" for reconciliation of non-GAAP measures to their most closely comparable GAAP measures.

(2) On a tax-equivalent basis assuming a federal income tax rate of 21% and a state income tax rate of 9.5%.

Comparison of the Year Ended December 31, 2023 to the Year Ended December 31, 2022

For the year ended December 31, 2023, net income was \$65.8 million, increasing by \$9.4 million, or 16.6%, when compared to net income for the year ended December 31, 2022. Notable changes include the following:

- A \$45.2 million increase in net interest income, primarily attributable to the increase in average interest-earning assets following the Town and Country merger and higher yields on interest-earning assets, partially offset by higher funding costs;
- Town and Country acquisition-related expenses totaled \$13.7 million during the year ended December 31, 2023, including the recognition of an allowance for credit losses on non-PCD loans of \$5.2 million and an allowance for credit losses on unfunded commitments of \$0.7 million through provision for credit losses, compared to \$1.1 million of acquisition-related expenses during the year ended December 31, 2022;
- Net losses of \$1.8 million on the sale of \$185.3 million of securities were realized during the year ended December 31, 2023 with the sales proceeds used to reduce FHLB borrowings and fund loan growth; and
- Excluding Town and Country acquisition-related expenses, noninterest expense increased by \$19.2 million primarily due to the addition of Town and Country's operations.

Net Interest Income

Net interest income equals the excess of interest income on interest earning assets (including discount accretion on acquired loans plus certain loan fees) over interest expense incurred on interest-bearing liabilities. Interest rate spread and net interest margin are utilized to measure and explain changes in net interest income. Interest rate spread is the difference between the yield on interest-earning assets and the rate paid for interest-bearing liabilities that fund those assets. The net interest margin is expressed as the percentage of net interest income to average interest-earning assets. The net interest margin exceeds the interest rate spread because noninterest-bearing sources of funds, principally noninterest-bearing demand deposits and stockholders' equity, also support interest-earning assets.

The following table sets forth average balances, average yields and costs, and certain other information. Average balances are daily average balances. Nonaccrual loans are included in the computation of average balances but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees and costs, discounts and premiums, as well as purchase accounting adjustments that are accreted or amortized to interest income or expense.

(dollars in thousands)	Year Ended								
	December 31, 2023			December 31, 2022			December 31, 2021		
	Average Balance	Interest	Yield/Cost	Average Balance	Interest	Yield/Cost	Average Balance	Interest	Yield/Cost
ASSETS									
Loans	\$ 3,231,736	\$ 195,197	6.04 %	\$ 2,514,549	\$ 123,478	4.91 %	\$ 2,271,544	\$ 106,284	4.68 %
Securities	1,350,528	30,187	2.24	1,403,016	27,937	1.99	1,148,900	21,348	1.86
Deposits with banks	84,544	3,020	3.57	197,030	1,541	0.78	422,828	527	0.12
Other	8,217	595	7.24	3,529	98	2.77	3,201	64	2.01
Total interest-earning assets	4,675,025	\$ 228,999	4.90 %	4,118,124	\$ 153,054	3.72 %	3,846,473	\$ 128,223	3.33 %
Allowance for credit losses	(37,504)			(24,703)			(27,999)		
Noninterest-earning assets	290,383			176,452			162,064		
Total assets	\$ 4,927,904			\$ 4,269,873			\$ 3,980,538		
LIABILITIES AND STOCKHOLDERS' EQUITY									
LIABILITIES									
Interest-bearing deposits:									
Interest-bearing demand	\$ 1,188,680	\$ 3,130	0.26 %	\$ 1,141,402	\$ 607	0.05 %	\$ 1,024,888	\$ 518	0.05 %
Money market	669,118	7,352	1.10	582,514	813	0.14	521,366	437	0.08
Savings	661,424	1,033	0.16	650,385	208	0.03	595,887	188	0.03
Time	481,466	10,784	2.24	283,232	883	0.31	295,788	1,329	0.45
Brokered	52,724	2,836	5.38	—	—	—	—	—	—
Total interest-bearing deposits	3,053,412	25,135	0.82	2,657,533	2,511	0.09	2,437,929	2,472	0.10
Securities sold under agreements to repurchase	35,450	255	0.72	51,554	36	0.07	50,104	34	0.07
Borrowings	139,817	7,128	5.10	26,468	967	3.65	1,653	9	0.54
Subordinated notes	39,434	1,879	4.76	39,355	1,879	4.77	39,275	1,879	4.78
Junior subordinated debentures issued to capital trusts	51,489	3,530	6.86	37,746	1,787	4.73	37,680	1,426	3.79
Total interest-bearing liabilities	3,319,602	\$ 37,927	1.14 %	2,812,656	\$ 7,180	0.26 %	2,566,641	\$ 5,820	0.23 %
Noninterest-bearing deposits	1,113,300			1,051,187			1,004,757		
Noninterest-bearing liabilities	44,074			22,724			29,060		
Total liabilities	4,476,976			3,886,567			3,600,458		
Stockholders' Equity	450,928			383,306			380,080		
Total liabilities and stockholders' equity	\$ 4,927,904			\$ 4,269,873			\$ 3,980,538		
Net interest income/Net interest margin ⁽¹⁾	\$ 191,072	4.09 %	\$ 145,874	3.54 %	\$ 122,403	3.18 %			
Tax-equivalent adjustment ⁽²⁾	2,758	0.06	2,499	0.06	2,028	0.05			
Net interest income (tax-equivalent basis)/									
Net interest margin (tax-equivalent basis) ^{(2) (3)}	\$ 193,830	4.15 %	\$ 148,373	3.60 %	\$ 124,431	3.23 %			
Net interest rate spread ⁽⁴⁾		3.76 %		3.46 %		3.10 %			
Net interest-earning assets ⁽⁵⁾	\$ 1,355,423	\$ 1,305,468	\$ 1,279,832						
Ratio of interest-earning assets to interest-bearing liabilities	1.41	1.46	1.50						
Cost of total deposits		0.60 %		0.07 %		0.07 %			
Cost of funds		0.86		0.19		0.16			

- (1) Net interest margin represents net interest income divided by average total interest-earning assets.
- (2) On a tax-equivalent basis assuming a federal income tax rate of 21% and a state income tax rate of 9.5%.
- (3) See "Non-GAAP Financial Information" for reconciliation of non-GAAP measure to their most closely comparable GAAP measures.
- (4) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
- (5) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

The following table sets forth the components of loan interest income and their contributions to the total loan yield.

(dollars in thousands)	Year Ended December 31,					
	2023		2022		2021	
	Interest	Yield Contribution	Interest	Yield Contribution	Interest	Yield Contribution
Contractual interest	\$ 185,772	5.75 %	\$ 113,775	4.52 %	\$ 90,647	3.99 %
Loan fees (excluding PPP loans)	4,584	0.14	4,454	0.18	3,840	0.17
PPP loan fees	2	—	1,488	0.06	9,181	0.40
Accretion of acquired loan discounts	4,136	0.13	933	0.04	1,102	0.05
Nonaccrual interest recoveries	703	0.02	2,828	0.11	1,514	0.07
Total loan interest income	\$ 195,197	6.04 %	\$ 123,478	4.91 %	\$ 106,284	4.68 %

The following table sets forth the components of net interest income and their contributions to the net interest margin.

(dollars in thousands)	Year Ended December 31,					
	2023		2022		2021	
	Interest	Net Interest Margin Contribution	Interest	Net Interest Margin Contribution	Interest	Net Interest Margin Contribution
Interest income:						
Contractual interest on loans	\$ 185,772	3.97 %	\$ 113,775	2.76 %	\$ 90,647	2.35 %
Loan fees (excluding PPP loans)	4,584	0.10	4,454	0.11	3,840	0.10
PPP loan fees	2	—	1,488	0.04	9,181	0.24
Accretion of acquired loan discounts	4,136	0.09	933	0.02	1,102	0.03
Nonaccrual interest recoveries	703	0.02	2,828	0.07	1,514	0.04
Securities	30,187	0.65	27,937	0.68	21,348	0.56
Interest-bearing deposits in bank	3,020	0.06	1,541	0.04	527	0.01
Other	595	0.01	98	—	64	—
Total interest income	228,999	4.90	153,054	3.72	128,223	3.33
Interest expense:						
Deposits	25,135	0.54	2,511	0.07	2,472	0.06
Other interest-bearing liabilities	12,792	0.27	4,669	0.11	3,348	0.09
Total interest expense	37,927	0.81	7,180	0.18	5,820	0.15
Net interest income	191,072	4.09	145,874	3.54	122,403	3.18
Tax-equivalent adjustment ⁽¹⁾	2,758	0.06	2,499	0.06	2,028	0.05
Net interest income (tax-equivalent) ^{(1) (2)}	\$ 193,830	4.15 %	\$ 148,373	3.60 %	\$ 124,431	3.23 %

(1) On a tax-equivalent basis assuming a federal income tax rate of 21% and a state income tax rate of 9.5%.

(2) See "Non-GAAP Financial Information" for reconciliation of non-GAAP measure to their most closely comparable GAAP measures.

Rate/Volume Analysis

The following table sets forth the dollar amount of changes in interest income and interest expense for the major categories of our interest-earning assets and interest-bearing liabilities. Information is provided for each category of interest-earning assets and interest-bearing liabilities with respect to changes attributable to volume (*i.e.*, changes in average balances multiplied by the prior-period average rate), and changes attributable to rate (*i.e.*, changes in average rate multiplied by prior-period average balances). For purposes of this table, changes attributable to both volume and rate that cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

(dollars in thousands)	Year Ended December 31, 2023 vs. Year Ended December 31, 2022			Year Ended December 31, 2022 vs. Year Ended December 31, 2021		
	Increase (Decrease) Due to		Total	Increase (Decrease) Due to		Total
	Volume	Rate		Volume	Rate	
Interest-earning assets:						
Loans	\$ 39,701	\$ 32,018	\$ 71,719	\$ 11,755	\$ 5,439	\$ 17,194
Securities	(1,075)	3,325	2,250	4,977	1,612	6,589
Deposits with banks	(1,312)	2,791	1,479	(418)	1,432	1,014
Other	224	273	497	7	27	34
Total interest-earning assets	37,538	38,407	75,945	16,321	8,510	24,831
Interest-bearing liabilities:						
Interest-bearing deposits:						
Interest-bearing demand	26	2,497	2,523	61	28	89
Money market	139	6,400	6,539	56	320	376
Savings	4	821	825	17	3	20
Time	1,007	8,894	9,901	(54)	(392)	(446)
Brokered	2,836	—	2,836	—	—	—
Total interest-bearing deposits	4,012	18,612	22,624	80	(41)	39
Securities sold under agreements to repurchase	(15)	234	219	1	1	2
Borrowings	5,640	521	6,161	694	264	958
Subordinated notes	4	(4)	—	4	(4)	—
Junior subordinated debentures issued to capital trusts	781	962	1,743	3	358	361
Total interest-bearing liabilities	10,422	20,325	30,747	782	578	1,360
Change in net interest income	\$ 27,116	\$ 18,082	\$ 45,198	\$ 15,539	\$ 7,932	\$ 23,471

Comparison of the Year Ended December 31, 2023 to the Year Ended December 31, 2022

Net interest income for the year ended December 31, 2023 was \$191.1 million, increasing \$45.2 million, or 31.0%, from the year ended December 31, 2022. The increase is primarily attributable to the increase in average interest-earning assets following the Town and Country merger and higher yields on interest-earning assets, partially offset by higher funding costs.

Net interest margin increased to 4.09% for the year ended December 31, 2023, compared to 3.54% for the year ended December 31, 2022. The increase was primarily attributable to higher yields on interest-earning assets which were partially offset by increased funding costs, driven by significant increases in market rates since early 2022. Additionally, the contribution of acquired loan discount accretion to net interest margin increased to 9 basis points during the year ended December 31, 2023, from 2 basis points during the year ended December 31, 2022.

The quarterly net interest margins were as follows:

	2023	2022	2021
Three months ended:			
March 31	4.20 %	3.08 %	3.25 %
June 30	4.16	3.34	3.14
September 30	4.07	3.65	3.18
December 31	3.93	4.10	3.17

In March 2020, the Federal Open Markets Committee (“FOMC”), in response to the economic downturn caused by the COVID-19 pandemic, lowered the target range for the federal funds rate to 0% to 0.25% and announced the Federal Reserve would substantially increase its Treasury and agency mortgage-backed securities holdings. This resulted in a historically low interest rate environment which lasted through the rest of 2020 and into 2021, putting downward pressure on our net interest margin over the same period.

The FOMC began raising interest rates in March 2022 and continued raising interest rates until setting the target range for the federal funds rate at 5.25% to 5.50% in its July 2023 meeting. As a result, market interest rates have also risen since March 2022 which led to improvements in our net interest margin through the first quarter of 2023. Our net interest margin decreased modestly beginning in the second quarter of 2023 as increased competition for deposits drove an increase in our funding costs. Competition for deposits continues to be elevated relative to 2022. As a result, deposit and funding costs have increased during 2023 compared to such costs in 2022 and could continue to increase. Additionally, core deposits balances may decrease and be replaced by higher cost funding sources, such as FHLB advances and brokered deposits.

Provision for Credit Losses

The following table sets forth the components of provision for credit losses for the periods indicated:

	Year Ended December 31,		
	2023	2022	2021
<i>(dollars in thousands)</i>			
PROVISION FOR CREDIT LOSSES			
Loans	\$ 6,665	\$ (706)	\$ (8,077)
Unfunded lending-related commitments	908	—	—
Total provision for credit losses	\$ 7,573	\$ (706)	\$ (8,077)

Comparison of the Year Ended December 31, 2023 to the Year Ended December 31, 2022

In connection with the Town and Country merger, we recognized an allowance for credit losses on non-PCD loans of \$5.2 million and an allowance for credit losses on unfunded commitments of \$0.7 million. Excluding the impact of the Town and Country merger, the remaining provision for credit losses primarily reflects a \$2.4 million increase in required reserves driven by growth of and changes in the loan portfolio and unfunded commitments, a \$1.4 million increase in required reserves resulting from changes in economic and qualitative factors, and a \$2.1 million decrease in specific reserves on individually evaluated loans.

Credit losses are highly dependent on current and forecast economic conditions. Potential deterioration of economic conditions may lead to higher credit losses and adversely impact our financial condition and results of operations. The economic forecasts utilized in estimating the allowance for credit losses on loans and lending-related unfunded commitments include the unemployment rate and changes in GDP as macroeconomic variables, although other economic metrics are considered on a qualitative basis.

Noninterest Income

The following table sets forth the major categories of noninterest income for the periods indicated:

(dollars in thousands)	Year Ended December 31,				Year Ended December 31,			
	2023	2022	\$ Change	% Change	2022	2021	\$ Change	% Change
Card income	\$ 11,043	\$ 10,329	\$ 714	6.9 %	\$ 10,329	\$ 9,734	\$ 595	6.1 %
Wealth management fees	9,883	9,155	728	8.0	9,155	8,384	771	9.2
Service charges on deposit accounts	7,846	7,072	774	10.9	7,072	6,080	992	16.3
Mortgage servicing	4,678	2,609	2,069	79.3	2,609	2,825	(216)	(7.6)
Mortgage servicing rights fair value adjustment	(1,615)	2,153	(3,768)	NM	2,153	1,690	463	27.4
Gains on sale of mortgage loans	1,526	1,461	65	4.4	1,461	5,846	(4,385)	(75.0)
Realized gains (losses) on sales of securities	(1,820)	—	(1,820)	NM	—	—	—	—
Unrealized gains (losses) on equity securities	160	(414)	574	NM	(414)	107	(521)	NM
Gains (losses) on foreclosed assets	501	(314)	815	NM	(314)	310	(624)	NM
Gains (losses) on other assets	166	136	30	22.1	136	(723)	859	NM
Income on bank owned life insurance	573	164	409	249.4	164	41	123	300.0
Other noninterest income	3,105	2,366	739	31.2	2,366	3,034	(668)	(22.0)
Total	\$ 36,046	\$ 34,717	\$ 1,329	3.8 %	\$ 34,717	\$ 37,328	\$ (2,611)	(7.0)%

NM Not meaningful.

Comparison of the Year Ended December 31, 2023 to the Year Ended December 31, 2022

Total noninterest income for the year ended December 31, 2023, was \$36.0 million, an increase of \$1.3 million, or 3.8%, from the year ended December 31, 2022. Notable changes in noninterest income include the following:

- A \$3.8 million decrease in the mortgage servicing rights fair value adjustment, primarily due to changes in prepayment assumptions utilized in the valuations;
- Net losses of \$1.8 million were realized on the sale of \$185.3 million of debt securities during the year ended December 31, 2023. The vast majority of the securities portfolio acquired from Town and Country was sold during the first quarter of 2023 with an additional \$39.4 million of municipal debt securities sold during the third quarter of 2023;
- The addition of Town and Country's operations in the first quarter of 2023 contributed to a \$2.1 million increase in mortgage servicing revenue, with the size of our existing mortgage servicing portfolio nearly doubling, a \$0.8 million increase in service charges on deposit accounts, a \$0.7 million increase in wealth management fees, and a \$0.7 million increase in card income; and
- A \$0.5 million gain on foreclosed assets was recognized during 2023, primarily related to the sale of one property, compared to a \$0.3 million loss on foreclosed assets during 2022.

Noninterest Expense

The following table sets forth the major categories of noninterest expense for the periods indicated:

(dollars in thousands)	Year Ended December 31,				Year Ended December 31,			
	2023	2022	\$ Change	% Change	2022	2021	\$ Change	% Change
Salaries	\$ 67,453	\$ 51,767	\$ 15,686	30.3 %	\$ 51,767	\$ 48,972	\$ 2,795	5.7 %
Employee benefits	10,037	8,325	1,712	20.6	8,325	6,513	1,812	27.8
Occupancy of bank premises	9,918	7,673	2,245	29.3	7,673	6,788	885	13.0
Furniture and equipment	2,790	2,476	314	12.7	2,476	2,676	(200)	(7.5)
Data processing	12,352	7,441	4,911	66.0	7,441	7,329	112	1.5
Marketing and customer relations	5,043	3,803	1,240	32.6	3,803	3,376	427	12.6
Amortization of intangible assets	2,670	873	1,797	205.8	873	1,054	(181)	(17.2)
FDIC insurance	2,280	1,164	1,116	95.9	1,164	1,043	121	11.6
Loan collection and servicing	1,402	1,049	353	33.7	1,049	1,317	(268)	(20.3)
Foreclosed assets	251	293	(42)	(14.3)	293	908	(615)	(67.7)
Other noninterest expense	16,768	20,243	(3,475)	(17.2)	20,243	11,270	8,973	79.6
Total	\$ 130,964	\$ 105,107	\$ 25,857	24.6 %	\$ 105,107	\$ 91,246	\$ 13,861	15.2 %

Comparison of the Year Ended December 31, 2023 to the Year Ended December 31, 2022

Total noninterest expense for the year ended December 31, 2023, was \$131.0 million, an increase of \$25.9 million, or 24.6%, from the year ended December 31, 2022. Notable changes in noninterest expense include the following:

- Town and Country acquisition-related noninterest expenses totaled \$7.8 million and \$1.1 million for the years ended December 31, 2023 and 2022, respectively;
- Excluding Town and Country acquisition-related expenses, the \$19.2 million increase in noninterest expense was mainly attributable to the addition of Town and Country's operations, primarily related to personnel costs, occupancy of bank premises, and data processing;
- Legal accruals totaled \$1.0 million during the year ended December 31, 2023 and \$8.2 million during the year ended December 31, 2022 relating to legal matters disclosed in Note 22 - Commitments and Contingencies - Legal Contingencies to the consolidated financial statements; and
- A \$1.8 million increase in amortization of intangible assets related to the addition of \$22.3 million of intangible assets recognized through the Town and Country acquisition.

Income Taxes

During the year ended December 31, 2023 and 2022, we recorded income tax expense of \$22.7 million, or an effective tax rate of 25.7%, and \$19.7 million, or an effective tax rate of 25.9%, respectively. The fluctuations in effective tax rate are primarily attributable to changes in state income taxes and changes in the proportion of federally tax-exempt interest income to pre-tax income.

FINANCIAL CONDITION

(dollars in thousands, except per share data)

	December 31, 2023	December 31, 2022	\$ Change	% Change
Consolidated Balance Sheet Information				
Cash and cash equivalents	\$ 141,252	\$ 114,159	\$ 27,093	23.7 %
Debt securities available-for-sale, at fair value	759,461	843,524	(84,063)	(10.0)
Debt securities held-to-maturity	521,439	541,600	(20,161)	(3.7)
Loans held for sale	2,318	615	1,703	276.9
Loans, before allowance for credit losses	3,404,417	2,620,253	784,164	29.9
Less: allowance for credit losses	40,048	25,333	14,715	58.1
Loans, net of allowance for credit losses	3,364,369	2,594,920	769,449	29.7
Goodwill	59,820	29,322	30,498	104.0
Intangible assets, net	20,682	1,070	19,612	1,832.9
Other assets	203,829	161,524	42,305	26.2
Total assets	\$ 5,073,170	\$ 4,286,734	\$ 786,436	18.3 %
Total deposits	\$ 4,401,437	\$ 3,587,024	\$ 814,413	22.7 %
Securities sold under agreements to repurchase	42,442	43,081	(639)	(1.5)
Borrowings	12,623	160,000	(147,377)	(92.1)
Subordinated notes	39,474	39,395	79	0.2
Junior subordinated debentures	52,789	37,780	15,009	39.7
Other liabilities	34,909	45,822	(10,913)	(23.8)
Total liabilities	4,583,674	3,913,102	670,572	17.1
Total stockholders' equity	489,496	373,632	115,864	31.0
Total liabilities and stockholders' equity	\$ 5,073,170	\$ 4,286,734	\$ 786,436	18.3 %
Tangible assets ⁽¹⁾	\$ 4,992,668	\$ 4,256,342	\$ 736,326	17.3 %
Tangible common equity ⁽¹⁾	408,994	343,240	65,754	19.2
Core deposits ⁽¹⁾	\$ 4,126,374	\$ 3,559,866	\$ 566,508	15.9 %
Share and Per Share Information				
Book value per share	\$ 15.44	\$ 12.99		
Tangible book value per share ⁽¹⁾	12.90	11.94		
Shares of common stock outstanding	31,695,828	28,752,626		
Balance Sheet Ratios				
Loan to deposit ratio	77.35 %	73.05 %		
Core deposits to total deposits ⁽¹⁾	93.75	99.24		
Stockholders' equity to total assets	9.65	8.72		
Tangible common equity to tangible assets ⁽¹⁾	8.19	8.06		

⁽¹⁾ See "Non-GAAP Financial Information" for reconciliation of non-GAAP measure to their most closely comparable GAAP measures.

Notable changes in our consolidated balance sheet include the following:

- The Town and Country merger added \$937.2 million in total assets, \$635.4 million in loans held for investment, and \$720.4 million in deposits;
- Excluding the impact of the Town and Country merger, loan growth since December 31, 2022 was broad-based with total loans increasing \$148.8 million;
- Following the Town and Country merger, the vast majority of the securities acquired from Town and Country were sold and an additional \$39.4 million of municipal securities sold during the third quarter of 2023. The proceeds were used to reduce FHLB borrowings and fund loan growth;
- Additionally, paydowns, maturities and calls of debt securities generated another \$102.6 million of proceeds which were also used to reduce FHLB borrowings and fund loan growth; and
- Excluding the impact of the Town and Country merger, total deposits increased \$94.0 million with the addition of \$144.9 million of brokered deposits and \$144.0 million of wealth management customer money market deposits brought on balance sheet in December 2023. These increases were partially offset by reduced balances held in existing customer deposit accounts.

Loan Portfolio

The following table sets forth the composition of the loan portfolio, excluding loans held-for-sale, by type of loan.

<i>(dollars in thousands)</i>	December 31, 2023		December 31, 2022	
	Balance	Percent	Balance	Percent
Commercial and industrial	\$ 427,800	12.6 %	\$ 266,757	10.2 %
Commercial real estate - owner occupied	295,842	8.7	218,503	8.3
Commercial real estate - non-owner occupied	880,681	25.9	713,202	27.2
Construction and land development	363,983	10.7	360,824	13.8
Multi-family	417,923	12.3	287,865	11.0
One-to-four family residential	491,508	14.4	338,253	12.9
Agricultural and farmland	287,294	8.4	237,746	9.1
Municipal, consumer, and other	239,386	7.0	197,103	7.5
Loans, before allowance for credit losses	3,404,417	100.0 %	2,620,253	100.0 %
Allowance for credit losses	(40,048)		(25,333)	
Loans, net of allowance for credit losses	\$ 3,364,369		\$ 2,594,920	

Loans, before allowance for credit losses were \$3.40 billion at December 31, 2023, an increase of \$784.2 million, or 29.9%, from December 31, 2022. Excluding the impact of the Town and Country merger, total loans increased \$148.8 million, or 5.7%, with the following notable changes:

- The relative percent decrease in construction and land development loans was generally driven by the completion of a number of sizeable projects that are now amortizing and have been moved into other real estate loan categories, including the commercial real estate - non-owner occupied and multi-family categories;
- The increase in commercial and industrial loans was driven by new loan fundings and the purchase of four pools of loans totaling \$61.0 million. Three pools include equipment finance loans purchased from a bank that originated the loans through its equipment finance division. These loans are to borrowers across multiple industries and geographic regions. The remaining pool is a 50% participation in a pool of loans originated by a financial services company with a long-standing history of originating loans to healthcare and professional service borrowers. These loans are to borrowers across multiple geographic regions.

As of December 31, 2023, office commercial real estate loans totaled \$169.2 million, with 2.0% rated pass-watch, less than 0.1% rated substandard, and less than 0.1% past due 30 days or more. Management regularly monitors office and other industry concentrations within the loan portfolio.

Loan Portfolio Maturities

The following table summarizes the scheduled maturities of the loan portfolio as of December 31, 2023. Demand loans (loans having no stated repayment schedule or maturity) and overdraft loans are reported as being due in one year or less.

<i>(dollars in thousands)</i>	1 Year or Less	After 1 Year Through 5 Years	After 5 Years Through 15 Years	After 15 Years	Total
Commercial and industrial	\$ 227,363	\$ 164,321	\$ 36,116	\$ —	\$ 427,800
Commercial real estate - owner occupied	34,833	150,564	102,031	8,414	295,842
Commercial real estate - non-owner occupied	124,384	545,507	204,883	5,907	880,681
Construction and land development	184,446	161,107	17,897	533	363,983
Multi-family	35,946	308,127	72,477	1,373	417,923
One-to-four family residential	51,263	199,194	115,943	125,108	491,508
Agricultural and farmland	126,318	114,042	42,438	4,496	287,294
Municipal, consumer, and other	72,837	65,994	72,532	28,023	239,386
Total	\$ 857,390	\$ 1,708,856	\$ 664,317	\$ 173,854	\$ 3,404,417

The following table summarizes loans maturing after one year, segregated into variable and fixed interest rates.

<i>(dollars in thousands)</i>	Variable Interest Rates				Total
	Repricing 1 Year or Less	Repricing After 1 Year	Total Variable Interest Rates	Predetermined (Fixed) Interest Rates	
Commercial and industrial	\$ 47,458	\$ 7,083	\$ 54,541	\$ 145,896	\$ 200,437
Commercial real estate - owner occupied	37,056	38,869	75,925	185,084	261,009
Commercial real estate - non-owner occupied	114,812	30,727	145,539	610,758	756,297
Construction and land development	64,812	1,675	66,487	113,050	179,537
Multi-family	36,373	45,522	81,895	300,082	381,977
One-to-four family residential	81,534	73,104	154,638	285,607	440,245
Agricultural and farmland	3,445	11,345	14,790	146,186	160,976
Municipal, consumer, and other	38,587	22,293	60,880	105,669	166,549
Total	\$ 424,077	\$ 230,618	\$ 654,695	\$ 1,892,332	\$ 2,547,027

Nonperforming Assets

The following table sets forth information concerning nonperforming loans and nonperforming assets as of each of the dates indicated.

(dollars in thousands)

	December 31, 2023	December 31, 2022
NONPERFORMING ASSETS		
Nonaccrual	\$ 7,820	\$ 2,155
Past due 90 days or more, still accruing ⁽¹⁾	37	1
Total nonperforming loans	7,857	2,156
Foreclosed assets	852	3,030
Total nonperforming assets	\$ 8,709	\$ 5,186
Nonperforming loans that are wholly or partially guaranteed by the U.S. Government	\$ 2,641	\$ 133
Allowance for credit losses	\$ 40,048	\$ 25,333
Loans, before allowance for credit losses	3,404,417	2,620,253
CREDIT QUALITY RATIOS		
Allowance for credit losses to loans, before allowance for credit losses	1.18 %	0.97 %
Allowance for credit losses to nonaccrual loans	512.12	1,175.55
Allowance for credit losses to nonperforming loans	509.71	1,175.00
Nonaccrual loans to loans, before allowance for credit losses	0.23	0.08
Nonperforming loans to loans, before allowance for credit losses	0.23	0.08
Nonperforming assets to total assets	0.17	0.12
Nonperforming assets to loans, before allowance for credit losses, and foreclosed assets	0.26	0.20

(1) Prior to 2023, excludes loans acquired with deteriorated credit quality that are past due 90 or more days and accruing. Such loans totaled \$145 thousand as of December 31, 2022.

Total nonperforming assets were \$8.7 million at December 31, 2023, increasing by \$3.5 million since December 31, 2022. The increase was primarily attributable to the Town and Country merger, which added \$3.8 million in nonaccrual loans and \$0.3 million of foreclosed assets, and one commercial real estate - non-owner occupied retail credit moved to nonaccrual. These increases were partially offset by the sale of one larger foreclosed property. Additionally, of the \$7.9 of nonperforming loans held as of December 31, 2023, \$2.6 million are either wholly or partially guaranteed by the U.S. Government.

Risk Classification of Loans

Our risk classifications of loans were as follows:

(dollars in thousands)

	December 31, 2023	December 31, 2022
Pass	\$ 3,241,889	\$ 2,479,488
Pass-watch	98,206	66,934
Substandard	64,322	73,831
Doubtful	—	—
Total	\$ 3,404,417	\$ 2,620,253

Pass-watch loans increased \$31.3 million, or 46.7%, and substandard loans decreased \$9.5 million, or 12.9%, from December 31, 2022 to December 31, 2023. The increase in pass-watch loans was primarily attributable to

pass-watch loans acquired from Town and Country. The decrease in substandard loans was primarily attributable to \$12.4 million substandard relationship in the commercial real estate – non-owner occupied category which paid off during the second quarter of 2023, as well as several other smaller paydowns and payoffs, partially offset by substandard loans acquired from Town and Country.

Net Charge-offs and Recoveries

The following table summarizes net charge-offs (recoveries) to average loans, before allowance for credit losses, by loan category.

(dollars in thousands)	Year Ended December 31,		
	2023	2022	2021
Net charge-offs (recoveries)			
Commercial and industrial	\$ 369	\$ (751)	\$ 15
Commercial real estate - owner occupied	(13)	(1,006)	21
Commercial real estate - non-owner occupied	(66)	(283)	(24)
Construction and land development	(53)	(1)	(342)
Multi-family	(281)	—	—
One-to-four family residential	(152)	(302)	18
Agricultural and farmland	(6)	—	—
Municipal, consumer, and other	382	240	137
Total	\$ 180	\$ (2,103)	\$ (175)
Average loans			
Commercial and industrial	\$ 370,255	\$ 268,765	\$ 347,547
Commercial real estate - owner occupied	290,489	219,127	204,148
Commercial real estate - non-owner occupied	874,661	695,230	583,084
Construction and land development	368,111	340,831	226,035
Multi-family	372,201	258,490	227,736
One-to-four family residential	476,856	328,656	314,871
Agricultural and farmland	254,106	233,349	230,364
Municipal, consumer, and other	225,057	170,101	137,759
Total	\$ 3,231,736	\$ 2,514,549	\$ 2,271,544
Charge-offs (recoveries) to average loans			
Commercial and industrial	0.10 %	(0.28)%	— %
Commercial real estate - owner occupied	—	(0.46)	0.01
Commercial real estate - non-owner occupied	(0.01)	(0.04)	—
Construction and land development	(0.01)	—	(0.15)
Multi-family	(0.08)	—	—
One-to-four family residential	(0.03)	(0.09)	0.01
Agricultural and farmland	—	—	—
Municipal, consumer, and other	0.17	0.14	0.10
Total	0.01 %	(0.08)%	(0.01)%

The net charge-offs (recoveries) to average total loans ratio has remained low for several years. We believe our continuous credit monitoring and collection efforts have resulted in lower levels of loan losses, while also recognizing that favorable economic conditions prior to the COVID-19 pandemic and substantial federal economic stimulus during the pandemic have also contributed to reduced loan losses.

Securities

The Company's investment policy emphasizes safety of the principal, liquidity needs, expected returns, cash flow targets and consistency with our interest rate risk management strategy. The composition and maturities of the debt securities portfolio as of December 31, 2023, are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. Security yields have not been adjusted to a tax-equivalent basis.

	December 31, 2023					
	Available-for-Sale		Held-to-Maturity		Total	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
<i>(dollars in thousands)</i>						
Due in 1 year or less						
U.S. Treasury	\$ 40,020	1.39 %	\$ —	— %	\$ 40,020	1.39 %
U.S. government agency	3,367	2.59	—	—	3,367	2.59
Municipal	3,147	2.96	2,138	3.67	5,285	3.24
Mortgage-backed:						
Agency residential	50	2.26	—	—	50	2.26
Agency commercial	6,348	3.38	—	—	6,348	3.38
Total	\$ 52,932	1.80 %	\$ 2,138	3.67 %	\$ 55,070	1.87 %
Due after 1 year through 5 years						
U.S. Treasury	\$ 89,513	1.30 %	\$ —	— %	\$ 89,513	1.30 %
U.S. government agency	42,943	2.58	17,420	1.94	60,363	2.40
Municipal	54,203	1.85	18,170	3.09	72,373	2.16
Mortgage-backed:						
Agency residential	13,399	2.80	8,252	1.62	21,651	2.35
Agency commercial	63,422	1.73	32,163	2.85	95,585	2.11
Corporate	21,922	4.97	—	—	21,922	4.97
Total	\$ 285,402	2.05 %	\$ 76,005	2.57 %	\$ 361,407	2.16 %
Due after 5 years through 10 years						
U.S. Treasury	\$ 30,182	1.55 %	\$ —	— %	\$ 30,182	1.55 %
U.S. government agency	9,049	2.27	67,935	2.60	76,984	2.56
Municipal	126,721	1.78	15,553	3.48	142,274	1.96
Mortgage-backed:						
Agency residential	68,637	2.13	3,439	3.51	72,076	2.20
Agency commercial	32,256	1.76	225,442	1.88	257,698	1.86
Corporate	33,743	4.14	—	—	33,743	4.14
Total	\$ 300,588	2.11 %	\$ 312,369	2.13 %	\$ 612,957	2.12 %
Due after 10 years						
U.S. government agency	\$ —	— %	\$ 3,093	2.83 %	\$ 3,093	2.83 %
Municipal	44,959	1.73	2,581	3.39	47,540	1.82
Mortgage-backed:						
Agency residential	106,555	2.85	84,137	3.65	190,692	3.20
Agency commercial	39,188	2.30	41,116	1.87	80,304	2.08
Corporate	2,000	4.50	—	—	2,000	4.50
Total	\$ 192,702	2.49 %	\$ 130,927	3.06 %	\$ 323,629	2.72 %
Total						
U.S. Treasury	\$ 159,715	1.37 %	\$ —	— %	\$ 159,715	1.37 %
U.S. government agency	55,359	2.53	88,448	2.48	143,807	2.50
Municipal	229,030	1.80	38,442	3.30	267,472	2.02
Mortgage-backed:						
Agency residential	188,641	2.58	95,828	3.47	284,469	2.88
Agency commercial	141,214	1.97	298,721	1.98	439,935	1.98
Corporate	57,665	4.47	—	—	57,665	4.47
Total	\$ 831,624	2.16 %	\$ 521,439	2.43 %	\$ 1,353,063	2.26 %

SOURCES OF FUNDS

Deposits

Management continues to focus on growing deposits through the Company's relationship-driven banking philosophy and community-focused marketing programs. Additionally, the Bank continues to add and improve digital banking services to solidify deposit relationships.

The following table sets forth the distribution of average deposits, by account type:

<i>(dollars in thousands)</i>	Year Ended December 31, 2023			Percent Change in Average Balance 2023 vs. 2022
	Average Balance	Percent of Total Deposits	Weighted Average Cost	
Noninterest-bearing	\$ 1,113,300	26.7 %	— %	5.9 %
Interest-bearing demand	1,188,680	28.5	0.26	4.1
Money market	669,118	16.1	1.10	14.9
Savings	661,424	15.9	0.16	1.7
Time	481,466	11.5	2.24	70.0
Brokered	52,724	1.3	5.38	100.0
Total deposits	\$ 4,166,712	100.0 %	0.60 %	12.3 %

<i>(dollars in thousands)</i>	Year Ended December 31, 2022			Percent Change in Average Balance 2022 vs. 2021
	Average Balance	Percent of Total Deposits	Weighted Average Cost	
Noninterest-bearing	\$ 1,051,187	28.4 %	— %	4.6 %
Interest-bearing demand	1,141,402	30.8	0.05	11.4
Money market	582,514	15.7	0.14	11.7
Savings	650,385	17.5	0.03	9.1
Time	283,232	7.6	0.31	(4.2)
Brokered	—	—	—	—
Total deposits	\$ 3,708,720	100.0 %	0.07 %	7.7 %

<i>(dollars in thousands)</i>	Year Ended December 31, 2021		
	Average Balance	Percent of Total Deposits	Weighted Average Cost
Noninterest-bearing	\$ 1,004,757	29.2 %	— %
Interest-bearing demand	1,024,888	29.8	0.05
Money market	521,366	15.1	0.08
Savings	595,887	17.3	0.03
Time	295,788	8.6	0.45
Brokered	—	—	—
Total deposits	\$ 3,442,686	100.0 %	0.07 %

The increase in average deposit balances in 2023 compared to 2022 was primarily attributable to the Town and Country merger which added \$720.4 million of deposits on February 1, 2023. Partially offsetting the additions from Town and Country was a decrease in balances held in existing customer accounts with recent increases in market interest rates driving increased competition for deposits. As a result, deposit costs increased during 2023, relative to 2022, with some lower cost deposits being replaced by higher cost funding sources, such as time deposits and wholesale funding.

As of December 31, 2023, the Company has \$144.9 million of wholesale brokered deposits outstanding. Brokered deposits are generally considered to be deposits that have been received from a third party who is engaged in the business of placing deposits on behalf of others. A traditional deposit broker will direct deposits to the banking institution offering the highest interest rate available. Federal banking laws and regulations place restrictions on depository institutions regarding brokered deposits because of the general concern that these deposits are not relationship based and are at a greater risk of being withdrawn and placed on deposit at another institution offering a higher interest rate, thus posing liquidity risk for institutions that gather brokered deposits in significant amounts.

The following table sets forth time deposits by remaining maturity as of December 31, 2023:

<i>(dollars in thousands)</i>	<u>3 Months or Less</u>	<u>Over 3 through 6 Months</u>	<u>Over 6 through 12 Months</u>	<u>Over 12 Months</u>	<u>Total</u>
Time and brokered time deposits:					
Amounts less than \$100,000	\$ 141,825	\$ 107,869	\$ 125,348	\$ 54,284	\$ 429,326
Amounts of \$100,000 or more but less than \$250,000	40,961	56,555	85,203	29,905	212,624
Amounts of \$250,000 or more	36,659	39,899	42,576	11,049	130,183
Total time and brokered time deposits	<u>\$ 219,445</u>	<u>\$ 204,323</u>	<u>\$ 253,127</u>	<u>\$ 95,238</u>	<u>\$ 772,133</u>

As of December 31, 2023 and December 31, 2022, the Bank's uninsured deposits were estimated to be \$867.7 million and \$739.0 million, respectively.

Securities Sold Under Agreements to Repurchase

All securities sold under agreements to repurchase are sweep instruments, maturing daily. The securities underlying the agreements are held under our control in safekeeping at third-party financial institutions, and include debt securities.

The following table sets forth information concerning balances and interest rates on our securities sold under agreements to repurchase.

<i>(dollars in thousands)</i>	<u>As of or for the Years Ended December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance at end of year	\$ 42,442	\$ 43,081	\$ 61,256
Average balance during year	35,450	51,554	50,104
Average interest rate during year	0.72 %	0.07 %	0.07 %

Borrowings

Deposits are the Bank's primary source of funds for our lending activities and general business purposes. However, we may also obtain advances from the FHLB, purchase federal funds, and engage in overnight borrowing from the Federal Reserve. We may also use these sources of funds as part of our asset liability management process to control our long-term interest rate risk exposure, even if it may increase our short-term cost of funds. Our level of short-term borrowing can fluctuate on a daily basis depending on funding needs and the source of funds to satisfy the needs.

Our use of FHLB advances and other borrowings was nominal during 2021, but increased during the second half of 2022 and throughout 2023 to fund increases in loan demand and to offset a decrease in deposits.

The following table sets forth information concerning balances and interest rates on our borrowings.

<i>(dollars in thousands)</i>	As of or for the Years Ended December 31,		
	2023	2022	2021
Balance at end of year			
FHLB advances	\$ 12,623	\$ 160,000	\$ —
Federal Reserve discount window	—	—	—
Federal funds purchased	—	—	—
Total borrowings	\$ 12,623	\$ 160,000	\$ —
Average balance during year			
FHLB advances	\$ 139,554	\$ 25,934	\$ 1,310
Federal Reserve discount window	3	—	—
Federal funds purchased	260	534	343
Total borrowings	\$ 139,817	\$ 26,468	\$ 1,653
Average interest rate during year			
FHLB advances	5.10 %	3.68 %	0.56 %
Federal Reserve discount window	5.25	—	—
Federal funds purchased	5.56	2.11	0.48
Total borrowings	5.10	3.65	0.54

LIQUIDITY

Bank Liquidity

The overall objective of bank liquidity management is to ensure the availability of sufficient cash funds to meet all financial commitments and to take advantage of investment opportunities. The Bank manages liquidity in order to meet deposit withdrawals on demand or at contractual maturity, to repay borrowings as they mature, and to fund new loans and investments as opportunities arise.

The Bank continuously monitors its liquidity positions to ensure that assets and liabilities are managed in a manner that will meet all of our short-term and long-term cash requirements. The Bank manages its liquidity position to meet our daily cash flow needs, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives. The Bank also monitors liquidity requirements in light of interest rate trends, changes in the economy, the scheduled maturity and interest rate sensitivity of the investment and loan portfolios and deposits, and regulatory capital requirements.

As part of the Bank's liquidity management strategy, the Bank is also focused on minimizing costs of liquidity and attempts to decrease these costs by promoting noninterest-bearing and low-cost deposits. While the Bank does not control the types of deposit instruments our clients choose, those choices can be influenced with the rates and the deposit specials offered.

Additional sources of liquidity include unpledged securities, federal funds purchased, borrowings from the FHLB and Federal Reserve, and brokered deposits. Unpledged securities may be sold or pledged as collateral for borrowings to meet liquidity needs. Interest is charged at the prevailing market rate.

As of December 31, 2023, management believed the current liquidity and available sources of liquidity are adequate to meet all of the reasonably foreseeable short-term and intermediate-term demands of the Bank. As of December 31, 2023, the Bank had no material commitments for capital expenditures.

Holding Company Liquidity

The Holding Company, or HBT Financial on an unconsolidated basis, is a corporation separate and apart from the Bank and, therefore, it must provide for its own liquidity. As of December 31, 2023, the Holding Company had cash and cash equivalents of \$17.2 million.

The Holding Company's main source of funding is dividends declared and paid to it by the Bank. Due to state banking laws, the Bank may not declare dividends in any calendar year in an amount that would exceed accumulated retained earnings, after giving effect to any unrecognized losses and bad debts, without the prior approval of the Illinois Department of Financial and Professional Regulation. In addition, dividends paid by the Bank to the Holding Company would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements. Management believes that these limitations will not impact the Holding Company's ability to meet its ongoing short-term cash obligations. During the years ended December 31, 2023, 2022, 2021, the Bank paid \$64.0 million, \$28.0 million, and \$20.0 million in dividends to the Holding Company, respectively.

The liquidity needs of the Holding Company on an unconsolidated basis consist primarily of operating expenses, interest payments on the subordinated notes and junior subordinated debentures, and shareholder distributions in the form of dividends and stock repurchases. During the years ended December 31, 2023, 2022, and 2021, holding company operating expenses consisted of interest expense of \$5.4 million, \$3.7 million, and \$3.3 million, respectively, and other operating expenses of \$5.5 million, \$5.3 million, and \$3.7 million, respectively.

Additionally, the Holding Company paid \$21.9 million, \$18.6 million, and \$16.8 million of dividends to stockholders during the years ended December 31, 2023, 2022, and 2021, respectively. The Holding Company also paid \$38.0 million in cash consideration in the acquisition of Town and Country during the first quarter of 2023.

As of December 31, 2023, management was not aware of any known trends, events or uncertainties that had or were reasonably likely to have a material impact on the Holding Company's liquidity.

As of December 31, 2023, management believed the current liquidity and available sources of liquidity are adequate to meet all of the reasonably foreseeable short-term and intermediate-term demands of the Holding Company. As of December 31, 2023, the Holding Company had no material commitments for capital expenditures.

CAPITAL RESOURCES

The overall objectives of capital management are to ensure the availability of sufficient capital to support loan, deposit and other asset and liability growth opportunities and to maintain capital to absorb unforeseen losses or write-downs that are inherent in the business risks associated with the banking industry. The Company seeks to balance the need for higher capital levels to address such unforeseen risks and the goal to achieve an adequate return on the capital invested by our stockholders.

Regulatory Capital Requirements

The Company and Bank are each subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the financial statements of the Company and the Bank.

In addition to meeting minimum capital requirements, the Company and the Bank must also maintain a "capital conservation buffer" to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management. As of December 31, 2023 and December 31, 2022, the capital conservation buffer requirement was 2.5% of risk-weighted assets.

As of December 31, 2023 and 2022, the Company and the Bank met all capital adequacy requirements to which they were subject. As of those dates, the Bank was “well capitalized” under the regulatory prompt corrective action provisions.

The following table sets forth actual capital ratios of the Company and the Bank as of the dates indicated, as well as the minimum ratios for capital adequacy purposes with the capital conservation buffer, and the minimum ratios to be well capitalized under regulatory prompt corrective action provisions.

	December 31, 2023	December 31, 2022	For Capital Adequacy Purposes With Capital Conversation Buffer ⁽¹⁾	To Be Well Capitalized Under Prompt Corrective Action Provisions ⁽²⁾
Consolidated HBT Financial, Inc.				
Total Capital (to Risk Weighted Assets)	15.33 %	16.27 %	10.50 %	N/A
Tier 1 Capital (to Risk Weighted Assets)	13.42	14.23	8.50	N/A
Common Equity Tier 1 Capital (to Risk Weighted Assets)	12.12	13.07	7.00	N/A
Tier 1 Capital (to Average Assets)	10.49	10.48	4.00	N/A
Heartland Bank and Trust Company				
Total Capital (to Risk Weighted Assets)	14.92 %	15.43 %	10.50 %	10.00 %
Tier 1 Capital (to Risk Weighted Assets)	14.01	14.63	8.50	8.00
Common Equity Tier 1 Capital (to Risk Weighted Assets)	14.01	14.63	7.00	6.50
Tier 1 Capital (to Average Assets)	10.96	10.78	4.00	5.00

(1) The Tier 1 capital to average assets ratio (known as the “leverage ratio”) is not impacted by the capital conservation buffer.

(2) The prompt corrective action provisions are not applicable to bank holding companies.

N/A Not applicable.

As of December 31, 2023, management was not aware of any known trends, events or uncertainties that had or were reasonably likely to have a material impact on the Company’s capital resources.

Cash Dividends

The Company paid quarterly cash dividends of \$0.17 per share during 2023, \$0.16 per share during 2022, and \$0.15 per share during 2021. On January 23, 2024, the Company’s Board of Directors increased the quarterly cash dividend by \$0.02 per share to \$0.19 per share.

Stock Repurchase Program

The Company repurchased 479,005 shares of its common stock at a weighted average price of \$18.43 during 2023, 265,379 shares at a weighted average price of \$18.02 during 2022, and 290,486 shares at a weighted average price of \$16.89 during 2021. Repurchases were conducted in compliance with Rule 10b-18 and in compliance with Regulation M under the Exchange Act. On December 19, 2023, the Company’s Board of Directors approved a new stock repurchase program which authorizes the Company to repurchase up to \$15.0 million of its common stock. The new stock repurchase program took effect upon the expiration of the prior stock repurchase program and expires on January 1, 2025.

OFF-BALANCE SHEET ARRANGEMENTS

As a financial services provider, the Bank routinely is a party to various financial instruments with off-balance sheet risks, such as commitments to extend credit, standby letters of credit, unused lines of credit, commitments to sell loans, and interest rate swaps. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process afforded to loans originated by the Bank. For additional information, see “Note 22 – Commitments and Contingencies” to the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those that are critical to the portrayal and understanding of the Company’s financial condition and results of operations and require management to make assumptions that are difficult, subjective or complex. These estimates involve judgments, assumptions and uncertainties that are susceptible to change. In the event that different assumptions or conditions were to prevail, and depending on the severity of such changes, the possibility of a materially different financial condition or materially different results of operations is a reasonable likelihood. Further, changes in accounting standards could impact the Company’s critical accounting estimates. The following accounting estimates could be deemed critical:

Allowance for Credit Losses

The allowance for credit losses reflects an estimate of lifetime expected credit losses. Measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts. The allowance for credit losses is established through a provision for credit losses which is charged to expense. Additions to the allowance for credit losses are expected to maintain the adequacy of the total allowance for credit losses. Loan losses are charged off against the allowance for credit losses when the Company determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses.

Management uses the discounted cash flow method to estimate expected credit losses for all loan categories, except for consumer loans where the weighted average remaining maturity method is utilized. The Company uses regression analysis of historical internal and peer data to determine which macroeconomic variables are most closely correlated with credit losses, such as the unemployment rate and changes in GDP. Management leverages economic projections from a reputable third party to inform its economic forecasts with a reversion to historical averages for periods beyond a reasonable and supportable forecast period.

Nonaccrual loans and loans which do not share risk characteristics with other loans in the pool are individually evaluated to determine expected credit losses.

The allowance for credit losses on unfunded commitments is estimated in the same manner as the associated loans adjusted for anticipated funding rate.

Fair Value of Assets Acquired and Liabilities Assumed in Business Combinations

Business combinations are accounted for using the acquisition method of accounting. Under the acquisition method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair value on the acquisition date. Estimating such fair values may require highly subjective assumptions or the use of a valuation specialist. In the Town and Country acquisition, the fair value for loans was most significant estimate and relatively small changes in assumptions used in this estimate could result in a materially different conclusion.

The fair value for loans was based on a discounted cash flow methodology that considered credit loss and prepayment expectations, market interest rates and other market factors, such as liquidity, from the perspective of a market participant. Loan cash flows were generated on an individual loan basis. The probability of default, loss given default, exposure at default, and prepayment assumptions are key factors in this analysis.

NON-GAAP FINANCIAL INFORMATION

This Annual Report on Form 10-K contains certain financial information determined by methods other than those in accordance with GAAP. Management believes that it is a standard practice in the banking industry to present these non-GAAP financial measures, and accordingly believes that providing these measures may be useful for peer comparison purposes. These disclosures should not be viewed as substitutes for the results determined to be in accordance with GAAP; nor are they necessarily comparable to non-GAAP financial measures that may be presented by other companies. See our reconciliation of non-GAAP financial measures to their most closely comparable GAAP financial measures below.

Non-GAAP Financial Measure	Definition	How the Measure Provides Useful Information to Investors
Adjusted Net Income	<ul style="list-style-type: none"> • Net income, with the following adjustments: <ul style="list-style-type: none"> - excludes acquisition expenses, including the day 2 provision for credit losses on non-PCD loans and unfunded commitments, - excludes branch closure expenses, - excludes net earnings (losses) from closed or sold operations, - excludes realized gains (losses) on sales of closed branch premises, - excludes realized gains (losses) on sales of securities, - excludes mortgage servicing rights fair value adjustment, and - the income tax effect of these pre-tax adjustments. 	<ul style="list-style-type: none"> • Enhances comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects. • We also sometimes refer to ratios that include Adjusted Net Income, such as: <ul style="list-style-type: none"> - Adjusted Return on Average Assets, which is Adjusted Net Income divided by average assets. - Adjusted Return on Average Equity, which is Adjusted Net Income divided by average equity. - Adjusted Earnings Per Share - Basic, which is Adjusted Net Income allocated to common shares divided by weighted average common shares outstanding. - Adjusted Earnings Per Share – Diluted, which is Adjusted Net Income allocated to common shares divided by weighted average common shares outstanding, including all dilutive potential shares.
Net Interest Income (Tax Equivalent Basis)	<ul style="list-style-type: none"> • Net interest income adjusted for the tax-favored status of tax-exempt loans and securities. ⁽¹⁾ 	<ul style="list-style-type: none"> • We believe the tax equivalent basis is the preferred industry measurement of net interest income. • Enhances comparability of net interest income arising from taxable and tax-exempt sources. • We also sometimes refer to Net Interest Margin (Tax Equivalent Basis), which is Net Interest Income (Tax Equivalent Basis) divided by average interest-earning assets.
Efficiency Ratio (Tax Equivalent Basis)	<ul style="list-style-type: none"> • Noninterest expense less amortization of intangible assets divided by the sum of net interest income (tax equivalent basis) and noninterest income. ⁽¹⁾ 	<ul style="list-style-type: none"> • Provides a measure of productivity in the banking industry. • Calculated to measure the cost of generating one dollar of revenue. That is, the ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue.

(1) Tax-equivalent basis assuming a federal income tax rate of 21% and a state tax rate of 9.5%.

Non-GAAP Financial Measure	Definition	How the Measure Provides Useful Information to Investors
Tangible Common Equity to Tangible Assets	<ul style="list-style-type: none">• Tangible Common Equity is total stockholders' equity less goodwill and other intangible assets.• Tangible Assets is total assets less goodwill and other intangible assets.	<ul style="list-style-type: none">• Generally used by investors, our management, and banking regulators to evaluate capital adequacy.• Facilitates comparison of our earnings with the earnings of other banking organization with significant amounts of goodwill or intangible assets.• We also sometimes refer to ratios that include Tangible Common Equity, such as:<ul style="list-style-type: none">- Tangible Book Value Per Share, which is Tangible Common Equity divided by shares of common stock outstanding.- Return on Average Tangible Common Equity, which is net income divided by average Tangible Common Equity.- Adjusted Return on Average Tangible Common Equity, which is Adjusted Net Income divided by average Tangible Common Equity.
Core Deposits	<ul style="list-style-type: none">• Total deposits, excluding:<ul style="list-style-type: none">- Time deposits of \$250,000 or more, and- Brokered deposits	<ul style="list-style-type: none">• Provides investors with information regarding the stability of the Company's sources of funds.• We also sometimes refer to the ratio of Core Deposits to total deposits.

Reconciliation of Non-GAAP Financial Measure - Adjusted Net Income and Adjusted Return on Average Assets

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Net income	\$ 65,842	\$ 56,456	\$ 56,271
Adjustments:			
Acquisition expenses ⁽¹⁾	(13,691)	(1,092)	(1,416)
Branch closure expenses	—	—	(748)
Gains (losses) on sales of closed branch premises	75	141	—
Realized gains (losses) on sales of securities	(1,820)	—	—
Mortgage servicing rights fair value adjustment	(1,615)	2,153	1,690
Total adjustments	(17,051)	1,202	(474)
Tax effect of adjustments	4,711	(551)	(95)
Total adjustments after tax effect	(12,340)	651	(569)
Adjusted net income	\$ 78,182	\$ 55,805	\$ 56,840
Average assets	\$ 4,927,904	\$ 4,269,873	\$ 3,980,538
Return on average assets	1.34 %	1.32 %	1.41 %
Adjusted return on average assets	1.59	1.31	1.43

(1) Includes recognition of an allowance for credit losses on non-PCD loans of \$5.2 million and an allowance for credit losses on unfunded commitments of \$0.7 million in connection with the Town and Country merger during the first quarter of 2023 in accordance with ASC 326 which was adopted on January 1, 2023.

Reconciliation of Non-GAAP Financial Measure - Adjusted Earnings Per Share

	Year Ended December 31,		
	2023	2022	2021
<i>(dollars in thousands, except per share amounts)</i>			
Numerator:			
Net income	\$ 65,842	\$ 56,456	\$ 56,271
Earnings allocated to participating securities ⁽¹⁾	(36)	(66)	(104)
Numerator for earnings per share - basic and diluted	<u>\$ 65,806</u>	<u>\$ 56,390</u>	<u>\$ 56,167</u>
Adjusted net income	\$ 78,182	\$ 55,805	\$ 56,840
Earnings allocated to participating securities ⁽¹⁾	(42)	(65)	(105)
Numerator for adjusted earnings per share - basic and diluted	<u>\$ 78,140</u>	<u>\$ 55,740</u>	<u>\$ 56,735</u>
Denominator:			
Weighted average common shares outstanding	31,626,308	28,853,697	27,795,806
Dilutive effect of outstanding restricted stock units	111,839	65,619	15,487
Weighted average common shares outstanding, including all dilutive potential shares	<u>31,738,147</u>	<u>28,919,316</u>	<u>27,811,293</u>
Earnings per share - Basic	<u>\$ 2.08</u>	<u>\$ 1.95</u>	<u>\$ 2.02</u>
Earnings per share - Diluted	<u>\$ 2.07</u>	<u>\$ 1.95</u>	<u>\$ 2.02</u>
Adjusted earnings per share - Basic	<u>\$ 2.47</u>	<u>\$ 1.93</u>	<u>\$ 2.04</u>
Adjusted earnings per share - Diluted	<u>\$ 2.46</u>	<u>\$ 1.93</u>	<u>\$ 2.04</u>

(1) The Company has granted certain restricted stock units that contain non-forfeitable rights to dividend equivalents. Such restricted stock units are considered participating securities. As such, we have included these restricted stock units in the calculation of basic earnings per share and calculate basic earnings per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings.

Reconciliation of Non-GAAP Financial Measure – Net Interest Income and Net Interest Margin (Tax Equivalent Basis)

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Net interest income (tax-equivalent basis)			
Net interest income	\$ 191,072	\$ 145,874	\$ 122,403
Tax-equivalent adjustment ⁽¹⁾	2,758	2,499	2,028
Net interest income (tax-equivalent basis) ⁽¹⁾	<u>\$ 193,830</u>	<u>\$ 148,373</u>	<u>\$ 124,431</u>
Net interest margin (tax-equivalent basis)			
Net interest margin	4.09 %	3.54 %	3.18 %
Tax-equivalent adjustment ⁽¹⁾	0.06	0.06	0.05
Net interest margin (tax-equivalent basis) ⁽¹⁾	<u>4.15 %</u>	<u>3.60 %</u>	<u>3.23 %</u>
Average interest-earning assets	\$ 4,675,025	\$ 4,118,124	\$ 3,846,473

(1) On a tax-equivalent basis assuming a federal income tax rate of 21% and a state tax rate of 9.5%.

Reconciliation of Non-GAAP Financial Measure - Efficiency Ratio (Tax Equivalent Basis)

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Efficiency ratio (tax-equivalent basis)			
Total noninterest expense	\$ 130,964	\$ 105,107	\$ 91,246
Less: amortization of intangible assets	2,670	873	1,054
Noninterest expense excluding amortization of intangible assets	<u>\$ 128,294</u>	<u>\$ 104,234</u>	<u>\$ 90,192</u>
Net interest income	\$ 191,072	\$ 145,874	\$ 122,403
Total noninterest income	36,046	34,717	37,328
Operating revenue	227,118	180,591	159,731
Tax-equivalent adjustment ⁽¹⁾	2,758	2,499	2,028
Operating revenue (tax-equivalent basis) ⁽¹⁾	<u>\$ 229,876</u>	<u>\$ 183,090</u>	<u>\$ 161,759</u>
Efficiency ratio	56.49 %	57.72 %	56.46 %
Efficiency ratio (tax-equivalent basis) ⁽¹⁾	55.81	56.93	55.76

(1) On a tax-equivalent basis assuming a federal income tax rate of 21% and a state tax rate of 9.5%.

Reconciliation of Non-GAAP Financial Measure - Tangible Common Equity to Tangible Assets and Tangible Book Value Per Share
(dollars in thousands, except per share data)

	December 31, 2023	December 31, 2022
Tangible Common Equity		
Total stockholders' equity	\$ 489,496	\$ 373,632
Less: Goodwill	59,820	29,322
Less: Intangible assets, net	20,682	1,070
Tangible common equity	\$ 408,994	\$ 343,240
Tangible Assets		
Total assets	\$ 5,073,170	\$ 4,286,734
Less: Goodwill	59,820	29,322
Less: Intangible assets, net	20,682	1,070
Tangible assets	\$ 4,992,668	\$ 4,256,342
Total stockholders' equity to total assets	9.65 %	8.72 %
Tangible common equity to tangible assets	8.19	8.06
Shares of common stock outstanding	31,695,828	28,752,626
Book value per share	\$ 15.44	\$ 12.99
Tangible book value per share	12.90	11.94

Reconciliation of Non-GAAP Financial Measure – Return on Average Tangible Common Equity, Adjusted Return on Average Stockholders' Equity, and Adjusted Return on Average Tangible Common Equity
(dollars in thousands)

	Year Ended December 31,		
	2023	2022	2021
Average Tangible Common Equity			
Total stockholders' equity	\$ 450,928	\$ 383,306	\$ 380,080
Less: Goodwill	57,266	29,322	25,057
Less: Intangible assets, net	20,272	1,480	2,333
Average tangible common equity	\$ 373,390	\$ 352,504	\$ 352,690
Net income	\$ 65,842	\$ 56,456	\$ 56,271
Adjusted net income	78,182	55,805	56,840
Return on average stockholders' equity	14.60 %	14.73 %	14.81 %
Return on average tangible common equity	17.63	16.02	15.95
Adjusted return on average stockholders' equity	17.34 %	14.56 %	14.95 %
Adjusted return on average tangible common equity	20.94	15.83	16.12

Reconciliation of Non-GAAP Financial Measure - Core Deposits*(dollars in thousands)*

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Core Deposits		
Total deposits	\$ 4,401,437	\$ 3,587,024
Less: time deposits of \$250,000 or more	130,183	27,158
Less: brokered deposits	144,880	—
Core deposits	<u>\$ 4,126,374</u>	<u>\$ 3,559,866</u>
Core deposits to total deposits	93.75 %	99.24 %

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Managing risk is an essential part of successfully managing a financial institution. Our most prominent risk exposures are interest rate risk and credit risk.

Interest Rate Risk

Our most significant form of market risk is interest rate risk inherent in the normal course of lending and deposit-taking activities. Interest rate risk is the potential reduction of net interest income as a result of changes in interest rates. Management believes that our ability to successfully respond to changes in interest rates will have a significant impact on our financial results. To that end, management actively monitors and manages our interest rate exposure.

The Company's Asset/Liability Management Committee ("ALCO"), which is authorized by the Company's board of directors, monitors our interest rate sensitivity and makes decisions relating to that process. The ALCO's goal is to structure our asset/liability composition to maximize net interest income while managing interest rate risk so as to minimize the adverse impact of changes in interest rates on net interest income and capital in either a rising or declining interest rate environment. Profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates may adversely impact our earnings because the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis.

We monitor the impact of changes in interest rates on our net interest income and economic value of equity ("EVE") using rate shock analysis. Net interest income simulations measure the short-term earnings exposure from changes in market rates of interest in a rigorous and explicit fashion. Our current financial position is combined with assumptions regarding future business to calculate net interest income under varying hypothetical rate scenarios. EVE measures our long-term earnings exposure from changes in market rates of interest. EVE is defined as the present value of assets minus the present value of liabilities at a point in time. A decrease in EVE due to a specified rate change indicates a decline in the long-term earnings capacity of the balance sheet assuming that the rate change remains in effect over the life of the current balance sheet.

The following table sets forth the estimated impact on our EVE and net interest income of immediate and parallel changes in interest rates at the specified levels.

Change in Interest Rates (basis points)	Estimated Increase (Decrease) in EVE	Increase (Decrease) in Estimated Net Interest Income	
		Year 1	Year 2
December 31, 2023			
+400	10.7 %	7.5 %	13.0 %
+300	9.7	5.8	10.3
+200	7.1	3.4	6.4
+100	4.2	1.4	3.1
-100	(6.3)	(4.4)	(6.1)
-200	(13.2)	(7.1)	(11.2)
-300	(4.5)	(9.5)	(16.0)
-400	5.4	(10.2)	(17.3)
December 31, 2022			
+400	11.9 %	8.7 %	12.7 %
+300	11.0	6.9	10.5
+200	8.7	4.8	7.6
+100	5.3	2.5	4.2
-100	(7.9)	(4.0)	(5.9)
-200	(19.5)	(9.6)	(13.6)
-300	(27.0)	(14.7)	(20.5)

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurements. Modeling changes in EVE and net interest income requires that we make certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. The EVE and net interest income table presented above assumes that the composition of our interest-rate-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and, accordingly, the data does not reflect any actions that we may undertake in response to changes in interest rates, such as changes in rates paid on certain deposit accounts based on local competitive factors, which could change the actual impact on EVE and net interest income. The table also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or the repricing characteristics of specific assets and liabilities. Accordingly, although the EVE and net interest income table provides an indication of our sensitivity to interest rate changes at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

Credit Risk

Credit risk is the risk that borrowers or counterparties will be unable or unwilling to repay their obligations in accordance with the underlying contractual terms. We manage and control credit risk in the loan portfolio by adhering to well-defined underwriting criteria and account administration standards established by management. Our loan policy documents underwriting standards, approval levels, exposure limits and other limits or standards deemed necessary and prudent. Portfolio diversification at the borrower, industry, and product levels is actively managed to mitigate concentration risk. In addition, credit risk management also includes an independent loan review process that assesses compliance with loan policy, compliance with loan documentation standards, accuracy of the risk rating and overall credit quality of the loan portfolio.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

HBT FINANCIAL, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of HBT Financial, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of HBT Financial, Inc. and its subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for credit losses on financial instruments in 2023 due to the adoption of Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the Company's auditor since 2017.

Chicago, Illinois
March 6, 2024

HBT FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	December 31, 2023	December 31, 2022
ASSETS		
Cash and due from banks	\$ 26,256	\$ 18,970
Interest-bearing deposits with banks	114,996	95,189
Cash and cash equivalents	141,252	114,159
Interest-bearing time deposits with banks	509	—
Debt securities available-for-sale, at fair value	759,461	843,524
Debt securities held-to-maturity (fair value of \$466,496 at 2023 and \$478,801 at 2022)	521,439	541,600
Equity securities with readily determinable fair value	3,360	3,029
Equity securities with no readily determinable fair value	2,505	1,977
Restricted stock, at cost	7,160	7,965
Loans held for sale	2,318	615
Loans, before allowance for credit losses	3,404,417	2,620,253
Allowance for credit losses	(40,048)	(25,333)
Loans, net of allowance for credit losses	3,364,369	2,594,920
Bank owned life insurance	23,905	7,557
Bank premises and equipment, net	65,150	50,469
Bank premises held for sale	—	235
Foreclosed assets	852	3,030
Goodwill	59,820	29,322
Intangible assets, net	20,682	1,070
Mortgage servicing rights, at fair value	19,001	10,147
Investments in unconsolidated subsidiaries	1,614	1,165
Accrued interest receivable	24,534	19,506
Other assets	55,239	56,444
Total assets	\$ 5,073,170	\$ 4,286,734
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 1,072,407	\$ 994,954
Interest-bearing	3,329,030	2,592,070
Total deposits	4,401,437	3,587,024
Securities sold under agreements to repurchase	42,442	43,081
Federal Home Loan Bank advances	12,623	160,000
Subordinated notes	39,474	39,395
Junior subordinated debentures issued to capital trusts	52,789	37,780
Other liabilities	34,909	45,822
Total liabilities	4,583,674	3,913,102
COMMITMENTS AND CONTINGENCIES (Note 22)		
Stockholders' Equity		
Preferred stock, \$0.01 par value; 25,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.01 par value; 125,000,000 shares authorized; shares issued of 32,730,698 at 2023 and 29,308,491 at 2022; shares outstanding of 31,695,828 at 2023 and 28,752,626 at 2022	327	293
Surplus	295,877	222,783
Retained earnings	269,051	232,004
Accumulated other comprehensive income (loss)	(57,163)	(71,759)
Treasury stock at cost, 1,034,870 shares at 2023 and 555,865 at 2022	(18,596)	(9,689)
Total stockholders' equity	489,496	373,632
Total liabilities and stockholders' equity	\$ 5,073,170	\$ 4,286,734

See accompanying Notes to Consolidated Financial Statements

HBT FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2023	2022	2021
<i>(dollars in thousands, except per share data)</i>			
INTEREST AND DIVIDEND INCOME			
Loans, including fees:			
Taxable	\$ 191,008	\$ 120,343	\$ 103,900
Federally tax exempt	4,189	3,135	2,384
Securities:			
Taxable	25,962	23,368	16,948
Federally tax exempt	4,225	4,569	4,400
Interest-bearing deposits in bank	3,020	1,541	527
Other interest and dividend income	595	98	64
Total interest and dividend income	228,999	153,054	128,223
INTEREST EXPENSE			
Deposits	25,135	2,511	2,472
Securities sold under agreements to repurchase	255	36	34
Borrowings	7,128	967	9
Subordinated notes	1,879	1,879	1,879
Junior subordinated debentures issued to capital trusts	3,530	1,787	1,426
Total interest expense	37,927	7,180	5,820
Net interest income	191,072	145,874	122,403
PROVISION FOR CREDIT LOSSES	7,573	(706)	(8,077)
Net interest income after provision for credit losses	183,499	146,580	130,480
NONINTEREST INCOME			
Card income	11,043	10,329	9,734
Wealth management fees	9,883	9,155	8,384
Service charges on deposit accounts	7,846	7,072	6,080
Mortgage servicing	4,678	2,609	2,825
Mortgage servicing rights fair value adjustment	(1,615)	2,153	1,690
Gains on sale of mortgage loans	1,526	1,461	5,846
Realized gains (losses) on sales of securities	(1,820)	—	—
Unrealized gains (losses) on equity securities	160	(414)	107
Gains (losses) on foreclosed assets	501	(314)	310
Gains (losses) on other assets	166	136	(723)
Income on bank owned life insurance	573	164	41
Other noninterest income	3,105	2,366	3,034
Total noninterest income	36,046	34,717	37,328
NONINTEREST EXPENSE			
Salaries	67,453	51,767	48,972
Employee benefits	10,037	8,325	6,513
Occupancy of bank premises	9,918	7,673	6,788
Furniture and equipment	2,790	2,476	2,676
Data processing	12,352	7,441	7,329
Marketing and customer relations	5,043	3,803	3,376
Amortization of intangible assets	2,670	873	1,054
FDIC insurance	2,280	1,164	1,043
Loan collection and servicing	1,402	1,049	1,317
Foreclosed assets	251	293	908
Other noninterest expense	16,768	20,243	11,270
Total noninterest expense	130,964	105,107	91,246
INCOME BEFORE INCOME TAX EXPENSE	88,581	76,190	76,562
INCOME TAX EXPENSE	22,739	19,734	20,291
NET INCOME	\$ 65,842	\$ 56,456	\$ 56,271
EARNINGS PER SHARE - BASIC	\$ 2.08	\$ 1.95	\$ 2.02
EARNINGS PER SHARE - DILUTED	\$ 2.07	\$ 1.95	\$ 2.02
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING	31,626,308	28,853,697	27,795,806

See accompanying Notes to Consolidated Financial Statements

HBT FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
NET INCOME	\$ 65,842	\$ 56,456	\$ 56,271
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gains (losses) on debt securities available-for-sale	16,949	(105,459)	(24,798)
Reclassification adjustment for losses on sale of debt securities available-for-sale realized in income	1,820	—	—
Reclassification adjustment for amortization of net unrealized losses on debt securities transferred to held-to-maturity	1,954	1,723	687
Unrealized gains on derivative instruments	161	1,183	366
Reclassification adjustment for net settlements on derivative instruments	(468)	126	412
Total other comprehensive income (loss), before tax	20,416	(102,427)	(23,333)
Income tax expense (benefit)	5,820	(29,197)	(6,651)
Total other comprehensive income (loss)	14,596	(73,230)	(16,682)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 80,438	\$ (16,774)	\$ 39,589

See accompanying Notes to Consolidated Financial Statements

HBT FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<i>(dollars in thousands, except per share data)</i>	Common Stock		Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Shares Outstanding	Amount					
Balance, December 31, 2020	27,457,306	\$ 275	\$ 190,875	\$ 154,614	\$ 18,153	\$ —	\$ 363,917
Net income	—	—	—	56,271	—	—	56,271
Other comprehensive loss	—	—	—	—	(16,682)	—	(16,682)
Stock-based compensation	—	—	764	—	—	—	764
Issuance of common stock upon vesting of restricted stock units, net of tax withholdings	20,225	—	—	—	—	—	—
Issuance of common stock in NXT acquisition	1,799,016	18	29,252	—	—	—	29,270
Repurchase of common stock	(290,486)	—	—	—	—	(4,906)	(4,906)
Cash dividends and dividend equivalents (\$0.60 per share)	—	—	—	(16,753)	—	—	(16,753)
Balance, December 31, 2021	28,986,061	293	220,891	194,132	1,471	(4,906)	411,881
Net income	—	—	—	56,456	—	—	56,456
Other comprehensive loss	—	—	—	—	(73,230)	—	(73,230)
Stock-based compensation	—	—	1,949	—	—	—	1,949
Issuance of common stock upon vesting of restricted stock units, net of tax withholdings	31,944	—	(57)	—	—	—	(57)
Repurchase of common stock	(265,379)	—	—	—	—	(4,783)	(4,783)
Cash dividends and dividend equivalents (\$0.64 per share)	—	—	—	(18,584)	—	—	(18,584)
Balance, December 31, 2022	28,752,626	293	222,783	232,004	(71,759)	(9,689)	373,632
Cumulative effect of change in accounting principle (ASU 2016-13)	—	—	—	(6,922)	—	—	(6,922)
Net income	—	—	—	65,842	—	—	65,842
Other comprehensive income	—	—	—	—	14,596	—	14,596
Stock-based compensation	—	—	1,953	—	—	—	1,953
Issuance of common stock upon vesting of restricted stock units, net of tax withholdings	43,607	—	(181)	—	—	—	(181)
Issuance of common stock in Town and Country acquisition	3,378,600	34	71,322	—	—	—	71,356
Repurchase of common stock	(479,005)	—	—	—	—	(8,907)	(8,907)
Cash dividends and dividend equivalents (\$0.68 per share)	—	—	—	(21,873)	—	—	(21,873)
Balance, December 31, 2023	31,695,828	\$ 327	\$ 295,877	\$ 269,051	\$ (57,163)	\$ (18,596)	\$ 489,496

See accompanying Notes to Consolidated Financial Statements

HBT FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)	Year Ended December 31,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 65,842	\$ 56,456	\$ 56,271
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	3,108	3,043	3,074
Provision for credit losses	7,573	(706)	(8,077)
Net amortization of debt securities	5,730	6,959	7,066
Deferred income tax expense (benefit)	3,817	(2,919)	2,908
Stock-based compensation	1,953	1,949	764
Net accretion of discount and deferred loan fees on loans	(7,228)	(5,337)	(12,448)
Net realized loss on sales of securities	1,820	—	—
Net unrealized loss (gain) on equity securities	(160)	414	(107)
Net loss (gain) on disposals of bank premises and equipment	(84)	(9)	33
Net gain on sales of bank premises held for sale	(81)	(187)	—
Impairment losses on bank premises held for sale	—	60	661
Net gain on sales of foreclosed assets	(764)	(118)	(505)
Write-down of foreclosed assets	263	432	195
Amortization of intangibles	2,670	873	1,054
Decrease (increase) in mortgage servicing rights	1,615	(2,153)	(1,690)
Amortization of discount and issuance costs on subordinated notes and debentures	139	145	144
Amortization of discount on Federal Home Loan Bank advances	379	—	(105)
Amortization of premium on interest-bearing time deposits with banks	—	5	4
Amortization of premium on time deposits	(400)	(188)	(81)
Mortgage loans originated for sale	(69,663)	(56,240)	(179,921)
Proceeds from sale of mortgage loans	71,098	62,028	195,538
Net gain on sale of mortgage loans	(1,526)	(1,461)	(5,846)
Increase in cash surrender value of bank owned life insurance	(566)	(164)	(41)
Decrease (increase) in accrued interest receivable	(1,915)	(4,605)	240
Decrease (increase) in other assets	2,174	(8,007)	1,676
Increase (decrease) in other liabilities	(19,965)	22,316	(17,784)
Net cash provided by operating activities	65,829	72,586	43,023
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of interest-bearing time deposits with banks	249	485	245
Purchase of interest-bearing time deposits with banks	(509)	—	—
Proceeds from sales of securities available-for-sale	185,280	—	—
Proceeds from paydowns, maturities, and calls of debt securities	102,625	154,166	213,491
Purchase of securities	(3,037)	(371,682)	(513,838)
Purchase of loans	(61,009)	—	—
Net increase in loans	(81,641)	(113,665)	(50,089)
Purchase of restricted stock	(23,832)	(6,151)	(241)
Proceeds from redemption of restricted stock	27,459	925	796
Purchases of bank premises and equipment	(3,134)	(1,047)	(1,028)
Proceeds from sales of bank premises and equipment	222	27	17
Proceeds from sales of bank premises held for sale	351	1,344	—
Proceeds from sales of foreclosed assets	4,093	475	5,805
Net cash paid for acquisition of Town and Country	(14,454)	—	—
Net cash paid for acquisition of NXT Bancorporation, Inc.	—	—	(4,771)
Net cash provided by (used in) investing activities	132,663	(335,123)	(349,613)

See accompanying Notes to Consolidated Financial Statements

HBT FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in deposits	94,396	(150,973)	426,146
Net increase (decrease) in repurchase agreements	(639)	(18,175)	11,440
Net increase (decrease) in Federal Home Loan Bank advances	(234,195)	160,000	(12,520)
Taxes paid related to the vesting of restricted stock units	(181)	(57)	—
Repurchase of common stock	(8,907)	(4,783)	(4,906)
Cash dividends and dividend equivalents paid	(21,873)	(18,584)	(16,753)
Net cash provided by (used in) financing activities	(171,399)	(32,572)	403,407
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,093	(295,109)	96,817
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	114,159	409,268	312,451
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 141,252	\$ 114,159	\$ 409,268
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest	\$ 32,853	\$ 6,860	\$ 5,928
Cash paid for income taxes	\$ 20,512	\$ 20,035	\$ 20,861
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES			
Transfers of loans to foreclosed assets	\$ 1,143	\$ 541	\$ 4,857
Sales of foreclosed assets through loan origination	\$ —	\$ —	\$ 252
Transfers of bank premises and equipment to bank premises held for sale	\$ 35	\$ —	\$ 1,345

See accompanying Notes to Consolidated Financial Statements

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

HBT Financial, Inc. (“HBT Financial” or the “Company”) is headquartered in Bloomington, Illinois and is the holding company for Heartland Bank and Trust Company (“Heartland Bank” or the “Bank”). The Bank provides a comprehensive suite of financial products and services to individuals, businesses, and municipal entities throughout Illinois and Eastern Iowa. Additionally, the Company is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory agencies.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Significant accounting policies are summarized below.

The Company qualifies as an “emerging growth company” as defined by the Jumpstart Our Business Startups Act (“JOBS Act”). The JOBS Act permits emerging growth companies an extended transition period for complying with new or revised accounting standards affecting public companies. The Company may remain an emerging growth company until the earliest to occur of: (1) the end of the fiscal year following the fifth anniversary of the completion of our initial public offering, which is December 31, 2024, (2) the last day of the fiscal year in which the Company has \$1.235 billion or more in annual revenues, (3) the date on which the Company is deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) or (4) the date on which the Company has, during the previous three year period, issued, publicly or privately, more than \$1.0 billion in non-convertible debt securities. The Company has elected to use the extended transition period until the Company is no longer an emerging growth company or until the Company chooses to affirmatively and irrevocably opt out of the extended transition period. As a result, the Company’s financial statements may not be comparable to companies that comply with new or revised accounting pronouncements applicable to public companies.

Basis of Consolidation

The consolidated financial statements of HBT Financial include the accounts of the Company and its wholly owned bank subsidiary, Heartland Bank. Heartland Bank maintains a limited liability company that holds specific assets for risk mitigation purposes and is consolidated into HBT Financial's consolidated financial statements.

The Company also has eight wholly owned subsidiaries, Heartland Bancorp, Inc. Capital Trust B; Heartland Bancorp, Inc. Capital Trust C; Heartland Bancorp, Inc. Capital Trust D; FFBI Capital Trust I; National Bancorp Statutory Trust I; Town and Country Statutory Trust II; Town and Country Statutory Trust III; and West Plains Investors Statutory Trust I, which, in accordance with GAAP, are not consolidated as more fully described in Note 13.

Significant intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and the reported results of operations for the periods then ended.

Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for credit losses and fair value of assets acquired and liabilities assumed in business combinations.

Business and Significant Concentrations of Credit Risk

The Company provides several types of loans to individuals, businesses, and municipal entities, primarily located in its customer service area. Real estate and commercial loans are principal areas of concentration. The

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Company also strives to meet the borrowing needs of the consumers in its market areas. Extension of credit is generally limited to the primary trade areas of the Company. Primary deposit products of the Bank are noninterest-bearing and interest-bearing demand accounts, savings accounts, money market accounts, and term certificates of deposit.

Cash and Cash Equivalents

For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and amounts due from banks, all of which have an original maturity within 90 days or less. Cash flows from loans and deposits are reported net.

Interest-Bearing Time Deposits with Banks

Interest-bearing time deposits with banks are carried at cost.

Debt Securities

Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity and are carried at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale. Debt securities available-for-sale are carried at fair value with unrealized gains and losses reported in accumulated other comprehensive income (loss). Realized gains and losses on debt securities available-for-sale are included in noninterest income when applicable and reported as a reclassification adjustment in other comprehensive income (loss). Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on debt securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date.

Any transfers of debt securities into the held-to-maturity category from the available-for-sale category are made at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer is retained in accumulated other comprehensive income (loss) and in the carrying value of the held-to-maturity securities. Such amounts are amortized over the period to maturity.

Allowance for Credit Losses - Debt Securities Available-for-Sale

For debt securities available-for-sale in an unrealized loss position, the Company first assesses whether it intends to sell, or if it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security amortized cost basis is written down to fair value through earnings. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as provision for credit losses. Losses are charged against the allowance for credit losses when management believes the uncollectibility of a security is confirmed or when either the criteria regarding intent or requirement to sell is met.

HBT FINANCIAL, INC. AND SUBSIDIARIES
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Allowance for Credit Losses - Debt Securities Held-to-Maturity

For debt securities held-to-maturity, the Company measures expected credit losses on a collective basis by major security type. Held-to-maturity securities are evaluated using historical probability of default and loss given default information specific to the investment category. If this evaluation determines that credit losses exist, an allowance for credit loss is recorded and included in earnings as a component of provision for credit losses. The Company's U.S. government agency and agency mortgage-backed securities are explicitly or implicitly guaranteed by the U.S. government, and as such are excluded from the credit loss evaluation as the expectation of non-payment is zero.

Equity Securities

Equity securities with readily determinable fair values are measured at fair value with changes in fair value recognized in unrealized gains (losses) on equity securities on the statements of income.

The Company has elected to measure its equity securities with no readily determinable fair values at their cost minus impairment, if any, plus or minus charges resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Restricted Stock

Restricted stock, which consists of Federal Home Loan Bank of Chicago ("FHLB") stock, is carried at cost and evaluated for impairment.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value. The Company obtains quotes or bids on these loans directly from purchasing financial institutions. Typically, these quotes include a premium on sale and thus quotes typically indicate fair value of the held for sale loans is greater than cost. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Mortgage loans held for sale are generally sold with the mortgage servicing rights retained by the Company. The carrying value of mortgage loans sold is reduced by fair value allocated to the associated mortgage servicing rights. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the allowance for credit losses. Amortized cost is the unpaid principal balance outstanding, adjusted for charge-offs, net of purchase premiums and discounts, and deferred loan fees and costs.

Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due, unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income if it was accrued during the current year and charged-off against the allowance for credit losses

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

if accrued in a prior year. Amortization of related deferred loan fees or costs and any purchase premium or discount is also suspended at this time. The interest on these loans is accounted for on the cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, future payments are reasonably assured, and the borrower must generally demonstrate at least 6 months of payment performance.

Purchased Credit Deteriorated Loans

Purchased credit deteriorated loans ("PCD loans") are purchased loans, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the Company's assessment. An allowance for credit losses is determined using the same methodology as other loans held for investment. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of a loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the unpaid principal balance of a loan is a non-credit discount or premium which is amortized into interest income over the life of the loan.

Non-Purchased Credit Deteriorated Loans

Non-purchased credit deteriorated loans ("non-PCD loans") are purchased loans, that, as of the date of acquisition, have not experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the Company's assessment. The loan's purchase price becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the unpaid principal balance of the loan is a discount or premium, which is comprised of a credit and non-credit component, and is accreted or amortized into interest income over the life of the loan.

An allowance for credit losses is determined using the same methodology as other loans held for investment, but no "Day One" allowance for credit losses is established on the date of acquisition. Instead, a subsequent "Day Two" allowance for credit losses for non-PCD loans is recorded through the provision for credit losses, which reflects the estimated lifetime credit losses.

Allowance for Credit Losses - Loans

The allowance for credit losses for loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The Company's estimate of the allowance for credit losses for loans reflects losses expected over the remaining contractual life of the loans, considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions.

Loans are charged off against the allowance for credit losses when management believes the uncollectibility of a loan balance is confirmed. Recoveries are recognized up to the aggregate amount of previously charged-off balances. The allowance for credit losses is established through provision for credit loss expense charged to income.

The allowance for credit losses is measured on a collective (pooled) basis when similar risk characteristics exist. The Company has identified the following portfolio segments:

Commercial and Industrial: Consists of loans typically granted for working capital, asset acquisition and other business purposes. These loans are underwritten primarily based on the borrower's cash flow with most loans secondarily supported by collateral. Most commercial and industrial loans are secured by the assets being financed or other business assets, such as accounts receivable, inventory, and equipment, and are typically supported by personal guarantees of the owners. Cash flows and collateral values may fluctuate based on general economic conditions, specific industry conditions and specific borrower circumstances.

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Commercial Real Estate - Owner Occupied: Consists of loans secured by commercial real estate that is both owned and occupied by the same or a related borrower. These loans are primarily underwritten based on the cash flow of the business occupying the property. As with commercial and industrial loans, cash flows and collateral values may fluctuate based on general economic conditions, specific industry conditions, and specific borrower circumstances.

Commercial Real Estate - Non-owner Occupied: Consists of loans secured by commercial real estate for which the primary source of repayment is the sale or rental cash flows from the underlying collateral. These loans are underwritten based primarily on the historic or projected cash flow from the underlying collateral. Adverse economic developments, or an overbuilt market, typically impact commercial real estate projects. Trends in rental and vacancy rates of commercial properties may impact the credit quality of these loans.

Construction and Land Development: Consists of loans for speculative and pre-sold construction projects for developers intending to either sell upon completion or hold for long-term investment, as well as construction of projects to be owner occupied. In addition, loans in this segment generally possess a higher inherent risk of loss than other portfolio segments due to risk of non-completion, changes in budgeted costs, and changes in market forces during the term of the construction period.

Multi-family: Consists of loans secured by five or more unit apartment buildings. Multi-family loans may be affected by demographic and population trends, unemployment or underemployment, and deteriorating market values of real estate.

One-to-four Family Residential: Consists of loans secured by one-to-four family residences, including both first and junior lien mortgage loans for owner occupied and non-owner occupied properties and home equity lines of credit. The degree of risk in residential mortgage lending depends on the local economy, including the local real estate market and unemployment rates.

Agricultural and Farmland: Consists of loans typically secured by farmland, agricultural operating assets, or a combination of both, and are generally underwritten to existing cash flows of operating agricultural businesses. Debt repayment is provided by business cash flows. The credit quality of these loans is significantly influenced by changes in prices of corn and soybeans and, to a lesser extent, weather, which has been partially mitigated by federal crop insurance programs.

Municipal, Consumer and Other: Loans to municipalities include obligations of municipal entities and loans sponsored by municipal entities for the benefit of a private entity where that private entity, rather than the municipal entity, is responsible for repayment of the obligation. Consumer loans include loans to individuals for consumer purposes and typically consist of small balance loans. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of the consumer loans. Loans to non-depository financial institutions, as well as leases, are also included.

The Company uses the discounted cash flow method to estimate expected credit losses for all loan segments, except for consumer loans. Under this method, cash flow projections at the instrument-level are adjusted for estimated prepayments, probability of default, loss given default, and time to recovery. These cash flow projections are discounted at the instrument-level effective yield to calculate the present value of expected cash flows. An allowance for credit losses is established for the difference between a pool's total amortized cost basis and present value of expected cash flows.

The Company uses the weighted average remaining maturity method to estimate expected credit losses for consumer loans. Under this method, an expected loss rate is applied to an estimate of future outstanding balance balances of the pool.

The Company uses regression analysis of historical internal and peer data to determine which variables are best suited to be economic variables utilized when modeling lifetime probability of default in the discounted cash flow models and loss rates in the weighted average remaining maturity model. The analysis also determines

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how expected probability of default and loss rates will react to forecasted levels of the economic variables. In addition, qualitative adjustments are made for risk factors that are not considered within our modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools.

Management estimates the allowance for credit losses on loans using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. As historical credit loss experience provides the basis for the estimation of expected credit losses for pooled loans, adjustments may be necessary to capture differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions.

Loans that do not share risk characteristics are evaluated on an individual basis. Loan evaluated individually are not also included in the pooled evaluation. When management determines that foreclosure is probable, or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for anticipated selling costs as appropriate.

Although management believes the allowance for credit losses to be adequate, ultimate losses may vary from its estimates. At least quarterly, the Allowance for Credit Losses Committee reviews the adequacy of the allowance, including consideration of the relevant risks in the portfolio, current economic conditions and other factors. In addition, the Company's regulators review the adequacy of the allowance for credit losses and may require additions to the allowance for credit losses based on their judgment about information available at the time of their examinations.

Unfunded Lending-related Commitments

In the ordinary course of business, the Company has entered into commitments to extend credit, such as lines of credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Allowance for Credit Losses - Unfunded Lending-related Commitments

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on unfunded lending-related commitments is adjusted through provision for credit losses. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credited losses on commitments expected to be funded over its estimated life.

Loan Servicing

The Company periodically sells mortgage loans on the secondary market with servicing retained. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on fair value. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds, and default rates and losses. Mortgage servicing rights are carried at fair value on the consolidated balance sheets and changes in fair value are recorded in mortgage servicing rights fair value adjustment on the consolidated statements of income.

Bank Owned Life Insurance

Bank owned life insurance represents life insurance policies on the lives of certain current and former employees and directors for which the Company is the sole owner and beneficiary. These policies are recorded as an asset in the consolidated balance sheets at their cash surrender value ("CSV") or the current amount that

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could be realized if settled. The change in CSV and insurance proceeds received are included as a component of noninterest income in the consolidated statements of income.

Bank Premises and Equipment

Land is carried at cost. Bank premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the individual assets using the straight-line method.

Bank Premises Held for Sale

Bank premises held for sale is carried at the lower of cost or fair value less estimated costs to sell. Bank premises classified as held for sale are not depreciated.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

Lease Obligations

The Company leases certain bank premises under non-cancelable operating leases in the normal course of business operations. These lease obligations result in the recognition of right-of-use assets and associated lease contract liabilities. The amount of right-of-use assets and associated lease contract liabilities recorded is based on the present value of future minimum lease payments. The discount rate used is equal to the rate implicit in the lease, when readily determinable, or the Company's incremental borrowing rate at lease inception, on a collateralized basis over a similar term. Right-of-use assets are included in other assets and lease contract liabilities are included in other liabilities in the consolidated balance sheets and were insignificant as of December 31, 2023 and 2022.

Foreclosed Assets

When it appears likely that we will obtain title to real estate collateral, we develop an exit strategy by assessing overall market conditions, the current use and condition of the asset, and its highest and best use. If determined necessary to maximize value, we complete the necessary improvements or tenant stabilization tasks, with the applicable time value discount and improvement expenses incorporated into our estimates of the expected costs to sell. Substantially all foreclosed real estate is valued on an "as-is" basis.

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less anticipated selling costs at the date of foreclosure, establishing a new cost basis. For foreclosed real estate, selling costs are generally estimated to be 7.0% of the fair value. This estimate includes sales commissions and closing costs.

Any write-down based on the fair value of the asset at the date of acquisition is charged to the allowance for credit losses. If the fair value of the asset less estimated cost to sell exceeds the recorded investment in the loan at the date of foreclosure, the increase in value is charged to current year operations unless there has been a prior charge-off, in which case a recovery to the allowance for credit losses is recorded. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell. Write-downs of foreclosed assets subsequent to foreclosure are charged to current year operations as are gains and losses from sale of foreclosed assets. Costs to maintain and hold foreclosed assets are expensed.

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Goodwill and Other Intangible Assets

Goodwill represents the excess of the original cost over the fair value of assets acquired and liabilities assumed. Goodwill is not amortized but instead is subject to an annual impairment evaluation. The Company has selected December 31 as the date to perform the annual impairment test. At December 31, 2023 and 2022, the Company's evaluations of goodwill indicated that goodwill was not impaired.

Other identifiable intangible assets consist of core deposit intangible and customer relationship intangible assets with definite useful lives which are being amortized over 10 years. The Company will periodically review the status of core deposit intangible and customer relationship intangible assets for any events or circumstances which may change the recoverability of the underlying basis.

Wealth Management Assets and Fees

Assets of the wealth management department of the Bank are not included in the consolidated balance sheets as such assets are not assets of the Company or the Bank. Fee income generated from wealth management services is recorded in the consolidated statements of income as a source of noninterest income.

Employee Benefit Plans

The Company sponsors a profit sharing plan under which the Company may contribute, at the discretion of the Board of Directors, a discretionary amount to all participating employees for the plan year. The Company may also make discretionary matching contributions in an amount up to 5% of compensation contributed by employees.

Stock Based Compensation

The Company recognizes compensation cost over the requisite service period, if any, which is generally defined as the vesting period. For awards classified as equity, compensation cost is based on the fair value of the awards on the grant date. For awards classified as liabilities, compensation cost also includes subsequent remeasurements of the fair value of the awards until the award is settled. The Company's policy is to recognize forfeitures as they occur.

Transfers of Financial Assets and Participating Interests

Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Advertising Costs

Advertising costs are expensed as incurred.

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Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

With regard to uncertain tax matters, the Company recognizes in the consolidated financial statements the impact of a tax position taken, or expected to be taken, if it is more likely than not that the position will be sustained on audit based on the technical merit of the position. Management has analyzed the tax positions taken by the Company and concluded as of December 31, 2023 and 2022, there are no material uncertain tax positions taken or expected to be taken that require recognition of a liability or disclosure in the consolidated financial statements. When applicable, the Company recognizes interest accrued related to unrecognized tax benefits and penalties in operating expenses.

Derivative Financial Instruments

As part of the Company's asset/liability management, the Company may use interest rate swaps to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Derivatives that are used as part of the asset/liability management process are linked to specific assets or liabilities, or pools of assets or liabilities, and have high correlation between the contract and the underlying item being hedged, both at inception and throughout the hedge period.

All derivatives are recognized on the consolidated balance sheet at their fair value. On the date the derivative contract is entered into, the Company may designate the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability "cash flow" hedge. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability of cash flows (e.g., when periodic settlements on a variable-rate asset or liability are recorded in earnings).

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedged transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities on the balance sheet or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively.

The Company discontinues hedge accounting prospectively when (a) it is determined that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item (including forecasted transactions); (b) the derivative expires or is sold, terminated, or exercised; (c) the derivative is dedesignated as a hedge instrument, because it is unlikely that a forecasted transaction will occur; or (d) management determines that designation of the derivative as a hedge instrument is no longer appropriate.

When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the derivative will continue to be carried on the consolidated balance sheet at its fair value, and gains and losses that were accumulated in other comprehensive income (loss) will be recognized immediately in earnings. In all other situations in which hedge accounting is discontinued, the derivative will be carried at its fair value on the balance sheet, with subsequent changes in its fair value recognized in current-period earnings.

Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on securities available-for-sale and interest rate swap agreements designated as cash flow hedges, are reported as a

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separate component of the equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income (loss).

During 2019, in recording the impact of the conversion to a C Corporation, the Company recorded a deferred income tax expense of \$3.0 million related to the unrealized gains (losses) on debt securities, and a deferred income tax benefit of \$0.3 million related to derivatives, through the income statement in accordance with ASC 740, *Income Taxes*. This difference will remain in accumulated other comprehensive income (loss) until the underlying debt securities are sold or mature or the underlying cash flow hedging relationships terminate in accordance with the portfolio approach.

Fair Value of Financial Instruments

Fair value of financial instruments is estimated using relevant market information and other assumptions, as more fully disclosed in Note 21 - Fair Value of Financial Instruments. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Revenue from Contracts with Customers

ASC 606, *Revenue from Contracts with Customers*, requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To achieve this, the Company takes the following steps: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognize revenue when (or as) the Company satisfies a performance obligation. The noninterest revenue streams that are considered to be in the scope of this guidance are discussed below.

Card income: Consists of debit and credit card interchange fees. For debit and credit card transactions, the Company considers the merchant as the customer for interchange revenue with the performance obligation being satisfied when the cardholder purchases goods or services from the merchant. Interchange revenue is recognized as the services are provided. Payment is typically received daily.

Wealth management fees: Consists of revenue from the management and advisement of client assets and trust administration. The Company's performance obligation is generally satisfied over time, and the fees are recognized monthly. Payment is typically received quarterly or annually.

Service charges on deposit accounts: Consists of account analysis fees, monthly service fees, and other deposit account related fees. The Company's performance obligation account analysis fees and monthly service fees are ongoing and either party may cancel at any time. These fees are generally recognized as the services are rendered on a monthly basis. Payment is typically received monthly. Other deposit account related fees are largely transaction based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for other deposit account related fees is primarily received immediately through a direct charge to customers' accounts.

Segment Reporting

The Company's operations consist of one reportable segment. The Company's chief operating decision maker evaluates the operations of the Company using consolidated information for purposes of allocating resources and assessing performance.

HBT FINANCIAL, INC. AND SUBSIDIARIES
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Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation without any impact on the reported amounts of net income or stockholders' equity.

Subsequent Events

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were issued.

Impact of Recently Adopted Accounting Standards

On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology, commonly referred to as the current expected credit losses ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and debt securities held-to-maturity. It also applies to off-balance sheet credit exposures not accounted for as insurance, such as loan commitments and letters of credit. In addition, ASC 326 made changes to the accounting for debt securities available-for-sale. One such change is to require credit losses be presented as an allowance rather than as a write-down on debt securities available-for-sale management does not intend to sell or believes that it is more likely than not they will be required to sell.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after December 31, 2022 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of \$6.9 million as of January 1, 2023 for the cumulative effect of adopting ASC 326. The following table illustrates the impact of ASC 326 on the allowance for credit losses:

(dollars in thousands)	January 1, 2023		
	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption	As Reported under ASC 326
Assets:			
Allowance for credit losses on loans			
Commercial and industrial	\$ 3,279	\$ (822)	\$ 2,457
Commercial real estate - owner occupied	1,193	587	1,780
Commercial real estate - non-owner occupied	6,721	501	7,222
Construction and land development	4,223	1,969	6,192
Multi-family	1,472	85	1,557
One-to-four family residential	1,759	797	2,556
Agricultural and farmland	796	1,567	2,363
Municipal, consumer, and other	5,890	2,299	8,189
Allowance for credit losses on loans	\$ 25,333	\$ 6,983	\$ 32,316
Liabilities:			
Allowance for credit losses on unfunded commitments	\$ —	\$ 2,899	\$ 2,899

The Company also adopted ASC 326 using the prospective transition approach for purchase credit deteriorated (“PCD”) financial assets that were previously classified as purchased credit impaired (“PCI”) and accounted for under ASC 310-30. In accordance with ASC 326, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2023, the amortized cost basis of the PCD assets were adjusted to reflect the addition of \$0.2 million to the allowance for credit losses. The remaining noncredit discount will be accreted into interest income at the effective interest rate as of January 1, 2023.

On January 1, 2023, the Company also adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. ASU 2022-02 eliminates the recognition and measurement guidance for troubled debt restructurings (“TDRs”) by creditors in ASC 310-40. This ASU also enhances disclosure requirements for certain loan restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity will apply refinancing and restructuring guidance to determine whether a modification or other form of restructuring results in a new loan or a continuation of an existing loan. Additionally, the amendments in ASU 2022-02 require a public business entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases in the existing vintage disclosures. This standard did not have a material impact on the Company’s consolidated results of operations or financial position.

HBT FINANCIAL, INC. AND SUBSIDIARIES
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In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform, if certain criteria are met. In January 2021, the FASB also issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which refined the scope for certain optional expedients and exceptions for contract modifications and hedge accounting to apply to derivative contracts and certain hedging relationships affected by the discounting transition. Entities may apply the provisions as of the beginning of the reporting period when the election is made and are available until December 31, 2024. Adoption of this standard did not have a material impact on the Company's financial position or results of operations.

Recent Accounting Pronouncements

In March 2022, the FASB issued ASU 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method*. ASU 2022-01 replaces the current last-of-layer hedge accounting method with an expanded portfolio layer method that permits multiple hedged layers of a single closed portfolio. The scope of the portfolio layer method is also expanded to include non-prepayable financial assets. ASU 2022-01 also provides additional guidance on the accounting for and disclosure of hedge basis adjustments that are applicable to the portfolio layer method, and specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio. Amendments related to hedge basis adjustments which are included in this standard apply on a modified retrospective basis by means of a cumulative-effect adjustment to the opening balance of retained earnings on the initial application date. Amendments related to disclosure which are included in this standard may be applied on a prospective basis from the initial application date, or on a retrospective basis to each prior period presented after the date of adoption of the amendments in ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The amendments in this update are effective for years beginning after December 15, 2023, including interim periods within those years. Early adoption is permitted. This standard is not expected to have a material impact on the Company's consolidated results of operations or financial position.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. ASU 2022-03 clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value and that contractual sale restrictions cannot be recognized and measured as a separate unit of account. The amendments in this update are effective for years beginning after December 15, 2023, including interim periods within those years. This standard is not expected to have a material impact on the Company's consolidated results of operations or financial position.

In March 2023, the FASB issued ASU 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)*. ASU 2023-02 permits an election to use the proportional amortization method to account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits, regardless of the tax credit program from which the income tax credits are received, provided that certain conditions are met. The proportional amortization method results in the cost of the investment being amortized in proportion to the income tax credits and other income tax benefits received, with the amortization of the investment and the income tax credits being presented net in the income statement as a component of income tax expense. The amendments in this update are effective for years beginning after December 15, 2023, including interim periods within those years. ASU 2023-02 must be applied on a retrospective or modified retrospective basis. Early adoption is permitted. This standard is not expected to have a material impact on the Company's consolidated results of operations or financial position.

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In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. ASU 2023-07 expands disclosure requirements for significant segment expenses under Topic 280. The amendments require public entities to disclose significant expense categories for each reportable segment, other segment items, the title and position of the chief operating decision-maker, and interim disclosures of certain segment-related information previously required only on an annual basis. The amendments clarify that entities reporting single segments must disclose both the new and existing segment disclosures under Topic 280, and a public entity is permitted to disclose multiple measures of segment profit or loss if certain criteria are met. The amendments in this update are effective for years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 31, 2024. ASU 2023-07 must be applied on a retrospective basis. Early adoption is permitted. This standard is not expected to have a material impact on the Company's consolidated results of operations or financial position.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 expands income tax disclosure requirements. The amendments require annual disclosure of certain information relating to the rate reconciliation, income taxes paid by jurisdiction, income (loss) from continuing operations before income tax expense (benefit) disaggregated between domestic and foreign, income tax expense (benefit) from continuing operations disaggregated by federal (national), state, and foreign. The amendments also eliminate certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures. The amendments in this update are effective for years beginning after December 15, 2024. ASU 2023-09 should be applied on a prospective basis, but retrospective application is permitted. Early adoption is permitted. This standard is not expected to have a material impact on the Company's consolidated results of operations or financial position.

HBT FINANCIAL, INC. AND SUBSIDIARIES
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NOTE 2 – ACQUISITIONS**Town and Country Financial Corporation**

On February 1, 2023, HBT Financial acquired 100% of the issued and outstanding common stock of Town and Country Financial Corporation (“Town and Country”), the holding company for Town and Country Bank, pursuant to an Agreement and Plan of Merger dated August 23, 2022. Under the Agreement and Plan of Merger, Town and Country merged with and into HBT Financial, with HBT Financial as the surviving entity, immediately followed by the merger of Town and Country Bank with and into Heartland Bank, with Heartland Bank as the surviving entity.

At the effective time of the merger, each share of Town and Country was converted into the right to receive, subject to the election and proration procedures as provided in the Merger Agreement, one of the following: (i) 1.9010 shares of HBT Financial’s common stock, or (ii) \$35.66 in cash, or (iii) a combination of cash and HBT Financial common stock. Total consideration consisted of 3,378,600 shares of HBT Financial’s common stock and \$38.0 million in cash. In lieu of fractional shares, holders of Town and Country common stock received cash. Based upon the closing price of HBT Financial common stock of \$21.12 on February 1, 2023, the aggregate transaction value was approximately \$109.4 million.

This transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair values on the date of acquisition. Fair values are subject to refinement for up to one year after the closing date of February 1, 2023. Measurement period adjustments of \$0.1 million were recorded in the third quarter of 2023 as more information became available regarding Town and Country’s tax assets and liabilities. Goodwill of \$30.5 million was recorded in the acquisition, which reflects expected synergies from combining the operations of HBT Financial and Town and Country, and is nondeductible for tax purposes.

The acquisition of Town and Country further enhanced HBT Financial’s footprint in Central Illinois, and expanded our footprint into metro-east St. Louis. During the years ended December 31, 2023 and 2022, HBT Financial incurred the following expenses related to the acquisition of Town and Country:

<i>(dollars in thousands)</i>	Year Ended	
	December 31, 2023	December 31, 2022
PROVISION FOR CREDIT LOSSES	\$ 5,924	\$ —
NONINTEREST EXPENSE		
Salaries	3,584	—
Furniture and equipment	39	—
Data processing	2,031	304
Marketing and customer relations	24	—
Loan collection and servicing	125	—
Legal fees and other noninterest expense	1,964	788
Total noninterest expense	7,767	1,092
Total Town and Country acquisition-related expenses	\$ 13,691	\$ 1,092

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of the assets acquired and liabilities assumed from Town and Country on the acquisition date of February 1, 2023 were as follows (dollars in thousands):

	Fair Value
Assets acquired:	
Cash and cash equivalents	\$ 23,542
Interest-bearing time deposits with banks	249
Debt securities	167,869
Equity securities	301
Restricted stock	2,822
Loans held for sale	1,612
Loans, before allowance for credit losses	635,376
Allowance for credit losses	(1,247)
Loans, net of allowance for credit losses	634,129
Bank owned life insurance	15,782
Bank premises and equipment	14,828
Foreclosed assets	271
Intangible assets	22,282
Mortgage servicing rights	10,469
Investments in unconsolidated subsidiaries	449
Accrued interest receivable	3,113
Other assets	8,940
Total assets acquired	906,658
Liabilities assumed:	
Deposits	720,417
FHLB advances	86,439
Junior subordinated debentures	14,949
Other liabilities	5,999
Total liabilities assumed	827,804
Net assets acquired	\$ 78,854
Consideration paid:	
Cash	\$ 37,996
Common stock	71,356
Total consideration paid	\$ 109,352
Goodwill	\$ 30,498

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Of the loans acquired, there were \$89.8 million which exhibited more-than-insignificant credit deterioration on the acquisition date. The following table provides a summary of these PCD loans at acquisition (dollars in thousands):

Unpaid principal balance	\$	89,822
Allowance for credit losses at acquisition		(1,247)
Non-credit discount		(2,218)
Purchase price	\$	86,357

Additionally, subsequent to the Town and Country acquisition, HBT Financial recognized an allowance for credit losses on non-PCD loans of \$5.2 million and an allowance for credit losses on unfunded commitments of \$0.7 million through an increase to the provision for credit losses.

The following table provides the pro forma information for the results of operations for the years ended December 31, 2023 and 2022, as if the acquisition of Town and Country had occurred on January 1, 2022. The pro forma results combine the historical results of Town and Country into HBT Financial's consolidated statements of income, including the impact of certain acquisition accounting adjustments, which include loan discount accretion, intangible assets amortization, deposit premium amortization, and borrowing premium amortization. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results that would have been obtained had the acquisition actually occurred on January 1, 2022. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, provision for credit losses, expense efficiencies or asset dispositions. The acquisition-related expenses that have been recognized are included in net income in the following table.

	Pro Forma	
	Year Ended December 31,	
	2023	2022
<i>(dollars in thousands, except per share data)</i>		
Total revenues (net interest income and noninterest income)	\$ 230,171	\$ 226,229
Net income	66,056	68,417
Earnings per share - basic	2.07	2.12
Earnings per share - diluted	2.06	2.12

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NXT Bancorporation, Inc.

On October 1, 2021, HBT Financial acquired 100% of the issued and outstanding common stock of NXT Bancorporation, Inc. ("NXT"), the holding company for NXT Bank, pursuant to an Agreement and Plan of Merger dated June 7, 2021. Under the Agreement and Plan of Merger, NXT merged with and into HBT Financial, with HBT Financial as the surviving entity, on October 1, 2021. Additionally, NXT Bank was merged with and into Heartland Bank, with Heartland Bank as the surviving entity, in December 2021.

At the effective time of the merger, each share of NXT was converted into the right to receive 67.6783 shares of HBT Financial common stock, cash in lieu of fractional shares, and \$400 in cash. There were 1,799,016 shares of HBT Financial common stock issued at the effective time of the acquisition with an aggregate market value of \$29.3 million, based on the closing stock price of \$16.27 on October 1, 2021. This transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged was recorded at estimated fair values on the date of acquisition. Goodwill of \$5.7 million was recorded in the acquisition, which reflects expected synergies from combining the operations of HBT Financial and NXT, and is nondeductible for tax purposes.

The acquisition of NXT provided an opportunity to utilize Heartland Bank's excess liquidity at the time of acquisition to replace NXT Bank's higher-cost funding. Additionally, Heartland Bank's broader range of products and services, as well as a greater ability to meet larger borrowing needs, has provided an opportunity to expand NXT Bank's customer relationships.

During the year ended December 31, 2021, HBT Financial incurred the following expenses related to the acquisition of NXT (dollars in thousands):

Salaries	\$	65
Furniture and equipment		18
Data processing		355
Marketing and customer relations		12
Loan collection and servicing		11
Legal fees and other noninterest expense		955
Total NXT acquisition-related expenses	\$	1,416

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of the assets acquired and liabilities assumed from NXT on the acquisition date were as follows (dollars in thousands):

	Fair Value
Assets acquired:	
Cash and cash equivalents	\$ 5,862
Interest-bearing time deposits with banks	739
Debt securities	18,295
Equity securities with readily determinable fair value	43
Restricted stock	796
Loans	194,576
Bank owned life insurance	7,352
Bank premises and equipment	3,667
Core deposit intangible assets	199
Mortgage servicing rights	370
Accrued interest receivable	886
Other assets	1,340
Total assets acquired	234,125
Liabilities assumed:	
Deposits	181,586
Securities sold under agreements to repurchase	4,080
FHLB advances	12,625
Other liabilities	1,633
Total liabilities assumed	199,924
Net assets acquired	\$ 34,201
Consideration paid:	
Cash	\$ 10,633
Common stock	29,270
Total consideration paid	\$ 39,903
Goodwill	\$ 5,702

The following table presents the acquired non-impaired loans as of the acquisition date (dollars in thousands):

Fair Value	\$ 194,576
Gross contractual amounts receivable	196,104
Estimate of contractual cash flows not expected to be collected	1,045

There were no loans acquired with deteriorated credit quality from NXT.

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NOTE 3 – SECURITIES
Debt Securities

The amortized cost and fair values of debt securities, with gross unrealized gains and losses and allowance for credit losses, are as follows:

<i>(dollars in thousands)</i>	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-sale:					
U.S. Treasury	\$ 159,715	\$ —	\$ (11,093)	\$ —	\$ 148,622
U.S. government agency	55,359	—	(3,262)	—	52,097
Municipal	229,030	26	(23,499)	—	205,557
Mortgage-backed:					
Agency residential	188,641	61	(14,718)	—	173,984
Agency commercial	141,214	3	(14,205)	—	127,012
Corporate	57,665	9	(5,485)	—	52,189
Total available-for-sale	\$ 831,624	\$ 99	\$ (72,262)	\$ —	\$ 759,461

<i>(dollars in thousands)</i>	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held-to-maturity:					
U.S. government agency	\$ 88,448	\$ —	\$ (8,292)	\$ 80,156	\$ —
Municipal	38,442	394	(163)	38,673	—
Mortgage-backed:					
Agency residential	95,828	—	(5,569)	90,259	—
Agency commercial	298,721	—	(41,313)	257,408	—
Total held-to-maturity	\$ 521,439	\$ 394	\$ (55,337)	\$ 466,496	\$ —

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<i>(dollars in thousands)</i>	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury	\$ 169,860	\$ —	\$ (15,345)	\$ 154,515
U.S. government agency	59,291	—	(4,134)	55,157
Municipal	275,972	46	(32,189)	243,829
Mortgage-backed:				
Agency residential	213,676	5	(18,240)	195,441
Agency commercial	150,060	—	(17,172)	132,888
Corporate	65,597	55	(3,958)	61,694
Total available-for-sale	\$ 934,456	\$ 106	\$ (91,038)	\$ 843,524

<i>(dollars in thousands)</i>	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity:				
U.S. government agency	\$ 88,424	\$ —	\$ (9,728)	\$ 78,696
Municipal	42,167	195	(314)	42,048
Mortgage-backed:				
Agency residential	102,728	—	(6,470)	96,258
Agency commercial	308,281	—	(46,482)	261,799
Total held-to-maturity	\$ 541,600	\$ 195	\$ (62,994)	\$ 478,801

On March 31, 2022, the Company transferred certain debt securities from the available-for-sale category to the held-to-maturity category in order to better reflect the revised intentions of the Company due to possible market value volatility, resulting from a potential rise in interest rates. The following is a summary of the amortized cost and fair value of securities transferred to the held-to-maturity category:

<i>(dollars in thousands)</i>	March 31, 2022	
	Amortized Cost	Fair Value
U.S. government agency	\$ 78,841	\$ 71,048
Mortgage-backed:		
Agency residential	8,175	7,651
Agency commercial	27,834	25,432
Total	\$ 114,850	\$ 104,131

The debt securities were transferred between categories at fair value, with the transfer date fair value becoming the new amortized cost for each security transferred. The unrealized gain (loss), net of tax, at the date of transfer remains a component of accumulated other comprehensive income (loss), but will be amortized over the remaining life of the debt securities as an adjustment of yield in a manner consistent with amortization of any premium or discount. As a result, the amortization of an unrealized gain (loss) reported in accumulated other comprehensive income (loss) will offset or mitigate the effect on interest income of the amortization of the premium or discount for that held-to-maturity debt security.

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As of December 31, 2023 and 2022, the Bank had debt securities with a carrying value of \$419.4 million and \$332.6 million, respectively, which were pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes required or permitted by law.

The amortized cost and fair value of debt securities by contractual maturity, as of December 31, 2023, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<i>(dollars in thousands)</i>	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	\$ 46,534	\$ 45,564	\$ 2,138	\$ 2,141
Due after 1 year through 5 years	208,581	196,431	35,590	34,269
Due after 5 years through 10 years	199,695	174,573	83,488	77,094
Due after 10 years	46,959	41,897	5,674	5,325
Mortgage-backed:				
Agency residential	188,641	173,984	95,828	90,259
Agency commercial	141,214	127,012	298,721	257,408
Total	\$ 831,624	\$ 759,461	\$ 521,439	\$ 466,496

The following table presents gross unrealized losses and fair value of debt securities available-for-sale that do not have an associated allowance for credit losses as of December 31, 2023, aggregated by category and length of time that individual debt securities have been in a continuous unrealized loss position:

<i>(dollars in thousands)</i>	December 31, 2023					
	Investments in a Continuous Unrealized Loss Position					
	Less than 12 Months		12 Months or More		Total	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
Available-for-sale:						
U.S. Treasury	\$ —	\$ —	\$ (11,093)	\$ 148,622	\$ (11,093)	\$ 148,622
U.S. government agency	(2)	168	(3,260)	51,910	(3,262)	52,078
Municipal	(26)	4,749	(23,473)	194,287	(23,499)	199,036
Mortgage-backed:						
Agency residential	(163)	9,354	(14,555)	156,785	(14,718)	166,139
Agency commercial	(26)	3,016	(14,179)	123,404	(14,205)	126,420
Corporate	(414)	4,361	(5,071)	45,826	(5,485)	50,187
Total available-for-sale	\$ (631)	\$ 21,648	\$ (71,631)	\$ 720,834	\$ (72,262)	\$ 742,482

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The following table presents gross unrealized losses and fair value of debt securities, aggregated by category and length of time that individual debt securities have been in a continuous unrealized loss position, as of December 31, 2022:

<i>(dollars in thousands)</i>	December 31, 2022					
	Investments in a Continuous Unrealized Loss Position					
	Less than 12 Months		12 Months or More		Total	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
Available-for-sale:						
U.S. Treasury	\$ (8,401)	\$ 92,445	\$ (6,944)	\$ 62,070	\$ (15,345)	\$ 154,515
U.S. government agency	(2,980)	47,370	(1,154)	7,787	(4,134)	55,157
Municipal	(10,906)	149,261	(21,283)	87,794	(32,189)	237,055
Mortgage-backed:						
Agency residential	(8,332)	127,288	(9,908)	65,692	(18,240)	192,980
Agency commercial	(4,764)	62,672	(12,408)	70,216	(17,172)	132,888
Corporate	(2,594)	52,190	(1,364)	5,600	(3,958)	57,790
Total available-for-sale	(37,977)	531,226	(53,061)	299,159	(91,038)	830,385
Held-to-maturity:						
U.S. government agency	(1,754)	15,751	(7,974)	62,945	(9,728)	78,696
Municipal	(314)	23,433	—	—	(314)	23,433
Mortgage-backed:						
Agency residential	(4,039)	78,452	(2,431)	17,806	(6,470)	96,258
Agency commercial	(16,716)	103,298	(29,766)	158,501	(46,482)	261,799
Total held-to-maturity	(22,823)	220,934	(40,171)	239,252	(62,994)	460,186
Total debt securities	\$ (60,800)	\$ 752,160	\$ (93,232)	\$ 538,411	\$ (154,032)	\$ 1,290,571

As of December 31, 2023, there were 665 debt securities in an unrealized loss position for a period of twelve months or more, and 116 debt securities in an unrealized loss position for a period of less than twelve months.

U.S. Treasury, U.S. government agency, and agency mortgage-backed securities are considered to have no risk of credit loss as they are either explicitly or implicitly guaranteed by the U.S. government. The changes in fair value in these portfolios are considered to be primarily driven by changes in market interest rates and other non-credit risks, such as prepayment and liquidity risks.

Municipal securities include approximately 79% general obligation bonds as of December 31, 2023, which have a very low historical default rate due to issuers generally having taxing authority to service the debt. The remainder of the municipal securities are also of high credit quality with ratings of A1/A+ or better. The Company evaluates credit risk through monitoring credit ratings and reviews of available financial data. The changes in fair value in these portfolios are considered to be primarily driven by changes in market interest rates and other non-credit risks, such as call and liquidity risks. The estimated allowance for credit losses for the municipal debt securities held-to-maturity was deemed insignificant.

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Corporate securities include investment grade corporate and bank subordinated debt securities. The Company evaluates credit risk through monitoring credit ratings, reviews of available issuer financial data, and sector trends. The changes in fair value in corporate securities was considered to be primarily driven by changes in market interest rates and other non-credit risks, such as call and liquidity risks.

As of December 31, 2023, the Company did not intend to sell the debt securities that are in an unrealized loss position, and it was more likely than not that the Company would recover the amortized cost prior to being required to sell the debt securities.

Accrued interest on debt securities totaled \$6.0 million as of December 31, 2023 and is excluded from the estimate of credit losses.

Sales of debt securities were as follows during the year ended December 31:

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Proceeds from sales	\$ 185,280	\$ —	\$ —
Gross realized gains	—	—	—
Gross realized losses	(1,820)	—	—

Subsequent to December 31, 2023, the Company recognized \$3.4 million of net losses on the sale of \$66.8 million of municipal securities with the proceeds used to reduce wholesale funding.

Equity Securities

Equity securities with readily determinable fair values are measured at fair value with changes in fair value recognized in unrealized gains (losses) on equity securities on the consolidated statements of income. The Company has elected to measure equity securities with no readily determinable fair value at cost minus impairment, if any, plus or minus changes resulting from observable price changes for identical or similar securities of the same issuer.

The initial cost and carrying values of equity securities, with cumulative net unrealized gains and losses are as follows:

<i>(dollars in thousands)</i>	December 31, 2023	
	Readily Determinable Fair Value	No Readily Determinable Fair Value
Initial cost	\$ 3,143	\$ 2,840
Cumulative net unrealized gains (losses)	217	(335)
Carrying value	\$ 3,360	\$ 2,505

<i>(dollars in thousands)</i>	December 31, 2022	
	Readily Determinable Fair Value	No Readily Determinable Fair Value
Initial cost	\$ 3,142	\$ 2,142
Cumulative net unrealized gains (losses)	(113)	(165)
Carrying value	\$ 3,029	\$ 1,977

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As of December 31, 2023, the cumulative net unrealized losses on equity securities with no readily determinable fair value reflect impairments of \$0.2 million and downward adjustments based on observable price changes of an identical investment of \$0.2 million. As of December 31, 2022, the cumulative net unrealized losses on equity securities with no readily determinable fair value reflect downward adjustments based on observable price changes of an identical investment. There have been no upward adjustments based on observable price changes to equity securities with no readily determinable fair value.

There were no sales of equity securities during the years ended December 31, 2023, 2022 and 2021. Unrealized gains (losses) on equity securities were as follows during the years ended December 31, 2023, 2022, and 2021:

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Readily determinable fair value	\$ 330	\$ (414)	\$ 107
No readily determinable fair value	(170)	—	—
Unrealized gains (losses) on equity securities	\$ 160	\$ (414)	\$ 107

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – LOANS AND RELATED ALLOWANCE FOR CREDIT LOSSES

Major categories of loans are summarized as follows:

<i>(dollars in thousands)</i>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial and industrial	\$ 427,800	\$ 266,757
Commercial real estate - owner occupied	295,842	218,503
Commercial real estate - non-owner occupied	880,681	713,202
Construction and land development	363,983	360,824
Multi-family	417,923	287,865
One-to-four family residential	491,508	338,253
Agricultural and farmland	287,294	237,746
Municipal, consumer, and other	239,386	197,103
Loans, before allowance for credit losses	<u>3,404,417</u>	<u>2,620,253</u>
Allowance for credit losses	<u>(40,048)</u>	<u>(25,333)</u>
Loans, net of allowance for credit losses	<u>\$ 3,364,369</u>	<u>\$ 2,594,920</u>

Allowance for Credit Losses

Management estimates the allowance for credit losses using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The discounted cash flow method is used to estimate expected credit losses for all loan categories, except for consumer loans where the weighted average remaining maturity method is utilized.

At December 31, 2023, the economic forecast used by management anticipates a mild recession in 2024, with the unemployment rate increasing modestly and GDP growth slowing and then shrinking over the next 4 quarters considered in the forecast period. After the forecast period, the Company reverts to long-term averages over a 4-quarter reversion period. Additionally, management has made qualitative adjustments to the loss estimates to reflect other factors that influence credit losses.

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The following tables detail activity in the allowance for credit losses:

<i>(dollars in thousands)</i>	Commercial and Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-owner Occupied	Construction and Land Development	Multi-Family	One-to-four Family Residential	Agricultural and Farmland	Municipal, Consumer, and Other	Total
Balance, December 31, 2020	\$ 3,929	\$ 3,141	\$ 11,251	\$ 4,232	\$ 1,957	\$ 1,801	\$ 793	\$ 4,734	\$ 31,838
Provision for loan losses	(1,474)	(1,280)	(3,130)	340	(694)	(472)	52	(1,419)	(8,077)
Charge-offs	(668)	(30)	—	—	—	(267)	—	(449)	(1,414)
Recoveries	653	9	24	342	—	249	—	312	1,589
Balance, December 31, 2021	\$ 2,440	\$ 1,840	\$ 8,145	\$ 4,914	\$ 1,263	\$ 1,311	\$ 845	\$ 3,178	\$ 23,936
Provision for loan losses	88	(1,653)	(1,707)	(692)	209	146	(49)	2,952	(706)
Charge-offs	(23)	(25)	—	—	—	(67)	—	(569)	(684)
Recoveries	774	1,031	283	1	—	369	—	329	2,787
Balance, December 31, 2022	\$ 3,279	\$ 1,193	\$ 6,721	\$ 4,223	\$ 1,472	\$ 1,759	\$ 796	\$ 5,890	\$ 25,333
Adoption of ASC 326	(822)	587	501	1,969	85	797	1,567	2,299	6,983
PCD allowance established in acquisition	69	127	239	240	68	492	5	7	1,247
Provision for loan losses	2,823	352	187	(487)	1,931	2,004	(1,399)	1,254	6,665
Charge-offs	(428)	(5)	(202)	—	—	(34)	—	(690)	(1,359)
Recoveries	59	18	268	53	281	186	6	308	1,179
Balance, December 31, 2023	\$ 4,980	\$ 2,272	\$ 7,714	\$ 5,998	\$ 3,837	\$ 5,204	\$ 975	\$ 9,068	\$ 40,048

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Gross charge-offs, further sorted by origination year, were as follows during the year ended December 31, 2023:

Gross Charge-Offs for the Year Ended December 31, 2023									
<i>(dollars in thousands)</i>	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019	Prior			
Commercial and industrial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 428	\$ —	\$ 428
Commercial real estate - owner occupied	—	5	—	—	—	—	—	—	5
Commercial real estate - non-owner occupied	—	—	—	—	31	—	171	—	202
Construction and land development	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—	—	—
One-to-four family residential	—	—	—	—	1	33	—	—	34
Agricultural and farmland	—	—	—	—	—	—	—	—	—
Municipal, consumer, and other	309	100	13	17	10	32	209	—	690
Total	\$ 309	\$ 105	\$ 13	\$ 17	\$ 42	\$ 65	\$ 808	\$ —	\$ 1,359

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables present loans and the related allowance for credit losses by category:

December 31, 2023									
(dollars in thousands)	Commercial and Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-owner Occupied	Construction and Land Development	Multi-Family	One-to-four Family Residential	Agricultural and Farmland	Municipal, Consumer, and Other	Total
Loan balances:									
Collectively evaluated for impairment	\$ 427,528	\$ 295,672	\$ 865,394	\$ 363,767	\$ 417,608	\$ 486,049	\$ 287,150	\$ 224,345	\$ 3,367,513
Individually evaluated for impairment	272	170	15,287	216	315	5,459	144	15,041	36,904
Total	\$ 427,800	\$ 295,842	\$ 880,681	\$ 363,983	\$ 417,923	\$ 491,508	\$ 287,294	\$ 239,386	\$ 3,404,417
Allowance for credit losses:									
Collectively evaluated for impairment	\$ 4,960	\$ 2,272	\$ 6,693	\$ 5,998	\$ 3,837	\$ 4,957	\$ 975	\$ 6,137	\$ 35,829
Individually evaluated for impairment	20	—	1,021	—	—	247	—	2,931	4,219
Total	\$ 4,980	\$ 2,272	\$ 7,714	\$ 5,998	\$ 3,837	\$ 5,204	\$ 975	\$ 9,068	\$ 40,048

December 31, 2022									
(dollars in thousands)	Commercial and Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-owner Occupied	Construction and Land Development	Multi-Family	One-to-four Family Residential	Agricultural and Farmland	Municipal, Consumer, and Other	Total
Loan balances:									
Collectively evaluated for impairment	\$ 261,833	\$ 203,558	\$ 671,663	\$ 359,892	\$ 287,298	\$ 325,621	\$ 233,118	\$ 184,579	\$ 2,527,562
Individually evaluated for impairment	4,818	11,366	30,509	82	—	8,399	4,033	12,508	71,715
Acquired with deteriorated credit quality	106	3,579	11,030	850	567	4,233	595	16	20,976
Total	\$ 266,757	\$ 218,503	\$ 713,202	\$ 360,824	\$ 287,865	\$ 338,253	\$ 237,746	\$ 197,103	\$ 2,620,253
Allowance for loan losses:									
Collectively evaluated for impairment	\$ 3,121	\$ 1,008	\$ 4,332	\$ 4,221	\$ 1,470	\$ 1,709	\$ 796	\$ 2,327	\$ 18,984
Individually evaluated for impairment	158	168	2,388	—	—	44	—	3,562	6,320
Acquired with deteriorated credit quality	—	17	1	2	2	6	—	1	29
Total	\$ 3,279	\$ 1,193	\$ 6,721	\$ 4,223	\$ 1,472	\$ 1,759	\$ 796	\$ 5,890	\$ 25,333

HBT FINANCIAL, INC. AND SUBSIDIARIES
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The following table presents collateral dependent loans, by the primary collateral type, which are individually evaluated to determine expected credit losses, and the related allowance for credit losses allocated to these loans:

<i>(dollars in thousands)</i>	December 31, 2023					Allowance for Credit Losses
	Amortized Cost				Total	
	Primary Collateral Type			Total		
Real Estate	Vehicles	Other	Total		Total	
Commercial and industrial	\$ —	\$ 37	\$ 235	\$ 272	\$ 20	
Commercial real estate - owner occupied	170	—	—	170	—	
Commercial real estate - non-owner occupied	15,287	—	—	15,287	1,021	
Construction and land development	216	—	—	216	—	
Multi-family	315	—	—	315	—	
One-to-four family residential	5,459	—	—	5,459	247	
Agricultural and farmland	144	—	—	144	—	
Municipal, consumer, and other	14,978	39	24	15,041	2,931	
Total	\$ 36,569	\$ 76	\$ 259	\$ 36,904	\$ 4,219	

Accrued interest on loans totaled \$18.4 million as of December 31, 2023 and is excluded from the estimate of credit losses.

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Pre-ASC 326 Adoption Impaired Loan Disclosures

The following table presents loans individually evaluated for impairment by category of loans:

	December 31, 2022		
	Unpaid Principal Balance	Recorded Investment	Related Allowance
<i>(dollars in thousands)</i>			
With an allowance recorded:			
Commercial and industrial	\$ 268	\$ 254	\$ 158
Commercial real estate - owner occupied	635	610	168
Commercial real estate - non-owner occupied	14,269	14,261	2,388
Construction and land development	—	—	—
Multi-family	—	—	—
One-to-four family residential	569	524	44
Agricultural and farmland	—	—	—
Municipal, consumer, and other	8,152	8,131	3,562
Total	\$ 23,893	\$ 23,780	\$ 6,320
With no related allowance:			
Commercial and industrial	\$ 4,564	\$ 4,564	\$ —
Commercial real estate - owner occupied	10,912	10,756	—
Commercial real estate - non-owner occupied	16,327	16,248	—
Construction and land development	92	82	—
Multi-family	—	—	—
One-to-four family residential	9,181	7,875	—
Agricultural and farmland	4,440	4,033	—
Municipal, consumer, and other	4,410	4,377	—
Total	\$ 49,926	\$ 47,935	\$ —
Total loans individually evaluated for impairment:			
Commercial and industrial	\$ 4,832	\$ 4,818	\$ 158
Commercial real estate - owner occupied	11,547	11,366	168
Commercial real estate - non-owner occupied	30,596	30,509	2,388
Construction and land development	92	82	—
Multi-family	—	—	—
One-to-four family residential	9,750	8,399	44
Agricultural and farmland	4,440	4,033	—
Municipal, consumer, and other	12,562	12,508	3,562
Total	\$ 73,819	\$ 71,715	\$ 6,320

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables present the average recorded investment and interest income recognized for loans individually evaluated for impairment by category of loans:

	Year Ended December 31,			
	2022		2021	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
<i>(dollars in thousands)</i>				
With an allowance recorded:				
Commercial and industrial	\$ 204	\$ 18	\$ 1,593	\$ 89
Commercial real estate - owner occupied	970	63	3,052	177
Commercial real estate - non-owner occupied	10,943	740	16,494	791
Construction and land development	—	—	554	27
Multi-family	—	—	—	—
One-to-four family residential	384	16	1,988	77
Agricultural and farmland	—	—	83	4
Municipal, consumer, and other	6,259	236	8,681	158
Total	\$ 18,760	\$ 1,073	\$ 32,445	\$ 1,323
With no related allowance:				
Commercial and industrial	\$ 9,568	\$ 453	\$ 7,125	\$ 330
Commercial real estate - owner occupied	8,619	525	7,771	344
Commercial real estate - non-owner occupied	12,636	1,278	10,339	432
Construction and land development	1,505	106	2,107	28
Multi-family	—	—	434	10
One-to-four family residential	6,238	352	6,248	192
Agricultural and farmland	228	13	290	17
Municipal, consumer, and other	3,361	148	4,666	86
Total	\$ 42,155	\$ 2,875	\$ 38,980	\$ 1,439
Total loans individually evaluated for impairment:				
Commercial and industrial	\$ 9,772	\$ 471	\$ 8,718	\$ 419
Commercial real estate - owner occupied	9,589	588	10,823	521
Commercial real estate - non-owner occupied	23,579	2,018	26,833	1,223
Construction and land development	1,505	106	2,661	55
Multi-family	—	—	434	10
One-to-four family residential	6,622	368	8,236	269
Agricultural and farmland	228	13	373	21
Municipal, consumer, and other	9,620	384	13,347	244
Total	\$ 60,915	\$ 3,948	\$ 71,425	\$ 2,762

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Changes in the accretable yield for loans acquired with deteriorated credit quality were as follows:

<i>(dollars in thousands)</i>	Year Ended December 31,	
	2022	2021
Beginning balance	\$ 413	\$ 1,397
Reclassification from non-accretable difference	548	508
Disposals	—	(1,089)
Accretion income	(231)	(403)
Ending balance	\$ 730	\$ 413

Past Due and Nonaccrual Status

Past due status is based on the contractual terms of the loan. Typically, loans are placed on nonaccrual when they reach 90 days past due, or when, in management's opinion, there is reasonable doubt regarding the collection of the amounts due through the normal means of the borrower. Interest accrued and unpaid at the time a loan is placed on nonaccrual status is reversed from interest income. Interest payments received on nonaccrual loans are recognized in accordance with our significant accounting policies. Once a loan is placed on nonaccrual status, the borrower must generally demonstrate at least six months of payment performance and we must believe that all remaining principal and interest is fully collectible, before the loan is eligible to return to accrual status.

HBT FINANCIAL, INC. AND SUBSIDIARIES
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The following tables present loans by category based on current payment and accrual status:

<i>(dollars in thousands)</i>	December 31, 2023				
	Accruing Interest				Total Loans
	Current	30 - 89 Days Past Due	90+ Days Past Due	Nonaccrual	
Commercial and industrial	\$ 427,300	\$ 228	\$ —	\$ 272	\$ 427,800
Commercial real estate - owner occupied	295,672	—	—	170	295,842
Commercial real estate - non-owner occupied	878,591	255	—	1,835	880,681
Construction and land development	363,735	32	—	216	363,983
Multi-family	417,597	11	—	315	417,923
One-to-four family residential	484,969	1,735	—	4,804	491,508
Agricultural and farmland	286,820	330	—	144	287,294
Municipal, consumer, and other	239,033	252	37	64	239,386
Total	\$ 3,393,717	\$ 2,843	\$ 37	\$ 7,820	\$ 3,404,417

<i>(dollars in thousands)</i>	December 31, 2022				
	Accruing Interest				Total Loans
	Current	30 - 89 Days Past Due	90+ Days Past Due	Nonaccrual	
Commercial and industrial	\$ 266,521	\$ 17	\$ —	\$ 219	\$ 266,757
Commercial real estate - owner occupied	218,242	187	—	74	218,503
Commercial real estate - non-owner occupied	713,031	—	—	171	713,202
Construction and land development	360,763	61	—	—	360,824
Multi-family	287,854	11	—	—	287,865
One-to-four family residential	335,576	894	145	1,638	338,253
Agricultural and farmland	237,727	19	—	—	237,746
Municipal, consumer, and other	196,892	157	1	53	197,103
Total	\$ 2,616,606	\$ 1,346	\$ 146	\$ 2,155	\$ 2,620,253

HBT FINANCIAL, INC. AND SUBSIDIARIES
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The following table presents nonaccrual loans with and without a related allowance for credit losses:

	December 31, 2023		
	Nonaccrual With Allowance for Credit Losses	Nonaccrual With No Allowance for Credit Losses	Total Nonaccrual
<i>(dollars in thousands)</i>			
Commercial and industrial	\$ 120	\$ 152	\$ 272
Commercial real estate - owner occupied	—	170	170
Commercial real estate - non-owner occupied	188	1,647	1,835
Construction and land development	216	—	216
Multi-family	—	315	315
One-to-four family residential	14	4,790	4,804
Agricultural and farmland	—	144	144
Municipal, consumer, and other	—	64	64
Total	\$ 538	\$ 7,282	\$ 7,820

Credit Quality Indicators

The Company assigns a risk rating to all loans and periodically performs detailed internal reviews of all such loans that are part of relationships with over \$750,000 in total exposure to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to review by the Company's regulators, external loan review, and internal loan review. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. The risk rating is reviewed annually, at a minimum, and on an as needed basis depending on the specific circumstances of the loan. These credit quality indicators are used to assign a risk rating to each individual loan. Risk ratings are grouped into four major categories, defined as follows:

Pass – a pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

Pass-Watch – a pass-watch loan is still considered a "pass" credit and is not a classified or criticized asset, but is a reflection of a borrower who exhibits credit weaknesses or downward trends warranting close attention and increased monitoring. These potential weaknesses may result in deterioration of the repayment prospects for the loan. No loss of principal or interest is expected, and the borrower does not pose sufficient risk to warrant classification.

Substandard – a substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized as probable that the borrower will not pay principal and interest in accordance with the contractual terms.

Doubtful – a doubtful loan has all the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

HBT FINANCIAL, INC. AND SUBSIDIARIES
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The following tables present loans by category based on their assigned risk ratings determined by management:

<i>(dollars in thousands)</i>	December 31, 2023				
	Pass	Pass-Watch	Substandard	Doubtful	Total
Commercial and industrial	\$ 419,494	\$ 7,128	\$ 1,178	\$ —	\$ 427,800
Commercial real estate - owner occupied	275,649	14,072	6,121	—	295,842
Commercial real estate - non-owner occupied	822,012	33,283	25,386	—	880,681
Construction and land development	351,087	12,604	292	—	363,983
Multi-family	397,951	19,656	316	—	417,923
One-to-four family residential	472,355	6,671	12,482	—	491,508
Agricultural and farmland	280,867	3,071	3,356	—	287,294
Municipal, consumer, and other	222,474	1,721	15,191	—	239,386
Total	\$ 3,241,889	\$ 98,206	\$ 64,322	\$ —	\$ 3,404,417

<i>(dollars in thousands)</i>	December 31, 2022				
	Pass	Pass-Watch	Substandard	Doubtful	Total
Commercial and industrial	\$ 255,309	\$ 6,630	\$ 4,818	\$ —	\$ 266,757
Commercial real estate - owner occupied	198,546	10,105	9,852	—	218,503
Commercial real estate - non-owner occupied	652,691	27,282	33,229	—	713,202
Construction and land development	358,215	2,527	82	—	360,824
Multi-family	283,682	4,183	—	—	287,865
One-to-four family residential	323,632	5,907	8,714	—	338,253
Agricultural and farmland	223,114	10,004	4,628	—	237,746
Municipal, consumer, and other	184,299	296	12,508	—	197,103
Total	\$ 2,479,488	\$ 66,934	\$ 73,831	\$ —	\$ 2,620,253

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Risk ratings of loans, further sorted by origination year, are as follows as of December 31, 2023:

(dollars in thousands)	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019	Prior			
Commercial and industrial									
Pass	\$ 90,931	\$ 58,364	\$ 19,283	\$ 26,816	\$ 5,269	\$ 29,550	\$ 187,579	\$ 1,702	\$ 419,494
Pass-Watch	2,025	1,340	892	144	753	471	956	547	7,128
Substandard	111	73	327	60	—	—	323	284	1,178
Total	\$ 93,067	\$ 59,777	\$ 20,502	\$ 27,020	\$ 6,022	\$ 30,021	\$ 188,858	\$ 2,533	\$ 427,800
Commercial real estate - owner occupied									
Pass	\$ 27,516	\$ 64,229	\$ 55,376	\$ 53,634	\$ 32,469	\$ 28,876	\$ 13,549	\$ —	\$ 275,649
Pass-Watch	4,061	943	5,210	1,474	1,573	811	—	—	14,072
Substandard	2,734	86	1,550	64	164	1,523	—	—	6,121
Total	\$ 34,311	\$ 65,258	\$ 62,136	\$ 55,172	\$ 34,206	\$ 31,210	\$ 13,549	\$ —	\$ 295,842
Commercial real estate - non-owner occupied									
Pass	\$ 121,536	\$ 240,323	\$ 237,953	\$ 88,894	\$ 82,094	\$ 39,228	\$ 10,274	\$ 1,710	\$ 822,012
Pass-Watch	810	6,893	7,013	353	4,230	154	13,585	245	33,283
Substandard	13,376	124	286	—	2,410	9,190	—	—	25,386
Total	\$ 135,722	\$ 247,340	\$ 245,252	\$ 89,247	\$ 88,734	\$ 48,572	\$ 23,859	\$ 1,955	\$ 880,681
Construction and land development									
Pass	\$ 153,499	\$ 119,005	\$ 56,954	\$ 5,596	\$ 2,662	\$ 796	\$ 12,050	\$ 525	\$ 351,087
Pass-Watch	153	10,750	—	—	—	—	163	1,538	12,604
Substandard	—	216	—	—	—	76	—	—	292
Total	\$ 153,652	\$ 129,971	\$ 56,954	\$ 5,596	\$ 2,662	\$ 872	\$ 12,213	\$ 2,063	\$ 363,983
Multi-family									
Pass	\$ 83,898	\$ 81,507	\$ 115,402	\$ 53,126	\$ 34,053	\$ 23,570	\$ 5,904	\$ 491	\$ 397,951
Pass-Watch	3,111	7,197	—	8,821	51	468	—	8	19,656
Substandard	—	—	316	—	—	—	—	—	316
Total	\$ 87,009	\$ 88,704	\$ 115,718	\$ 61,947	\$ 34,104	\$ 24,038	\$ 5,904	\$ 499	\$ 417,923
One-to-four family residential									
Pass	\$ 105,337	\$ 91,636	\$ 82,289	\$ 64,094	\$ 21,986	\$ 44,241	\$ 57,248	\$ 5,524	\$ 472,355
Pass-Watch	2,382	286	940	486	212	1,804	203	358	6,671
Substandard	1,507	1,527	623	646	1,037	4,166	64	2,912	12,482
Total	\$ 109,226	\$ 93,449	\$ 83,852	\$ 65,226	\$ 23,235	\$ 50,211	\$ 57,515	\$ 8,794	\$ 491,508
Agricultural and farmland									
Pass	\$ 52,766	\$ 37,600	\$ 36,604	\$ 33,960	\$ 8,910	\$ 7,756	\$ 100,486	\$ 2,785	\$ 280,867
Pass-Watch	953	361	425	30	71	719	172	340	3,071
Substandard	—	—	13	3,199	—	144	—	—	3,356
Total	\$ 53,719	\$ 37,961	\$ 37,042	\$ 37,189	\$ 8,981	\$ 8,619	\$ 100,658	\$ 3,125	\$ 287,294
Municipal, Consumer, and other									
Pass	\$ 43,575	\$ 57,404	\$ 27,904	\$ 14,342	\$ 1,016	\$ 42,499	\$ 35,734	\$ —	\$ 222,474
Pass-Watch	9	6	13	—	—	1,693	—	—	1,721
Substandard	51	103	2	6	8	15,012	8	1	15,191
Total	\$ 43,635	\$ 57,513	\$ 27,919	\$ 14,348	\$ 1,024	\$ 59,204	\$ 35,742	\$ 1	\$ 239,386
Total by Risk Rating									
Pass	\$ 679,058	\$ 750,068	\$ 631,765	\$ 340,462	\$ 188,459	\$ 216,516	\$ 422,824	\$ 12,737	\$ 3,241,889
Pass-Watch	13,504	27,776	14,493	11,308	6,890	6,120	15,079	3,036	98,206
Substandard	17,779	2,129	3,117	3,975	3,619	30,111	395	3,197	64,322
Total	\$ 710,341	\$ 779,973	\$ 649,375	\$ 355,745	\$ 198,968	\$ 252,747	\$ 438,298	\$ 18,970	\$ 3,404,417

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Modifications and Troubled Debt Restructurings

There were no loan modifications to borrowers in financial distress during the year ended December 31, 2023.

There were no new troubled debt restructurings during the years ended December 31, 2022 and 2021. As of December 31, 2022, the Company had \$3.0 million of troubled debt restructurings.

NOTE 5 – LOAN SERVICING

Mortgage loans serviced for others, which are not included in the accompanying consolidated balance sheets, amounted to \$1.66 billion and \$955.8 million as of December 31, 2023 and December 31, 2022, respectively. Activity in mortgage servicing rights is as follows:

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Beginning balance	\$ 10,147	\$ 7,994	\$ 5,934
Acquired	10,469	—	370
Capitalized servicing rights	726	530	1,200
Fair value adjustments attributable to payments and principal reductions	(2,110)	(1,343)	(1,788)
Fair value adjustments attributable to changes in valuation inputs and assumptions	(231)	2,966	2,278
Ending balance	\$ 19,001	\$ 10,147	\$ 7,994

NOTE 6 - BANK PREMISES AND EQUIPMENT

Bank premises and equipment are stated at cost less accumulated depreciation as follows:

<i>(dollars in thousands)</i>	December 31, 2023		December 31, 2022	
	Land, buildings, and improvements	\$ 93,955	\$ 77,869	
Furniture, fixtures, and equipment	26,205	24,512		
Total bank premises and equipment	120,160	102,381		
Less accumulated depreciation	55,010	51,912		
Total bank premises and equipment, net	\$ 65,150	\$ 50,469		

Depreciation expense by category is as follows:

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Buildings and improvements	\$ 1,879	\$ 1,623	\$ 1,694
Furniture, fixtures, and equipment	1,229	1,420	1,380
Total depreciation expense	\$ 3,108	\$ 3,043	\$ 3,074

During 2021, six branches were closed or consolidated as part of a branch rationalization plan. The related bank premises were transferred to held for sale at the lower of the carrying value or the fair value, less estimated costs to sell. There was no bank premises held for sale as of December 31, 2023 and \$0.2 million of bank premises held for sale as of December 31, 2022.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – FORECLOSED ASSETS

Foreclosed assets activity is as follows:

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Beginning balance	\$ 3,030	\$ 3,278	\$ 4,168
Acquired	271	—	—
Transfers from loans	1,143	541	4,857
Proceeds from sales	(4,093)	(475)	(5,805)
Sales through loan origination	—	—	(252)
Net gain on sales	764	118	505
Direct write-downs	(263)	(432)	(195)
Ending balance	\$ 852	\$ 3,030	\$ 3,278

Gains (losses) on foreclosed assets includes the following:

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Direct write-downs	\$ (263)	\$ (432)	\$ (195)
Net gain on sales	764	118	505
Gains (losses) on foreclosed assets	\$ 501	\$ (314)	\$ 310

The carrying value of foreclosed one-to-four family residential real estate properties held was \$0.1 million and \$20 thousand as of December 31, 2023 and 2022, respectively. As of December 31, 2023, there were 16 one-to-four family residential real estate loans in the process of foreclosure totaling \$1.2 million. As of December 31, 2022, there were 4 one-to-four family residential real estate loans in the process of foreclosure totaling \$0.2 million.

NOTE 8 - GOODWILL AND OTHER INTANGIBLE ASSETS

The Company recorded goodwill of \$30.5 million related to the acquisition of Town and Country during the year ended December 31, 2023. There were no additions to goodwill for the year ended December 31, 2022. For the year ended December 31, 2021, the Company recorded goodwill of \$5.7 million related to the acquisition of NXT. The goodwill recorded in connection with the acquisitions of Town and Country and NXT were allocated to the Company's only reportable segment, Community Banking.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the changes in the Company's intangible assets:

<i>(dollars in thousands)</i>	Year Ended December 31,					
	2023		2022		2021	
	Core Deposit Intangible	Customer Relationship Intangible	Core Deposit Intangible	Customer Relationship Intangible	Core Deposit Intangible	Customer Relationship Intangible
Beginning balance	\$ 1,070	\$ —	\$ 1,943	\$ —	\$ 2,798	\$ —
Additions	21,282	1,000	—	—	199	—
Amortization	(2,578)	(92)	(873)	—	(1,054)	—
Ending balance	\$ 19,774	\$ 908	\$ 1,070	\$ —	\$ 1,943	\$ —
Accumulated amortization	\$ 23,425	\$ 92	\$ 20,847	\$ —	\$ 19,974	\$ —

Amortization of intangible assets for the years subsequent to December 31, 2023 is expected to be as follows (dollars in thousands):

Year ended December 31,	
2024	\$ 2,839
2025	2,726
2026	2,411
2027	2,338
2028	2,255
Thereafter	8,113
Total	\$ 20,682

NOTE 9 – DEPOSITS

The Company's deposits are summarized below:

<i>(dollars in thousands)</i>	December 31, 2023	December 31, 2022
Noninterest-bearing deposits	\$ 1,072,407	\$ 994,954
Interest-bearing deposits:		
Interest-bearing demand	1,145,092	1,139,150
Money market	803,381	555,425
Savings	608,424	634,527
Time	627,253	262,968
Brokered	144,880	—
Total interest-bearing deposits	3,329,030	2,592,070
Total deposits	\$ 4,401,437	\$ 3,587,024

Interest-bearing demand deposits included \$51.3 million of reciprocal transaction deposits as of December 31, 2023. Money market deposits included \$155.1 million and \$1.7 million of reciprocal transaction deposits as of December 31, 2023 and 2022, respectively. Time deposits included \$30.5 million and \$1.6 million of reciprocal time deposits as of December 31, 2023, and 2022, respectively.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The aggregate amounts of time deposits in denominations of \$250 thousand or more amounted to \$130.2 million and \$27.2 million as of December 31, 2023 and 2022, respectively. The aggregate amounts of time deposits in denominations of \$100 thousand or more amounted to \$342.8 million and \$92.6 million as of December 31, 2023 and 2022, respectively.

The components of interest expense on deposits are as follows:

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Interest-bearing demand	\$ 3,130	\$ 607	\$ 518
Money market	7,352	813	437
Savings	1,033	208	188
Time	10,784	883	1,329
Brokered	2,836	—	—
Total interest expense on deposits	\$ 25,135	\$ 2,511	\$ 2,472

At December 31, 2023, the scheduled maturities of time and brokered time deposits are as follows (dollars in thousands):

Year ended December 31,	
2024	\$ 676,895
2025	76,274
2026	10,593
2027	4,992
2028	3,255
Thereafter	124
Total	\$ 772,133

NOTE 10 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

All repurchase agreements are sweep instruments. The securities underlying the agreements as of December 31, 2023 and 2022 were under the Company's control in safekeeping at third-party financial institutions, and included debt securities.

Information pertaining to securities sold under agreements to repurchase is as follows:

<i>(dollars in thousands)</i>	December 31, 2023	December 31, 2022
Balance at end of year	\$ 42,442	\$ 43,081
Weighted average rate as of end of year	2.42 %	0.28 %
Fair value of securities underlying the agreements	\$ 49,303	\$ 50,771
Carrying value of securities underlying the agreements	\$ 52,958	\$ 55,850

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - BORROWINGS

FHLB advances totaled \$12.6 million with a weighted average interest rate of 0.55% as of December 31, 2023 and totaled \$160.0 million with a weighted average interest rate of 4.29% as of December 31, 2022. The FHLB advances outstanding as of December 31, 2023 mature between 2024 and 2029.

Borrowings from the FHLB are secured by FHLB stock held by the Company and pledged security in the form of qualifying loans. The loans pledged as of December 31, 2023 and 2022 totaled \$1.20 billion and \$892.1 million, respectively. As of December 31, 2023 and 2022, loans pledged also served as collateral for credit exposure of \$0.4 million and \$0.3 million, respectively, associated with the Bank's participation in the FHLB's Mortgage Partnership Finance Program.

The Bank also had available borrowings through the discount window of the Federal Reserve Bank of Chicago. Available borrowings are based on the collateral pledged. As of December 31, 2023, debt securities with a carrying value of \$9.8 million were pledged, and there was no outstanding balance. As of December 31, 2022, there was no collateral pledged and no outstanding balance.

NOTE 12 - SUBORDINATED NOTES

On September 3, 2020, the Company issued \$40.0 million of fixed-to-floating rate subordinated notes that mature on September 15, 2030. The subordinated notes, which are unsecured obligations of the Company, bear a fixed interest rate of 4.50% for the first five years after issuance and thereafter bear interest at a floating rate equal to three-month SOFR, as determined on the Floating Interest Determination Date, plus 4.37%. Interest is payable semi-annually during the five year fixed rate period and quarterly during the subsequent five year floating rate period. The subordinated notes have an optional redemption in whole or in part on any interest payment date on or after September 15, 2025. If the subordinated notes are redeemed before they mature, the redemption price will be the principal amount plus any accrued but unpaid interest. The transaction resulted in debt issuance costs of \$0.8 million which will be amortized over 10 years. As of December 31, 2023 and 2022, 100% of the subordinated notes qualified as Tier 2 capital.

The face value and carrying value of the subordinated notes are summarized below:

<i>(dollars in thousands)</i>	December 31, 2023	December 31, 2022
Subordinated notes, at face value	\$ 40,000	\$ 40,000
Unamortized issuance costs	(526)	(605)
Subordinated notes, at carrying value	\$ 39,474	\$ 39,395

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – JUNIOR SUBORDINATED DEBENTURES ISSUED TO CAPITAL TRUSTS

Eight subsidiary business trusts of the Company have issued floating rate capital securities (“capital securities”) which are guaranteed by the Company. Three of these (Town and Country Statutory Trust II, Town and Country Statutory Trust III, and West Plains Investors Statutory Trust I) were acquired by the Company as part of its acquisition of Town and Country.

The Company owns all of the outstanding stock of the subsidiary business trusts. The trusts used the proceeds from the issuance of their capital securities to buy floating rate junior subordinated deferrable interest debentures (“junior subordinated debentures”) issued by the Company. These junior subordinated debentures are the only assets of the trusts and the interest payments from the junior subordinated debentures finance the distributions paid on the capital securities. The junior subordinated debentures are unsecured, rank junior and subordinate in the right of payment to all senior debt of the Company, and have an optional redemption in whole or in part on any interest payment date.

In accordance with GAAP, the trusts are not consolidated in the Company’s financial statements.

The face values and carrying values of the junior subordinated debentures are summarized as follows:

<i>(dollars in thousands)</i>	<u>Face Value</u>	<u>Carrying Value</u>	
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Heartland Bancorp, Inc. Capital Trust B	\$ 10,310	\$ 10,310	\$ 10,310
Heartland Bancorp, Inc. Capital Trust C	10,310	10,310	10,310
Heartland Bancorp, Inc. Capital Trust D	5,155	5,155	5,155
FFBI Capital Trust I	7,217	7,217	7,217
National Bancorp Statutory Trust I	5,773	4,853	4,788
Town and Country Statutory Trust II	4,124	4,401	—
Town and Country Statutory Trust III	7,732	7,578	—
West Plains Investors Statutory Trust I	3,093	2,965	—
Total	<u>\$ 53,714</u>	<u>\$ 52,789</u>	<u>\$ 37,780</u>

The interest rates on the junior subordinated debentures are variable, reset quarterly, and are equal to the three-month LIBOR, as determined on the LIBOR Determination Date immediately preceding the Distribution Payment Date specific to each junior subordinated debenture, plus a fixed percentage. Beginning in July 2023, the three-month LIBOR index was replaced by the three-month term SOFR index plus a spread adjustment.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The interest rates and maturities of the junior subordinated debentures are summarized as follows:

	Variable Interest Rate	Interest Rate at		Maturity Date
		December 31, 2023	December 31, 2022	
Heartland Bancorp, Inc. Capital Trust B	SOFR plus 3.01%	8.41 %	6.83 %	April 6, 2034
Heartland Bancorp, Inc. Capital Trust C	SOFR plus 1.79	7.18	6.30	June 15, 2037
Heartland Bancorp, Inc. Capital Trust D	SOFR plus 1.61	7.00	6.12	September 15, 2037
FFBI Capital Trust I	SOFR plus 3.06	8.46	6.88	April 6, 2034
National Bancorp Statutory Trust I	SOFR plus 3.16	8.55	7.67	December 15, 2037
Town and Country Statutory Trust II	SOFR plus 3.05	8.43	N/A	March 17, 2034
Town and Country Statutory Trust III	SOFR plus 1.94	7.33	N/A	March 22, 2037
West Plains Investors Statutory Trust I	SOFR plus 1.71	7.10	N/A	June 15, 2037

The distribution rate payable on the debentures is cumulative and payable quarterly in arrears. The Company has the right, subject to events of default, to defer payments of interest on the junior subordinated debentures at any time by extending the interest payment period for a period not exceeding 20 quarterly periods with respect to each deferral period, provided that no extension period may extend beyond the redemption or maturity date of the junior subordinated debentures. The capital securities are subject to mandatory redemption upon payment of the junior subordinated debentures and carry an interest rate identical to that of the related debenture. The junior subordinated debentures maturity dates may be shortened if certain conditions are met, or at any time within 90 days following the occurrence and continuation of certain changes in either tax treatment or the capital treatment of the junior subordinated debentures or the capital securities. If the junior subordinated debentures are redeemed before they mature, the redemption price will be the principal amount plus any accrued but unpaid interest. The Company has the right to terminate each Capital Trust and cause the junior subordinated debentures to be distributed to the holders of the capital securities in liquidation of such trusts.

Under current banking regulations, bank holding companies are allowed to include qualifying trust preferred securities in their Tier 1 Capital for regulatory capital purposes, subject to a 25% limitation to all core (Tier 1) capital elements, net of goodwill and other intangible assets less any associated deferred tax liability. As of December 31, 2023 and 2022, 100% of the trust preferred securities qualified as Tier 1 capital under the final rule adopted in March 2005.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are negotiated contracts entered into by two issuing counterparties containing specific agreement terms, including the underlying instrument, amount, exercise price, and maturities. The derivatives accounting guidance requires that the Company recognize all derivative financial instruments as either assets or liabilities at fair value in the consolidated balance sheets. The Company may utilize interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position.

Interest Rate Swaps Designated as Cash Flow Hedges

The Company designated certain interest rate swap agreements as cash flow hedges on variable-rate borrowings. For derivative instruments that are designated and qualify as a cash flow hedge, the gain or loss on interest rate swaps designated as cash flow hedging instruments, net of tax, is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings.

The interest rate swap agreements designated as cash flow hedges are summarized as follows:

	December 31, 2023		December 31, 2022	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<i>(dollars in thousands)</i>				
Fair value recorded in other assets	\$ 17,000	\$ 322	\$ 17,000	\$ 629

As of December 31, 2023, the interest rate swap agreements designated as cash flow hedges had contractual maturities between 2024 and 2025. As of December 31, 2023 and 2022, counterparties had cash pledged and held on deposit by the Company of \$0.6 million and \$0.6 million, respectively.

The effect of interest rate swap agreements designated as cash flow hedges on the consolidated statements of income are summarized as follows:

	Location of gross gain (loss) reclassified from accumulated other comprehensive income (loss) to income		Amounts of gross gain (loss) reclassified from accumulated other comprehensive income (loss)		
			Year Ended December 31,		
			2023	2022	2021
<i>(dollars in thousands)</i>					
Designated as cash flow hedges:					
Junior subordinated debentures interest expense		\$ 468	\$ (126)		(412)

HBT FINANCIAL, INC. AND SUBSIDIARIES
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Interest Rate Swaps Not Designated as Hedging Instruments

The Company may offer interest rate swap agreements to its commercial borrowers in connection with their risk management needs. The Company manages the interest rate risk associated with these contracts by entering into an equal and offsetting derivative with a third-party financial institution. While these interest rate swap agreements generally work together as an economic interest rate hedge, the Company did not designate them for hedge accounting treatment. Consequently, changes in fair value of the corresponding derivative financial asset or liability were recorded as either a charge or credit to current earnings during the period in which the changes occurred.

The interest rate swap agreements not designated as hedging instruments are summarized as follows:

<i>(dollars in thousands)</i>	December 31, 2023		December 31, 2022	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Fair value recorded in other assets:				
Interest rate swaps with a commercial borrower counterparty	\$ —	\$ —	\$ —	\$ —
Interest rate swaps with a financial institution counterparty	94,497	6,227	106,995	6,981
Total fair value recorded in other assets	\$ 94,497	\$ 6,227	\$ 106,995	\$ 6,981
Fair value recorded in other liabilities:				
Interest rate swaps with a commercial borrower counterparty	\$ 94,497	\$ (6,227)	\$ 106,995	\$ (6,981)
Interest rate swaps with a financial institution counterparty	—	—	—	—
Total fair value recorded in other liabilities	\$ 94,497	\$ (6,227)	\$ 106,995	\$ (6,981)

As of December 31, 2023, the interest rate swap agreements not designated as hedging instruments had contractual maturities between 2027 and 2035.

The effect of interest rate contracts not designated as hedging instruments recognized in other noninterest income on the consolidated statements of income are summarized as follows:

<i>(dollars in thousands)</i>	Year Ended December 31, 2023		
	2023	2022	2021
Not designated as hedging instruments:			
Gross gains	\$ 11,198	\$ 16,002	\$ 13,773
Gross losses	(11,198)	(16,002)	(13,773)
Net gains (losses)	\$ —	\$ —	\$ —

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the activity and accumulated balances for components of other comprehensive income (loss):

<i>(dollars in thousands)</i>	Unrealized Gains (Losses) on Debt Securities			Total
	Available-for-Sale	Held-to-Maturity	Derivatives	
Balance, December 31, 2020	\$ 19,578	\$ (118)	\$ (1,307)	\$ 18,153
Transfer from available-for-sale to held-to-maturity	3,887	(3,887)	—	—
Other comprehensive income (loss) before reclassifications	(24,798)	—	366	(24,432)
Reclassifications	—	687	412	1,099
Other comprehensive income (loss), before tax	(24,798)	687	778	(23,333)
Income tax expense (benefit)	(7,069)	196	222	(6,651)
Other comprehensive income (loss), after tax	(17,729)	491	556	(16,682)
Balance, December 31, 2021	5,736	(3,514)	(751)	1,471
Transfer from available-for-sale to held-to-maturity	7,664	(7,664)	—	—
Other comprehensive income (loss) before reclassifications	(105,459)	—	1,183	(104,276)
Reclassifications	—	1,723	126	1,849
Other comprehensive income (loss), before tax	(105,459)	1,723	1,309	(102,427)
Income tax expense (benefit)	(30,061)	491	373	(29,197)
Other comprehensive income (loss), after tax	(75,398)	1,232	936	(73,230)
Balance, December 31, 2022	(61,998)	(9,946)	185	(71,759)
Other comprehensive income before reclassifications	16,949	—	161	17,110
Reclassifications	1,820	1,954	(468)	3,306
Other comprehensive income (loss), before tax	18,769	1,954	(307)	20,416
Income tax expense (benefit)	5,350	557	(87)	5,820
Other comprehensive income (loss), after tax	13,419	1,397	(220)	14,596
Balance, December 31, 2023	(48,579)	(8,549)	(35)	(57,163)

Reclassifications from accumulated other comprehensive income (loss) for unrealized gains (losses) on debt securities available-for-sale are included in either gains (losses) on sales of securities or provision for credit losses in the accompanying consolidated statements of income.

Reclassifications from accumulated other comprehensive income (loss) for unrealized gains on debt securities held-to-maturity are included in securities interest income in the accompanying consolidated statements of income.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Reclassifications from accumulated other comprehensive income (loss) for the fair value of derivative financial instruments represent net interest payments received or made on derivatives designated as cash flow hedges. See Note 14 for additional information.

NOTE 16 – INCOME TAXES

Allocation of income tax expense between current and deferred portions is as follows:

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Current			
Federal	\$ 12,538	\$ 15,194	\$ 11,330
State	6,384	7,459	6,053
Total current	18,922	22,653	17,383
Deferred			
Federal	2,811	(2,045)	1,945
State	1,006	(874)	963
Total deferred	3,817	(2,919)	2,908
Income tax expense	\$ 22,739	\$ 19,734	\$ 20,291

Income tax expense differs from the statutory federal rate due to the following:

<i>(dollars in thousands)</i>	Year Ended December 31,					
	2023		2022		2021	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Federal income tax, at statutory rate	\$ 18,602	21.0 %	\$ 16,000	21.0 %	\$ 16,078	21.0 %
Increase (decrease) resulting from:						
Federally tax exempt interest income	(1,767)	(2.0)	(1,618)	(2.1)	(1,426)	(1.9)
State taxes, net of federal benefit	5,838	6.6	5,285	6.9	5,430	7.1
Other	66	0.1	67	0.1	209	0.3
Income tax expense	\$ 22,739	25.7 %	\$ 19,734	25.9 %	\$ 20,291	26.5 %

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The components of the deferred tax assets and liabilities are as follows:

<i>(dollars in thousands)</i>	December 31, 2023	December 31, 2022
Deferred tax assets		
Allowance for credit losses	\$ 12,247	\$ 7,151
Compensation related	3,230	2,623
Deferred loan fees	676	965
Nonaccrual interest	596	480
Foreclosed assets	18	142
Goodwill	74	153
Net operating loss carryforward	144	—
Net unrealized losses on debt securities	23,967	29,874
Other purchase accounting adjustments	5,250	—
Other	575	5,237
Total deferred tax assets	46,777	46,625
Deferred tax liabilities		
Fixed asset depreciation	3,044	3,940
Mortgage servicing rights	5,306	2,868
Other purchase accounting adjustments	—	610
Intangible assets	5,584	214
Prepaid assets	816	756
Other	566	2,756
Total deferred tax liabilities	15,316	11,144
Net deferred tax asset	\$ 31,461	\$ 35,481

As of December 31, 2023, the Company had an Illinois net operating loss carryforward of \$1.9 million which is available to offset future Illinois taxable income. The Illinois net operating loss carryforward is subject to a \$100 thousand limitation through 2023 and will begin to expire in 2044. Management believes that it is more likely than not that the deferred tax assets included in the balance sheet will be realized, and that a valuation allowance was not required for deferred tax assets as of December 31, 2023 and 2022.

The Company files consolidated federal and state income tax returns. The Company is generally no longer subject to federal or state income tax examinations for years prior to 2020.

NOTE 17 – EARNINGS PER SHARE

The Company has granted certain restricted stock units that contain non-forfeitable rights to dividend equivalents. Such restricted stock units are considered participating securities. As such, we have included these restricted stock units in the calculation of basic earnings per share and calculate basic earnings per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings.

Diluted earnings per share is computed using the treasury stock method and reflects the potential dilution from the Company's outstanding restricted stock units and performance restricted stock units.

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The following table sets forth the computation of basic and diluted earnings per share:

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net income	\$ 65,842	\$ 56,456	\$ 56,271
Earnings allocated to participating securities	(36)	(66)	(104)
Numerator for earnings per share - basic and diluted	<u>\$ 65,806</u>	<u>\$ 56,390</u>	<u>\$ 56,167</u>
Denominator:			
Weighted average common shares outstanding	31,626,308	28,853,697	27,795,806
Dilutive effect of outstanding restricted stock units	111,839	65,619	15,487
Weighted average common shares outstanding, including all dilutive potential shares	<u>31,738,147</u>	<u>28,919,316</u>	<u>27,811,293</u>
Earnings per share - Basic	<u>\$ 2.08</u>	<u>\$ 1.95</u>	<u>\$ 2.02</u>
Earnings per share - Diluted	<u>\$ 2.07</u>	<u>\$ 1.95</u>	<u>\$ 2.02</u>

NOTE 18 - EMPLOYEE BENEFIT PLANS

Profit Sharing Plan

During the years ended December 31, 2023, 2022, and 2021, the Company's profit sharing plan contribution expense amounted to \$1.7 million, \$1.3 million, and \$1.3 million, respectively. The Company's contributions vest to employees ratably over a six-year period.

Medical Insurance Benefits

The Company is partially self-insured for medical claims filed by its employees. During the years ended December 31, 2023, 2022, and 2021, medical benefits expense amounted to \$6.2 million, \$4.9 million, and \$4.2 million, respectively.

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NOTE 19 – STOCK-BASED COMPENSATION PLANS

The Company has adopted the HBT Financial, Inc. Omnibus Incentive Plan (the “Omnibus Incentive Plan”). The Omnibus Incentive Plan provides for grants of (i) stock options, (ii) stock appreciation rights, (iii) restricted shares, (iv) restricted stock units, (v) performance awards, (vi) other share-based awards and (vii) other cash-based awards to eligible employees, non-employee directors and consultants of the Company. The maximum number of shares of common stock available for issuance under the Omnibus Incentive Plan is 1,820,000 shares.

The following is a summary of stock-based compensation expense (benefit):

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Restricted stock units	\$ 1,204	\$ 1,334	\$ 579
Performance restricted stock units	749	615	185
Total awards classified as equity	1,953	1,949	764
Stock appreciation rights	95	88	226
Total stock-based compensation expense	\$ 2,048	\$ 2,037	\$ 990

In February 2022, all outstanding restricted stock unit and performance restricted stock unit agreements were modified to address treatment upon retirement. In the event of retirement, and if the retirement eligibility requirements are met, then 100% of unvested restricted stock units and performance restricted stock units will continue to vest in accordance with the originally established vesting schedule. The retirement modification resulted in the acceleration of \$0.6 million of expense, although total compensation costs related to the modified agreements remained the same.

HBT FINANCIAL, INC. AND SUBSIDIARIES
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Restricted Stock Units

A restricted stock unit grants a participant the right to receive one share of the Company's common stock, following the completion of the requisite service period. Restricted stock units are classified as equity. Compensation cost is based on the Company's stock price on the grant date and is recognized on a straight-line basis over the service period for the entire award. Dividend equivalents on restricted stock units, which are either accrued until vested or paid at the same time as dividends on common stock, are classified as dividends charged to retained earnings.

During the years ended December 31, 2023, 2022, and 2021, the total grant date fair value of the restricted stock units granted was \$1.0 million, \$1.3 million, and \$0.9 million, respectively, based on the grant date closing prices. The total intrinsic value of restricted stock that vested during the years ended December 31, 2023, 2022, 2021 were \$1.1 million, \$0.7 million, and \$0.3 million, respectively.

The following is a summary of restricted stock unit activity:

	Year Ended December 31,					
	2023		2022		2021	
	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Beginning balance	139,986	\$ 18.01	109,244	\$ 17.27	71,000	\$ 18.98
Granted	41,847	22.72	66,995	18.81	59,994	15.81
Vested	(51,693)	17.91	(34,925)	17.26	(20,225)	18.86
Forfeited	(1,981)	19.55	(1,328)	18.35	(1,525)	18.11
Ending balance	128,159	\$ 19.56	139,986	\$ 18.01	109,244	\$ 17.27

As of December 31, 2023, unrecognized compensation cost related to the non-vested restricted stock units was \$0.9 million. This cost is expected to be recognized over the weighted average remaining service period of 1.7 years.

HBT FINANCIAL, INC. AND SUBSIDIARIES
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Performance Restricted Stock Units

A performance restricted stock unit is similar to a restricted stock unit, except that the number of shares of the Company's common stock awarded is based on a performance condition and the completion of the requisite service period. The number of shares of the Company's common stock that may be earned ranges from 0% to 150% of the number of performance restricted stock units granted. Performance restricted stock units are classified as equity. Compensation cost is based on the Company's stock price on the grant date and an assessment of the probable outcome of the performance condition. Compensation cost is recognized on a straight-line basis over the service period of the entire award. Changes in the performance condition probability assessment result in cumulative catch-up adjustments to the compensation cost recognized. Dividend equivalents on performance restricted stock units, which are accrued until vested, are classified as dividends charged to retained earnings.

During the years ended December 31, 2023, 2022, and 2021, the total fair value of the performance restricted stock units granted was \$0.4 million, \$0.5 million, and \$0.6 million, respectively, based on the grant date closing prices and an assessment of the probable outcome of the performance condition on the grant date.

The following is a summary of performance restricted stock unit activity:

	Year Ended December 31,					
	2023		2022		2021	
	Performance Restricted Stock Units	Weighted Average Grant Date Fair Value	Performance Restricted Stock Units	Weighted Average Grant Date Fair Value	Performance Restricted Stock Units	Weighted Average Grant Date Fair Value
Beginning balance	62,067	\$ 17.02	38,344	\$ 15.72	—	\$ —
Granted	17,030	22.72	23,723	19.14	38,344	15.72
Vested	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Ending balance	79,097	\$ 18.25	62,067	\$ 17.02	38,344	\$ 15.72

As of December 31, 2023, unrecognized compensation cost related to non-vested performance restricted stock units was \$0.3 million, based on the current assessment of the probable outcome of the performance conditions. This cost is expected to be recognized over the weighted average remaining service period of 1.5 years.

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Stock Appreciation Rights

A stock appreciation right grants a participant the right to receive an amount of cash, the value of which equals the appreciation in the Company's stock price between the grant date and the exercise date. Stock appreciation rights are classified as liabilities. The liability is based on an option-pricing model used to estimate the fair value of the stock appreciation rights. Compensation cost for non-vested stock appreciation rights is recognized on a straight line basis over the service period of the entire award.

The following is a summary of stock appreciation rights activity:

	Year Ended December 31,					
	2023		2022		2021	
	Stock Appreciation Rights	Weighted Average Grant Date Assigned Value	Stock Appreciation Rights	Weighted Average Grant Date Assigned Value	Stock Appreciation Rights	Weighted Average Grant Date Assigned Value
Beginning balance	73,440	\$ 16.32	97,920	\$ 16.32	105,570	\$ 16.32
Granted	—	—	—	—	—	—
Exercised	—	—	(24,480)	16.32	(6,120)	16.32
Expired	—	—	—	—	(1,530)	16.32
Forfeited	—	—	—	—	—	—
Ending balance	73,440	\$ 16.32	73,440	\$ 16.32	97,920	\$ 16.32

As of December 31, 2023, all stock appreciation rights were exercisable and have a weighted average remaining term of 5.7 years. Additionally, as of December 31, 2023, there was no unrecognized compensation cost for stock appreciation rights.

As of December 31, 2023 and 2022, the liability recorded for outstanding stock appreciation rights was \$0.6 million and \$0.5 million, respectively. The Company uses an option pricing model to value the stock appreciation rights, using the assumptions in the following table. Expected volatility is derived from the historical volatility of the Company's stock price and a selected peer group of industry-related companies.

	December 31, 2023	December 31, 2022
Risk-free interest rate	3.85 %	3.95 %
Expected volatility	37.37 %	36.54 %
Expected life (in years)	5.7	6.7
Expected dividend yield	3.22 %	3.27 %

As of December 31, 2023, the liability recorded for previously exercised stock appreciation rights was \$0.2 million, which will be paid in 2024. As of December 31, 2022, the liability recorded for previously exercised stock appreciation rights was \$0.5 million.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 – REGULATORY MATTERS

The Company (on a consolidated basis) and the Bank are each subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by the regulators that, if undertaken, could have a direct material effect on the consolidated financial statements of the Company and the Bank. Additionally, the ability of the Company to pay dividends to its stockholders is dependent upon the ability of the Bank to pay dividends to the Company.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings, and other factors. As allowed under the regulations, the Company and the Bank elected to exclude accumulated other comprehensive income, including unrealized gains and losses on debt securities, in the computation of regulatory capital. Prompt corrective action provisions are not applicable to bank holding companies.

Additionally, the Company and the Bank must maintain a “capital conservation buffer” to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management. As of December 31, 2023 and 2022, the capital conservation buffer was 2.5% of risk-weighted assets.

As of December 31, 2023, the Company and the Bank each met all capital adequacy requirements to which they were subject. The actual and required capital amounts and ratios of the Company (on a consolidated basis) and the Bank are as follows:

	December 31, 2023					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(dollars in thousands)</i>						
Consolidated HBT Financial, Inc.						
Total Capital (to Risk Weighted Assets)	\$ 603,234	15.33 %	\$ 314,814	8.00 %	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	527,964	13.42	236,110	6.00	N/A	N/A
Common Equity Tier 1 Capital (to Risk Weighted Assets)	476,789	12.12	177,083	4.50	N/A	N/A
Tier 1 Capital (to Average Assets)	527,964	10.49	201,231	4.00	N/A	N/A
Heartland Bank and Trust Company						
Total Capital (to Risk Weighted Assets)	\$ 586,604	14.92 %	\$ 314,496	8.00 %	\$ 393,119	10.00 %
Tier 1 Capital (to Risk Weighted Assets)	550,808	14.01	235,872	6.00	314,496	8.00
Common Equity Tier 1 Capital (to Risk Weighted Assets)	550,808	14.01	176,904	4.50	255,528	6.50
Tier 1 Capital (to Average Assets)	550,808	10.96	201,063	4.00	251,329	5.00

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2022					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(dollars in thousands)</i>						
Consolidated HBT Financial, Inc.						
Total Capital (to Risk Weighted Assets)	\$ 516,556	16.27 %	\$ 254,052	8.00 %	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	451,828	14.23	190,539	6.00	N/A	N/A
Common Equity Tier 1 Capital (to Risk Weighted Assets)	415,213	13.07	142,904	4.50	N/A	N/A
Tier 1 Capital (to Average Assets)	451,828	10.48	172,427	4.00	N/A	N/A
Heartland Bank and Trust Company						
Total Capital (to Risk Weighted Assets)	\$ 489,316	15.43 %	\$ 253,643	8.00 %	\$ 317,054	10.00 %
Tier 1 Capital (to Risk Weighted Assets)	463,983	14.63	190,233	6.00	253,643	8.00
Common Equity Tier 1 Capital (to Risk Weighted Assets)	463,983	14.63	142,674	4.50	206,085	6.50
Tier 1 Capital (to Average Assets)	463,983	10.78	172,240	4.00	215,300	5.00

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a Company's own assumptions about the assumptions that market participants would use in pricing as asset or liability.

The Company uses fair value to measure certain assets and liabilities on a recurring basis, such as investment securities, mortgage servicing rights, and derivatives. For assets measured at the lower of cost or fair value, the fair value measurement criteria may or may not be met during a reporting period, and such measurements are therefore considered "nonrecurring" for purposes of disclosing the Company's fair value measurements. Fair value is used on a nonrecurring basis to adjust carrying values for loans held for sale, collateral-dependent loans, bank premises held for sale, and foreclosed assets.

Recurring Basis

The following is a description of the methods and significant assumptions used to measure the fair value of assets and liabilities on a recurring basis.

Investment Securities

When available, the Company uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Company's securities where quoted prices are not available for identical securities in an active market, the Company determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2; however, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3. The change in fair value of debt securities available-for-sale is recorded through an adjustment to the consolidated statement of comprehensive income (loss). The change in fair value of equity securities with readily determinable fair values is recorded through an adjustment to the consolidated statement of income.

Mortgage Servicing Rights

The Company has elected to record its mortgage servicing rights at fair value. Mortgage servicing rights do not trade in an active market with readily observable prices. Accordingly, the Company determines the fair value of mortgage servicing rights by estimating the fair value of the future cash flows associated with the mortgage loans being serviced as calculated by an independent third party. Key economic assumptions used in measuring the fair value of mortgage servicing rights include, but are not limited to, prepayment speeds and discount rates. Due to the nature of the valuation inputs, mortgage servicing rights are classified as Level 3. The change in fair value is recorded through an adjustment to the consolidated statement of income.

HBT FINANCIAL, INC. AND SUBSIDIARIES
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Derivative Financial Instruments

Interest rate swap agreements are carried at fair value as determined by dealer valuation models. Based on the inputs used, the derivative financial instruments subjected to recurring fair value adjustments are classified as Level 2. For derivative financial instruments designated as hedging instruments, the change in fair value is recorded through an adjustment to the consolidated statement of comprehensive income (loss). For derivative financial instruments not designated as hedging instruments, the change in fair value is recorded through an adjustment to the consolidated statement of income.

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022 by level within the fair value hierarchy:

<i>(dollars in thousands)</i>	December 31, 2023			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Debt securities available-for-sale:				
U.S. Treasury	\$ 148,622	\$ —	\$ —	\$ 148,622
U.S. government agency	—	52,097	—	52,097
Municipal	—	205,557	—	205,557
Mortgage-backed:				
Agency residential	—	173,984	—	173,984
Agency commercial	—	127,012	—	127,012
Corporate	—	52,189	—	52,189
Equity securities with readily determinable fair values	3,360	—	—	3,360
Mortgage servicing rights	—	—	19,001	19,001
Derivative financial assets	—	6,549	—	6,549
Derivative financial liabilities	—	6,227	—	6,227

<i>(dollars in thousands)</i>	December 31, 2022			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Debt securities available-for-sale:				
U.S. Treasury	\$ 154,515	\$ —	\$ —	\$ 154,515
U.S. government agency	—	55,157	—	55,157
Municipal	—	243,829	—	243,829
Mortgage-backed:				
Agency residential	—	195,441	—	195,441
Agency commercial	—	132,888	—	132,888
Corporate	—	61,694	—	61,694
Equity securities with readily determinable fair values	3,029	—	—	3,029
Mortgage servicing rights	—	—	10,147	10,147
Derivative financial assets	—	7,610	—	7,610
Derivative financial liabilities	—	6,981	—	6,981

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The following tables present additional information about the unobservable inputs used in the fair value measurement of the mortgage servicing rights (dollars in thousands):

December 31, 2023	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mortgage servicing rights	\$ 19,001	Discounted cash flows	Constant pre-payment rates (CPR)	6.2% to 49.4% (8.4%)
			Discount rate	9.0% to 37.3% (9.6%)

December 31, 2022	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mortgage servicing rights	\$ 10,147	Discounted cash flows	Constant pre-payment rates (CPR)	5.3% to 59.7% (8.2%)
			Discount rate	9.0% to 11.7% (9.3%)

Nonrecurring Basis

The following is a description of the methods and significant assumptions used to measure the fair value of assets and liabilities on a nonrecurring basis.

Loans Held for Sale

Mortgage loans originated and held for sale are carried at the lower of cost or estimated fair value. The Company obtains quotes or bids on these loans directly from purchasing financial institutions. Typically, these quotes include a premium on the sale and thus these quotes generally indicate fair value of the held for sale loans is greater than cost. Loans held for sale have been classified as Level 2.

Collateral-Dependent Loans

Periodically, a collateral-dependent loan is evaluated individually and is reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. If the collateral value is not sufficient, a specific reserve is recorded. Collateral values are estimated using recent appraisals and customized discounting criteria. Due to the significance of unobservable inputs, fair values of collateral-dependent loans have been classified as Level 3.

Bank Premises Held for Sale

Bank premises held for sale are recorded at the lower of cost or fair value, less estimated selling costs, at the date classified as held for sale. Values are estimated using recent appraisals and customized discounting criteria. Due to the significance of unobservable inputs, fair values of collateral-dependent loans have been classified as Level 3.

Foreclosed Assets

Foreclosed assets are recorded at fair value based on property appraisals, less estimated selling costs, at the date of the transfer. Subsequent to the transfer, foreclosed assets are carried at the lower of cost or fair value, less estimated selling costs. Values are estimated using recent appraisals and customized discounting criteria. Due to the significance of unobservable inputs, fair values of collateral-dependent loans have been classified as Level 3.

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The following tables summarize assets measured at fair value on a nonrecurring basis as of December 31, 2023 and 2022 by level within the fair value hierarchy:

<i>(dollars in thousands)</i>	December 31, 2023			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Loans held for sale	\$ —	\$ 2,318	\$ —	\$ 2,318
Collateral-dependent loans	—	—	32,685	32,685
Foreclosed assets	—	—	852	852

<i>(dollars in thousands)</i>	December 31, 2022			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Loans held for sale	\$ —	\$ 615	\$ —	\$ 615
Collateral-dependent loans	—	—	17,460	17,460
Bank premises held for sale	—	—	235	235
Foreclosed assets	—	—	3,030	3,030

The following tables present quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements (dollars in thousands):

December 31, 2023	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral-dependent loans	\$ 32,685	Appraisal of collateral	Appraisal adjustments	Not meaningful
Foreclosed assets	852	Appraisal	Appraisal adjustments	7% (7%)

December 31, 2022	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral-dependent loans	\$ 17,460	Appraisal of collateral	Appraisal adjustments	Not meaningful
Bank premises held for sale	235	Appraisal	Appraisal adjustments	7% (7%)
Foreclosed assets	3,030	Appraisal	Appraisal adjustments	7% (7%)

Other Fair Value Methods

The following methods and assumptions were used by the Company in estimating fair value disclosures of its other financial instruments. There were no changes in the methods and significant assumptions used to estimate the fair value of these financial instruments.

Cash and Cash Equivalents

The carrying amounts of these financial instruments approximate their fair values.

Restricted Stock

The carrying amount of FHLB stock approximates fair value based on the redemption provisions of the FHLB.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Loans

The fair value estimation process for the loan portfolio uses an exit price concept and reflects discounts the Company believes are consistent with discounts in the marketplace. Fair values are estimated for portfolios of loans with similar characteristics. Loans are segregated by type such as commercial and industrial, agricultural and farmland, commercial real estate - owner occupied, commercial real estate - non-owner occupied, multi-family, construction and land development, one-to-four family residential, and municipal, consumer, and other. The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for similar maturities. The fair value analysis also includes other assumptions to estimate fair value, intended to approximate those a market participant would use in an orderly transaction, with adjustments for discount rates, interest rates, liquidity, and credit spreads, as appropriate.

Investments in Unconsolidated Subsidiaries

The fair values of the Company's investments in unconsolidated subsidiaries are presumed to approximate carrying amounts.

Time and Brokered Time Deposits

Fair values of certificates of deposit with stated maturities have been estimated using the present value of estimated future cash flows discounted at rates currently offered for similar instruments. Time deposits also include public funds time deposits.

Securities Sold Under Agreements to Repurchase

The fair values of repurchase agreements with variable interest rates are presumed to approximate their recorded carrying amounts.

Subordinated Notes

The fair values of subordinated notes are estimated using discounted cash flow analyses based on rates observed on recent debt issuances by other financial institutions.

Junior Subordinated Debentures

The fair values of subordinated debentures are estimated using discounted cash flow analyses based on rates observed on recent debt issuances by other financial institutions.

Accrued Interest

The carrying amounts of accrued interest approximate fair value.

HBT FINANCIAL, INC. AND SUBSIDIARIES
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The following table provides summary information on the carrying amounts and estimated fair values of the Company's financial instruments:

<i>(dollars in thousands)</i>	Fair Value Hierarchy Level	December 31, 2023		December 31, 2022	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	Level 1	\$ 141,252	\$ 141,252	\$ 114,159	\$ 114,159
Debt securities held-to-maturity	Level 2	521,439	466,496	541,600	478,801
Restricted stock	Level 3	7,160	7,160	7,965	7,965
Loans, net	Level 3	3,364,369	3,349,540	2,594,920	2,566,930
Investments in unconsolidated subsidiaries	Level 3	1,614	1,614	1,165	1,165
Accrued interest receivable	Level 2	24,534	24,534	19,506	19,506
Financial liabilities:					
Time deposits	Level 3	627,253	619,682	262,968	253,619
Brokered deposits	Level 3	144,880	144,944	—	—
Securities sold under agreements to repurchase	Level 2	42,442	42,442	43,081	43,081
Subordinated notes	Level 3	39,474	36,993	39,395	37,205
Junior subordinated debentures	Level 3	52,789	48,529	37,780	37,030
Accrued interest payable	Level 2	6,969	6,969	1,363	1,363

The Company estimated the fair value of lending related commitments as described in Note 22 to be immaterial based on limited interest rate exposure due to their variable nature, short-term commitment periods and termination clauses provided in the agreements.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair values have been estimated using data which management considered the best available and estimation methodologies deemed suitable for the pertinent category of financial instrument.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 – COMMITMENTS AND CONTINGENCIES**Financial Instruments**

The Bank is party to credit-related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Such commitments and conditional obligations were as follows:

	Contractual Amount	
	December 31, 2023	December 31, 2022
<i>(dollars in thousands)</i>		
Commitments to extend credit	\$ 869,013	\$ 756,885
Standby letters of credit	23,732	17,785

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, by the Bank upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies, but may include real estate, accounts receivable, inventory, property, plant, and equipment, and income-producing properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those standby letters of credit are primarily issued to support extensions of credit. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. The Bank secures the standby letters of credit with the same collateral used to secure the related loan.

Allowance for Credit Losses on Unfunded Lending-related Commitments

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancelable by the Company. The allowance for credit losses on unfunded commitments is included in other liabilities on the consolidated balance sheets and is adjusted through a charge to provision for credit loss expense on the consolidated statements of income. The allowance for credit losses on unfunded commitments estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The allowance for credit losses on unfunded commitments was \$3.8 million as of December 31, 2023.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Legal Contingencies

In the normal course of business, the Company, or its subsidiaries, are involved in various legal proceedings. In the opinion of management, any liability resulting from pending proceedings would not be expected to have a material adverse effect on the Company's consolidated financial statements.

PLB Investments LLC, John Kuehner, and A.S. Palmer Investments LLC v. Heartland Bank and Trust Company and PNC Bank N.A., In the United States District Court for the Northern District of Illinois, Case No. 1:20-cv-1023 ("Class Action"); and Melanie E. Damian, As Receiver of Today's Growth Consultant, Inc. (dba The Income Store) v. Heartland Bank and Trust Company and PNC Bank N.A., In the United States District Court for the Northern District of Illinois, Case No. 1:20-cv-7819 ("Receiver's Action")

The Bank was a defendant in the purported Class Action lawsuit that was filed on February 12, 2020, in the U.S. District Court for the Northern District of Illinois. The plaintiffs in the Class Action alleged that the Bank negligently enabled and facilitated a fraudulent, Ponzi-like scheme perpetrated by Today's Growth Consultant, Inc. (dba The Income Store) ("TGC"). Additionally, the Receiver for TGC filed the Receiver's Action on December 30, 2020, in the U.S. District Court for the Northern District of Illinois, with similar allegations.

On February 20, 2023, the Bank reached an agreement in principle to settle both the Class Action and Receiver's Action in which the Bank would make one-time cash payments totaling \$13.0 million, without admitting fault, to release the Bank from further liability and claims in both the Class Action and Receiver's Action.

On August 16, 2023, definitive settlement agreements reflecting the terms of the agreement in principle were approved by the Court, and the Bank made the one-time cash payments totaling \$13.0 million during the third quarter of 2023. The settlements do not include any admission of liability or wrongdoing by the Bank, and the Bank expressly denies any liability or wrongdoing with respect to any matter alleged in the Class Action and Receiver's Action. The Bank agreed in principle to the settlements to avoid the cost, risks and distraction of continued litigation. The Company believes the settlements are in the best interests of the Company and its shareholders.

Accordingly, the Bank had \$13.0 million accrued related to these matters as of December 31, 2022. The Bank's insurer reimbursed \$7.4 million of the settlement payment which was recorded as an insurance recovery receivable as of December 31, 2022. The net settlement amount of \$5.6 million was included in other noninterest expense in the consolidated statements of income during the fourth quarter of 2022.

DeBaere, et al v. Heartland Bank and Trust Company

The Bank was a defendant in a purported class action lawsuit filed in June 2020, in the Circuit Court of Cook County, Illinois. The plaintiff, a customer of the Bank, alleges that the Bank breached its contract with the plaintiff by (1) charging multiple insufficient funds fees or overdraft fees on a single customer-initiated transaction, and (2) charging overdraft fees for transactions that were authorized on a positive account balance, but when settled, settled into a negative balance.

Miller, et al v. State Bank of Lincoln and Heartland Bank and Trust Company

The Bank was a defendant in a purported class action lawsuit filed in May 2020, in the Circuit Court of Logan County, Illinois. The plaintiff, a customer of State Bank of Lincoln, which previously merged with the Bank, alleges that the Bank breached its contract with the plaintiff by charging multiple insufficient funds fees or overdraft fees on a single customer-initiated transaction.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On May 15, 2023, the Bank reached an agreement in principle to settle both the *DeBaere, et al* and *Miller, et al* cases in which the Bank would make one-time cash payments totaling \$3.4 million, without admitting fault, to release the Bank from further liability and claims in both the cases.

Definitive settlement agreements reflecting the terms of the agreement in principle were approved by the Court on December 15, 2023 in the *DeBaere, et al* case and on February 16, 2024 in the *Miller, et al* case. The Bank made the one-time cash payments totaling \$3.4 million during the fourth quarter of 2023. The settlements do not include any admission of liability or wrongdoing by the Bank, and the Bank expressly denies any liability or wrongdoing with respect to any matter alleged in the Class Action and Receiver's Action. The Bank agreed in principle to the settlements to avoid the cost, risks and distraction of continued litigation. The Company believes the settlements are in the best interests of the Company and its shareholders.

Accordingly, the Bank had in the aggregate \$2.6 million accrued as of December 31, 2022 related to these matters. An initial \$2.6 million accrual was recognized in other noninterest expense during the fourth quarter of 2022, reflecting management's best estimate at that time, and an additional \$0.8 million accrual was recognized in other noninterest expense during the second quarter of 2023 following the agreement in principle to settle both the *DeBaere, et al* and *Miller, et al* cases.

John Pickett v. Town and Country Bank

The Bank is a defendant in a purported class action lawsuit filed in October 2023, in the Circuit Court of Sangamon County, Illinois. The plaintiff, a customer of Town and Country Bank, which previously merged with the Bank, alleges that the Bank breached its contract with the plaintiff by charging overdraft fees for transactions that were authorized on a positive account balance, but when settled, settled into a negative balance.

The Bank intends to vigorously defend the lawsuit. However, the Company believes an unfavorable outcome is probable at this time, as that term is used in assessing loss contingencies. Accordingly, consistent with the authoritative guidance in the evaluation of contingencies, an accrual has been recorded related to these matters of \$0.2 million in the aggregate during the fourth quarter and year ended December 31, 2023. While the amount recorded reflects management's best estimate as of December 31, 2023, the Company cannot yet offer an opinion on the estimated range of possible loss.

NOTE 23 - RELATED PARTY TRANSACTIONS

Loans

As of December 31, 2023 and 2022, loans to directors, executive officers, principal shareholders and their affiliated entities ("related parties") totaled \$1.1 million and \$2.2 million, respectively. These loans were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing for comparable loans with persons not related to us.

Deposits

Deposits of related parties totaled \$4.0 million and \$22.0 million as of December 31, 2023 and 2022, respectively.

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 - CONDENSED PARENT COMPANY ONLY FINANCIAL STATEMENTS

Following are the condensed parent company only financial statements of HBT Financial.

Condensed Parent Company Only Balance Sheets

<i>(dollars in thousands)</i>	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	\$ 17,214	\$ 24,278
Investment in subsidiaries:		
Bank	563,513	422,217
Non-bank	1,614	1,165
Other assets	2,347	5,338
Total assets	\$ 584,688	\$ 452,998
LIABILITIES		
Subordinated notes	\$ 39,474	\$ 39,395
Junior subordinated debentures	52,789	37,780
Other liabilities	2,929	2,191
Total liabilities	95,192	79,366
STOCKHOLDERS' EQUITY		
Total liabilities and stockholders' equity	\$ 584,688	\$ 452,998

Condensed Parent Company Only Statements of Income

<i>(dollars in thousands)</i>	Year ended December 31,		
	2023	2022	2021
INCOME			
Dividends received from bank subsidiary	\$ 64,000	\$ 28,000	\$ 20,000
Undistributed earnings from bank subsidiary	9,199	35,044	41,227
Other income	870	51	454
Total income	74,069	63,095	61,681
EXPENSES			
Interest expense	5,409	3,666	3,305
Other expense	5,517	5,292	3,741
Total expenses	10,926	8,958	7,046
INCOME BEFORE INCOME TAX BENEFIT	63,143	54,137	54,635
TAX BENEFIT	(2,699)	(2,319)	(1,636)
NET INCOME	\$ 65,842	\$ 56,456	\$ 56,271

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Parent Company Only Statements of Cash Flow

(dollars in thousands)	Year ended December 31,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 65,842	\$ 56,456	\$ 56,271
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of consolidated subsidiaries	(9,199)	(35,044)	(41,227)
Stock-based compensation	1,953	1,949	764
Amortization of discount and issuance costs on subordinated notes and debentures	139	145	144
Net gain on sale of foreclosed assets	(563)	—	(74)
Changes in other assets and liabilities, net	360	769	(2,231)
Net cash provided by operating activities	58,532	24,275	13,647
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities	—	—	(48)
Purchase of foreclosed assets from Heartland Bank	—	(2,325)	—
Proceeds from sale of foreclosed assets	2,888	—	74
Net cash paid for acquisition of NXT Bancorporation, Inc.	—	—	(10,411)
Net cash paid for acquisition of Town and Country	(37,523)	—	—
Net cash used in investing activities	(34,635)	(2,325)	(10,385)
CASH FLOWS FROM FINANCING ACTIVITIES			
Taxes paid related to the vesting of restricted stock units	(181)	(57)	—
Repurchase of common stock	(8,907)	(4,783)	(4,906)
Cash dividends and dividend equivalents paid	(21,873)	(18,584)	(16,753)
Net cash used in financing activities	(30,961)	(23,424)	(21,659)
NET DECREASE IN CASH AND EQUIVALENTS	(7,064)	(1,474)	(18,397)
CASH AND CASH EQUIVALENTS			
Beginning of year	24,278	25,752	44,149
End of year	\$ 17,214	\$ 24,278	\$ 25,752

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and other members of the Company's senior management. The Company's Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2023, the end of the period covered by this report, the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is: (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure; and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting. Internal control is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements. Internal control over financial reporting includes self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. This assessment was based on criteria for effective internal control over financial reporting established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on this assessment, our Chief Executive Officer and Chief Financial Officer have determined that the Company maintained effective internal control over financial reporting as of December 31, 2023 based on the specified criteria.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. As an emerging growth company, management's report was not subject to attestation by the Company's independent registered public accounting firm in accordance with the JOBS Act.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) or Rule 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the fiscal quarter ended December 31, 2023, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III.**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Our Code of Ethics applies to all of our officers, directors and employees, including our principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics is publicly available on our internet website at ir.hbtfinc.com. We intend to satisfy the disclosure requirements of Item 5.05 of Form 8-K regarding any amendment to, or waiver from, a provision of the Code of Ethics that applies to our principal executive officer, principal financial officer or principal accounting officer and relates to any element of the definition of code of ethics set forth in Item 406(b) of Regulation S-K by posting such information on our website, ir.hbtfinc.com.

All other information required by this item is set forth under the captions “Proposal 1—Election of Directors,” “Board of Directors, Board Meetings and Committees,” “Stock Ownership Matters,” and “Executive Officers” in the Company’s Definitive Proxy Statement for the 2024 Annual Meeting of Stockholders (the “Definitive Proxy Statement”) and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

All information required by this item is set forth under the caption “Executive Compensation” in the Company’s Definitive Proxy Statement and is herein incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table summarizes information as of December 31, 2023 relating to our equity compensation plans pursuant to which grants of options, restricted stock or other rights to acquire shares may be granted from time to time.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (A)	Weighted-Average exercise price of outstanding options, warrants and rights (B) ⁽²⁾	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) (C)
Equity compensation plans approved by security holders	246,805 ⁽¹⁾	\$ —	1,477,419
Equity compensation plans not approved by security holders	—	—	—
Total	246,805	\$ —	1,477,419

(1) Balance reflects the assumed payout of outstanding performance restricted stock units awards at maximum level and outstanding restricted stock unit awards.

(2) This “Weighted-Average exercise price of outstanding options, warrants and rights” column does not reflect the outstanding restricted stock unit or performance share unit awards. Because there are no outstanding awards that have exercise prices, no weighted-average exercise price is provided in this column.

All information required by this item is set forth under the caption “Stock Ownership Matters—Security Ownership of Management and Certain Beneficial Owners” in the Company’s Definitive Proxy Statement and is herein incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

All information required by this item is set forth under the caption “Certain Relationships and Related Party Transactions” in the Company’s Definitive Proxy Statement and is herein incorporated by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

All information required by this item is set forth under the caption “Proposal 2—Ratification of the Appointment of the Independent Registered Public Accounting Firm” in the Company’s Definitive Proxy Statement and is herein incorporated by reference.

PART IV.**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a)(1). See Index to Consolidated Financial Statements on page [76](#).

(a)(2). Financial Statement Schedule

All financial statement schedules are omitted because they are either not applicable or not required, or because the required information is included in the Consolidated Financial Statements or the Notes thereto included in Part II, Item 8.

(a)(3). Exhibits

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of HBT Financial, Inc. (incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-8, filed with the Commission on October 30, 2019).
3.2	Amended and Restated By-law of HBT Financial, Inc. (incorporated by reference to Exhibit 4.2 to the Company’s Registration Statement on Form S-8, filed with the Commission on October 30, 2019).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-1/A, filed with the Commission on October 1, 2019).
4.2	Description of Common Stock (incorporated by reference to Exhibit 4.2 to the Company’s Annual Report on Form 10-K, filed with the Commission on March 27, 2020).
4.3	Form of 4.50% Fixed-to-Floating Rate Subordinated Note due 2030 (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed with the Commission on September 3, 2020).
9.1	Voting Trust Agreement, dated as of May 4, 2016, among Fred L. Drake, the Company and the depositors party thereto (incorporated by reference to Exhibit 10.2 to the Company’s Registration Statement on Form S-1, filed with the Commission on September 13, 2019).
10.1	Amended Restated Stockholder Agreement, dated as of September 27, 2019, by and among the Company and the stockholders party thereto (incorporated by reference to Exhibit 10.1 to the Company’s Registration Statement on Form S-1/A, filed with the Commission on October 1, 2019).
10.2	Registration Rights Agreement, dated as of October 16, 2019, by and among the Company and the stockholders party thereto (incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, filed with the Commission on November 20, 2019).
10.3 §	HBT Financial, Inc. Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Registration Statement on Form S-8, filed with the Commission on October 30, 2019).
10.4 §	Amended and Restated Employment Agreement, dated as of February 22, 2021, by and between the Company and Fred L. Drake (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the Commission on February 25, 2021).
10.5 §	Amended and Restated Employment Agreement, dated as of February 22, 2021, by and between the Company and J. Lance Carter (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the Commission on February 25, 2021).

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10.6 §	<u>Amended and Restated Employment Agreement, dated as of February 22, 2021, by and between the Company and Patrick F. Busch (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on February 25, 2021).</u>
10.7 §	<u>Employment Agreement, effective October 1, 2022, by and among HBT Financial, Inc., Heartland Bank and Trust Company and Peter Chapman. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on August 18, 2022).</u>
10.8 §	<u>Amendment to Amended and Restated Employment Agreement, dated November 18, 2022, by and among HBT Financial, Inc., Heartland Bank and Trust Company and Patrick F. Busch. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on November 23, 2022).</u>
10.9 §	<u>Form of Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1, filed with the Commission on September 13, 2019).</u>
10.10 §	<u>Form of Option Award Agreement (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1/A, filed with the Commission on October 1, 2019).</u>
10.11 §	<u>Form of Restricted Shares Award Agreement (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1/A, filed with the Commission on October 1, 2019).</u>
10.12 §	<u>Form of Restricted Stock Unit Award Agreement (with dividend equivalent rights) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 3, 2020).</u>
10.13 §	<u>Form of Director Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K, filed with the Commission on March 12, 2021).</u>
10.14 §	<u>Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K, filed with the Commission on March 11, 2022).</u>
10.15 §	<u>Form of Performance Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K, filed with the Commission on March 8, 2023).</u>
10.16 §	<u>Amendment to Amended and Restated Employment Agreement, dated March 31, 2023, by and among HBT Financial, Inc., Heartland Bank and Trust Company and Fred L. Drake (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on April 3, 2023).</u>
10.17 §	<u>Amendment to Amended and Restated Employment Agreement, dated March 31, 2023, by and among HBT Financial, Inc., Heartland Bank and Trust Company and J. Lance Carter (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on April 3, 2023).</u>
21.1 *	<u>Subsidiaries of the Registrant.</u>
23.1 *	<u>Consent of RSM US LLP.</u>
31.1 *	<u>Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2 *	<u>Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1 **	<u>Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2 **	<u>Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
97.1 *	<u>Incentive Compensation Clawback Policy.</u>
101.INS	Inline XBRL Instance Document.

101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

** This exhibit is furnished herewith and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

§ A management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 601 of Regulation S-K.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HBT FINANCIAL, INC.

Dated: March 6, 2024

By: /s/ Peter R. Chapman

Peter R. Chapman

Chief Financial Officer

(on behalf of the registrant and as principal financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ J. Lance Carter</u> J. Lance Carter	President, Chief Executive Officer, and Director (Principal executive officer)	March 6, 2024
<u>/s/ Peter R. Chapman</u> Peter R. Chapman	Executive Vice President and Chief Financial Officer (Principal financial officer and principal accounting officer)	March 6, 2024
<u>/s/ Fred L. Drake</u> Fred L. Drake	Executive Chairman and Director	March 6, 2024
<u>/s/ Roger A. Baker</u> Roger A. Baker	Director	March 6, 2024
<u>/s/ C. Alvin Bowman</u> C. Alvin Bowman	Director	March 6, 2024
<u>/s/ Eric E. Burwell</u> Eric E. Burwell	Director	March 6, 2024
<u>/s/ Patrick F. Busch</u> Patrick F. Busch	Director	March 6, 2024
<u>/s/ Allen C. Drake</u> Allen C. Drake	Director	March 6, 2024
<u>/s/ Linda J. Koch</u> Linda J. Koch	Director	March 6, 2024
<u>/s/ Gerald E. Pfeiffer</u> Gerald E. Pfeiffer	Director	March 6, 2024

Subsidiaries of the Registrant

Subsidiary of HBT Financial, Inc.

Heartland Bank and Trust Company (Illinois)

Subsidiary of Heartland Bank and Trust Company

Heartland Real Estate Holdings, LLC (Illinois)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (No. 333-270466) on Form S-3 and (No. 333-234385) on Form S-8 of HBT Financial, Inc., of our report dated March 6, 2024, relating to the consolidated financial statements of HBT Financial, Inc., appearing in this Annual Report on Form 10-K of HBT Financial, Inc., for the year ended December 31, 2023.

/s/ RSM US LLP

Chicago, Illinois
March 6, 2024

Certification of Chief Executive Officer
Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934
and Section 302 of the Sarbanes-Oxley Act of 2002

I, J. Lance Carter, certify that:

1. I have reviewed this annual report on Form 10-K of HBT Financial, Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2024

/s/ J. Lance Carter

J. Lance Carter
President and Chief Executive Officer
(Principal Executive Officer)

Certification of Chief Financial Officer
Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934
and Section 302 of the Sarbanes-Oxley Act of 2002

I, Peter R. Chapman, certify that:

1. I have reviewed this annual report on Form 10-K of HBT Financial, Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2024

/s/ Peter R. Chapman

Peter R. Chapman
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of HBT Financial, Inc. (the "Company") on Form 10-K for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. Lance Carter

J. Lance Carter

President and Chief Executive Officer

(Principal Executive Officer)

March 6, 2024

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of HBT Financial, Inc. (the "Company") on Form 10-K for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Peter R. Chapman

Peter R. Chapman

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

March 6, 2024

HBT Financial, Inc.
CLAWBACK POLICY
October 2023

Purpose

The Board of Directors (the “**Board**”) of HBT Financial, Inc., (the “**Company**”) believes that it is in the best interests of the Company and its shareholders to adopt this Clawback Policy (the “**Policy**”), which provides for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below). This Policy is designed to comply with, and shall be interpreted consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Rule 10D-1 promulgated under the Exchange Act (“**Rule 10D-1**”) and Nasdaq Listing Rule 5608 (the “**Listing Standards**”).

Administration

Except as specifically set forth herein, this Policy shall be administered by the Board or, if so designated by the Board, the Company’s Compensation Committee (the Board or the Compensation Committee charged with administration of this Policy, the “**Administrator**”). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with the full Board or such other committees of the Board, as may be necessary or appropriate as to matters within the scope of such other committee’s responsibility and authority. Subject to any limitation of applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

Definitions

As used in this Policy, the following definitions shall apply:

“**Accounting Restatement**” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“**Applicable Period**” means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year). The “date on which the Company is required to prepare an Accounting Restatement” is the earlier to occur of (a) the date the Board concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.

“**Covered Executives**” means the current and former executive officers of the Company and its subsidiaries, as determined by the Administrator in accordance with the definition of executive officer set forth in Rule 10D-1 and the Listing Standards.

“**Erroneously Awarded Compensation**” has the meaning set forth in this Policy.

A “**Financial Reporting Measure**” is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measure that is derived wholly or in part from such measure. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total shareholder return (“**TSR**”); revenues; net income; operating income; profitability of one or more reportable segments; financial ratios (e.g., accounts receivable turnover and inventory turnover rates); earnings before interest, taxes, depreciation and amortization; funds from operations and adjusted funds from operations; liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earnings measures (e.g., earnings per share); sales per square foot or same store sales, where sales is subject to an Accounting Restatement; revenue per user, or average revenue per user, where revenue is subject to an Accounting Restatement; cost per employee, where cost is subject to an Accounting Restatement; any of such financial reporting measures relative to a peer group, where the Company’s financial reporting measure is subject to an Accounting Restatement; and tax basis income. A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the Securities Exchange Commission.

“**Incentive-Based Compensation**” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is “*received*” for purposes of this Policy in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

Covered Executives; Incentive-Based Compensation

This Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning services as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; and (c) while the Company had a listed class of securities on a national securities exchange.

Required Recoupment

In the event the Company is required to prepare an Accounting Restatement, the Company shall promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to this Policy, during the Applicable Period.

Erroneously Awarded Compensation: Amount Subject to Recovery

The amount of “**Erroneously Awarded Compensation**” subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had it been determined based on the restated amounts.

Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation.

By way of example, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

For Incentive-Based Compensation based on stock price or TSR: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market (“**Nasdaq**”).

Method of Recoupment

The Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may affect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Compensation Committee of the Board has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- a. The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide that documentation to Nasdaq;
- b. Recovery would violate home country law of the issuer where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law of the issuer, the Administrator must satisfy the applicable opinion and disclosure requirements of Rule 10D-1 and the Listing Standards; or
- c. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

No Indemnification of Covered Executives

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify any Covered Executives against the loss of any Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executives to fund potential clawback obligations under this Policy.

Indemnification of Administrator

Any members of the Administrator, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination, or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

Effective Date; Retroactive Application

This Policy shall be effective as of October 2, 2023, (the “**Effective Date**”). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted, or paid to Covered Executives prior to the Effective Date. Without limiting the generality of the preceding Section hereof, and subject to applicable law, the Administrator may affect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by a national securities exchange on which the Company’s securities are listed. The Board may terminate this Policy at any time.

Other Recoupment Rights

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, incentive award agreement or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Choice of Law; Venue

This Policy shall be interpreted under the laws of the State of Illinois. Any legal proceedings relating to this Policy shall be brought in a court of competent jurisdiction in McLean County, Illinois.

Attorney Fees, Costs and Expenses of Enforcement

Covered Executives shall be responsible for all attorney fees, costs or expenses the Company incurs to enforce any provision of this Policy.

Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators, or other legal representatives.

Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be posted on the Company’s website and filed as an exhibit to the Company’s annual report on Form 10-K.

* * *

HBT FINANCIAL, INC.

CLAWBACK POLICY ACKNOWLEDGEMENT

I, the undersigned, agree and acknowledge that I have read, fully understand, and I am fully bound by, and subject to, all of the terms and conditions of the HBT Financial, Inc.'s Clawback Policy (as may be amended, restated, supplemented or otherwise modified from time to time, the "**Policy**"). In the event of any inconsistency between the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern. In the event it is determined by the Administrator that any amounts granted, awarded, earned or paid, to me (whether or not deferred) must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement. I further agree and acknowledge that I am not entitled to indemnification or right of advancement of expense in connection with any enforcement of the Policy. Any capitalized terms used in this Acknowledgment without definition shall have the meaning set forth in the Policy.

Acknowledged and agreed as of: _____, 2023.

By: _____

Name: _____

Title: _____