UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2023

OR

o **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	**37-1117216**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
401 North Hershey Rd Bloomington, Illinois 61704	**(888) 897-2276**
(Address of principal executive offices, including zip code)	**(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

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 x No o

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 x No o

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	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	x
Emerging growth company	x		

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. o

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

As of October 24, 2023, there were 31,710,005 shares outstanding of the registrant's common stock, $0.01 par value.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this quarterly report are forward-looking statements. Forward-looking statements may include statements relating to our plans, strategies and expectations, the economic impact of the COVID-19 pandemic and our future financial results, 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 (including the COVID-19 pandemic in the United States), 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 the impact of LIBOR phase-out and the recent and potential additional rate increases 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;
- our prior status as an S corporation;
- 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 “Risk Factors”, "Management's Discussion and Analysis of Financial Condition and Results of Operations" or elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange (“SEC”) Commission on March 8, 2023.

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. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HBT FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)	(Unaudited) September 30, 2023	December 31, 2022
ASSETS		
Cash and due from banks	$ 24,757	$ 18,970
Interest-bearing deposits with banks	87,156	95,189
Cash and cash equivalents	111,913	114,159
Interest-bearing time deposits with banks	500	—
Debt securities available-for-sale, at fair value	753,163	843,524
Debt securities held-to-maturity (fair value of $450,313 at 2023 and $478,801 at 2022)	527,144	541,600
Equity securities with readily determinable fair value	3,106	3,029
Equity securities with no readily determinable fair value	2,300	1,977
Restricted stock, at cost	11,165	7,965
Loans held for sale	3,563	615
Loans, before allowance for credit losses	3,342,786	2,620,253
Allowance for credit losses	(38,863)	(25,333)
Loans, net of allowance for credit losses	3,303,923	2,594,920
Bank owned life insurance	23,747	7,557
Bank premises and equipment, net	64,713	50,469
Bank premises held for sale	35	235
Foreclosed assets	1,519	3,030
Goodwill	59,820	29,322
Intangible assets, net	21,402	1,070
Mortgage servicing rights, at fair value	20,156	10,147
Investments in unconsolidated subsidiaries	1,614	1,165
Accrued interest receivable	23,447	19,506
Other assets	58,538	56,444
Total assets	$ 4,991,768	$ 4,286,734
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest-bearing	$ 1,086,877	$ 994,954
Interest-bearing	3,111,191	2,592,070
Total deposits	4,198,068	3,587,024
Securities sold under agreements to repurchase	28,900	43,081
Federal Home Loan Bank advances	177,650	160,000
Subordinated notes	39,454	39,395
Junior subordinated debentures issued to capital trusts	52,774	37,780
Other liabilities	38,671	45,822
Total liabilities	4,535,517	3,913,102
COMMITMENTS AND CONTINGENCIES (Note 15)		
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 31,774,140 at 2023 and 28,752,626 at 2022	327	293
Surplus	295,483	222,783
Retained earnings	256,050	232,004
Accumulated other comprehensive income (loss)	(78,432)	(71,759)
Treasury stock at cost, 956,558 shares at 2023 and 555,865 at 2022	(17,177)	(9,689)
Total stockholders’ equity	456,251	373,632
Total liabilities and stockholders’ equity	$ 4,991,768	$ 4,286,734

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

(dollars in thousands, except per share data)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
INTEREST AND DIVIDEND INCOME				
Loans, including fees:				
Taxable	$ 49,640	$ 29,855	$ 138,948	$ 84,504
Federally tax exempt	1,072	842	3,064	2,183
Securities:				
Taxable	6,451	6,635	19,585	16,947
Federally tax exempt	978	1,207	3,337	3,385
Interest-bearing deposits in bank	714	458	2,234	1,037
Other interest and dividend income	186	17	420	50
Total interest and dividend income	59,041	39,014	167,588	108,106
INTEREST EXPENSE				
Deposits	7,211	587	13,908	1,662
Securities sold under agreements to repurchase	35	9	107	26
Borrowings	2,108	85	5,594	87
Subordinated notes	470	470	1,409	1,409
Junior subordinated debentures issued to capital trusts	938	473	2,582	1,231
Total interest expense	10,762	1,624	23,600	4,415
Net interest income	48,279	37,390	143,988	103,691
PROVISION FOR CREDIT LOSSES	480	386	6,460	(53)
Net interest income after provision for credit losses	47,799	37,004	137,528	103,744
NONINTEREST INCOME				
Card income	2,763	2,569	8,326	7,687
Wealth management fees	2,381	2,059	6,998	6,670
Service charges on deposit accounts	2,040	1,927	5,830	5,371
Mortgage servicing	1,169	697	3,522	2,016
Mortgage servicing rights fair value adjustment	23	351	(460)	2,446
Gains on sale of mortgage loans	476	354	1,125	1,267
Realized gains (losses) on sales of securities	(813)	—	(1,820)	—
Unrealized gains (losses) on equity securities	(46)	(107)	(61)	(447)
Gains (losses) on foreclosed assets	550	(225)	443	(192)
Gains (losses) on other assets	52	(31)	161	119
Income on bank owned life insurance	153	41	415	122
Other noninterest income	742	599	2,362	1,769
Total noninterest income	9,490	8,234	26,841	26,828
NONINTEREST EXPENSE				
Salaries	15,644	12,752	51,715	38,489
Employee benefits	2,616	1,771	7,658	6,199
Occupancy of bank premises	2,573	1,979	7,460	5,780
Furniture and equipment	667	668	2,135	1,843
Data processing	2,581	1,631	9,787	5,274
Marketing and customer relations	1,679	880	3,874	2,936
Amortization of intangible assets	720	243	1,950	733
FDIC insurance	512	302	1,705	888
Loan collection and servicing	345	336	971	771
Foreclosed assets	76	97	234	260
Other noninterest expense	3,258	3,339	13,088	8,824
Total noninterest expense	30,671	23,998	100,577	71,997
INCOME BEFORE INCOME TAX EXPENSE	26,618	21,240	63,792	58,575
INCOME TAX EXPENSE	6,903	5,613	16,396	15,259
NET INCOME	$ 19,715	$ 15,627	$ 47,396	$ 43,316
EARNINGS PER SHARE - BASIC	$ 0.62	$ 0.54	$ 1.50	$ 1.50
EARNINGS PER SHARE - DILUTED	$ 0.62	$ 0.54	$ 1.49	$ 1.49
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING	31,829,250	28,787,662	31,598,650	28,887,757

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
NET INCOME	$ 19,715	$ 15,627	$ 47,396	$ 43,316
OTHER COMPREHENSIVE LOSS				
Unrealized losses on debt securities available-for-sale	(11,326)	(35,358)	(12,521)	(112,931)
Reclassification adjustment for losses on securities available-for-sale realized in income	13	—	1,820	—
Reclassification adjustment for amortization of net unrealized losses on debt securities transferred to held-to-maturity	518	504	1,483	1,234
Unrealized gains on derivative instruments	58	374	219	1,117
Reclassification adjustment for net settlements on derivative instruments	(131)	14	(334)	177
Total other comprehensive loss, before tax	(10,868)	(34,466)	(9,333)	(110,403)
Income tax benefit	(3,098)	(9,824)	(2,660)	(31,470)
Total other comprehensive loss	(7,770)	(24,642)	(6,673)	(78,933)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 11,945	$ (9,015)	$ 40,723	$ (35,617)

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

(dollars in thousands, except per share data)	Common Stock Shares Outstanding	Common Stock Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, June 30, 2023	31,865,868	$ 327	$ 294,875	$ 241,777	$ (70,662)	$ (15,465)	$ 450,852
Net income	—	—	—	19,715	—	—	19,715
Other comprehensive loss	—	—	—	—	(7,770)	—	(7,770)
Stock-based compensation	—	—	608	—	—	—	608
Repurchase of common stock	(91,728)	—	—	—	—	(1,712)	(1,712)
Cash dividends and dividend equivalents ($0.17 per share)	—	—	—	(5,442)	—	—	(5,442)
Balance, September 30, 2023	31,774,140	$ 327	$ 295,483	$ 256,050	$ (78,432)	$ (17,177)	$ 456,251
Balance, June 30, 2022	28,831,197	$ 293	$ 222,087	$ 212,506	$ (52,820)	$ (8,257)	$ 373,809
Net income	—	—	—	15,627	—	—	15,627
Other comprehensive loss	—	—	—	—	(24,642)	—	(24,642)
Stock-based compensation	—	—	349	—	—	—	349
Repurchase of common stock	(78,571)	—	—	—	—	(1,432)	(1,432)
Cash dividends and dividend equivalents ($0.16 per share)	—	—	—	(4,638)	—	—	(4,638)
Balance, September 30, 2022	28,752,626	$ 293	$ 222,436	$ 223,495	$ (77,462)	$ (9,689)	$ 359,073

See accompanying Notes to Consolidated Financial Statements (Unaudited)

HBT FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS’ EQUITY (CONTINUED)
(Unaudited)

(dollars in thousands, except per share data)	Common Stock Shares Outstanding	Common Stock Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders’ Equity
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	—	—	—	47,396	—	—	47,396
Other comprehensive loss	—	—	—	—	(6,673)	—	(6,673)
Stock-based compensation	—	—	1,559	—	—	—	1,559
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	(400,693)	—	—	—	—	(7,488)	(7,488)
Cash dividends and dividend equivalents ($0.51 per share)	—	—	—	(16,428)	—	—	(16,428)
Balance, September 30, 2023	31,774,140	$ 327	$ 295,483	$ 256,050	$ (78,432)	$ (17,177)	$ 456,251
Balance, December 31, 2021	28,986,061	$ 293	$ 220,891	$ 194,132	$ 1,471	$ (4,906)	$ 411,881
Net income	—	—	—	43,316	—	—	43,316
Other comprehensive loss	—	—	—	—	(78,933)	—	(78,933)
Stock-based compensation	—	—	1,602	—	—	—	1,602
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 ($0.48 per share)	—	—	—	(13,953)	—	—	(13,953)
Balance, September 30, 2022	28,752,626	$ 293	$ 222,436	$ 223,495	$ (77,462)	$ (9,689)	$ 359,073

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

(dollars in thousands)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 47,396	$ 43,316
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	2,362	2,296
Provision for credit losses	6,460	(53)
Net amortization of debt securities	4,391	5,337
Deferred income tax expense (benefit)	2,492	(245)
Stock-based compensation	1,559	1,602
Net accretion of discount and deferred loan fees on loans	(5,312)	(4,320)
Net realized loss on sales of securities	1,820	—
Net unrealized loss on equity securities	61	447
Net loss (gain) on disposals of bank premises and equipment	(84)	8
Net gain on sales of bank premises held for sale	(75)	(187)
Impairment losses on bank premises held for sale	—	61
Net gain on sales of foreclosed assets	(632)	(118)
Write-down of foreclosed assets	189	310
Amortization of intangibles	1,950	733
Decrease (increase) in mortgage servicing rights	460	(2,446)
Amortization of discount and issuance costs on subordinated notes and debentures	104	109
Amortization of discount on Federal Home Loan Bank advances	275	—
Amortization of premium on interest-bearing time deposits with banks	—	5
Amortization of premium on time deposits	(330)	(164)
Mortgage loans originated for sale	(53,187)	(50,467)
Proceeds from sale of mortgage loans	52,976	54,379
Net gain on sale of mortgage loans	(1,125)	(1,267)
Increase in cash surrender value of bank owned life insurance	(408)	(122)
Increase in accrued interest receivable	(828)	(1,980)
Decrease in other assets	12,530	289
Increase (decrease) in other liabilities	(20,198)	1,583
Net cash provided by operating activities	52,846	49,106
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of interest-bearing time deposits with banks	249	485
Purchase of interest-bearing time deposits with banks	(500)	—
Proceeds from sales of securities available-for-sale	185,280	—
Proceeds from paydowns, maturities, and calls of debt securities	74,616	129,629
Purchase of securities	(3,010)	(368,794)
Purchase of loans	(49,859)	—
Net increase in loans	(32,506)	(74,769)
Purchase of restricted stock	(20,143)	(1,311)
Proceeds from redemption of restricted stock	19,765	—
Purchases of bank premises and equipment	(1,951)	(683)
Proceeds from sales of bank premises and equipment	222	8
Proceeds from sales of bank premises held for sale	310	1,297
Proceeds from sales of foreclosed assets	3,274	476
Net cash paid for acquisition of Town and Country	(14,454)	—
Net cash provided by (used in) investing activities	161,293	(313,662)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in deposits	(109,043)	(94,578)
Net decrease in repurchase agreements	(14,181)	(13,126)
Net decrease (increase) in Federal Home Loan Bank advances	(69,064)	60,000
Taxes paid related to the vesting of restricted stock units	(181)	(57)
Repurchase of common stock	(7,488)	(4,783)
Cash dividends and dividend equivalents paid	(16,428)	(13,953)
Net cash used in financing activities	(216,385)	(66,497)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,246)	(331,053)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	114,159	409,268
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 111,913	$ 78,215

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

	Nine Months Ended September 30,	
(dollars in thousands)	**2023**	**2022**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 21,788	$ 4,851
Cash paid for income taxes	$ 15,867	$ 13,805
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES		
Transfers of loans to foreclosed assets	$ 1,049	$ 27
Transfers of bank premises and equipment to bank premises held for sale	$ 35	$ —

See accompanying Notes to Consolidated Financial Statements (Unaudited)

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – ACCOUNTING POLICIES

Basis of Presentation

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 business, commercial, wealth management and retail banking 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 unaudited consolidated financial statements, including the notes thereto, have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) interim reporting requirements. Certain information in footnote disclosures normally included in financial statements prepared in accordance with GAAP has been condensed or omitted pursuant to rules and regulations of the SEC. These interim unaudited consolidated financial statements and notes thereto should be read in conjunction with the Company’s audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 8, 2023.

The unaudited consolidated financial statements include all normal, recurring adjustments necessary for a fair presentation of the results for the interim periods. The results for interim periods are not necessarily indicative of results for a full year.

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.

Use of Estimates

The accompanying consolidated financial statements have been prepared in conformity with GAAP. 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.

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.

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 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, Accounting Standards Codification ("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.

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:

	January 1, 2023		
(dollars in thousands)	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 disclosure 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.

Recent Accounting Pronouncements

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 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 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 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. The Company is currently evaluating the effect that this standard will have on the consolidated results of operations and financial position.

In March 2023, the FASB issued ASU 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323)*. 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. ASU 2023-02 must be applied on a retrospective or modified retrospective basis, and is applicable for the Company beginning after December 15, 2023. Early adoption is permitted. The Company is currently evaluating the effect that this standard will have on the consolidated results of operations and financial position.

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 three and nine months ended September 30, 2023 and 2022, HBT Financial incurred the following expenses related to the acquisition of Town and Country:

	Three Months Ended		Nine Months Ended	
(dollars in thousands)	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
PROVISION FOR CREDIT LOSSES	$ —	$ —	$ 5,924	$ —
NONINTEREST EXPENSE				
Salaries	—	—	3,584	—
Furniture and equipment	—	—	39	—
Data processing	—	—	2,031	—
Marketing and customer relations	—	—	24	—
Loan collection and servicing	—	—	125	—
Legal fees and other noninterest expense	—	462	1,964	462
Total noninterest expense	—	462	7,767	462
Total acquisition-related expenses	$ —	$ 462	$ 13,691	$ 462

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	90
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	9,151
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

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 three and nine months ended September 30, 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 Three Months Ended September 30,		Pro Forma Nine Months Ended September 30,	
(dollars in thousands, except per share data)	2023	2022	2023	2022
Total revenues (net interest income and noninterest income)	$ 57,459	$ 56,902	$ 174,015	$ 164,845
Net income	19,497	18,207	47,697	52,617
Earnings per share - basic	0.61	0.57	1.49	1.63
Earnings per share - diluted	0.61	0.56	1.49	1.63

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:

	September 30, 2023				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-sale:					
U.S. Treasury	$ 169,751	$ —	$ (15,357)	$ —	$ 154,394
U.S. government agency	55,483	—	(4,768)	—	50,715
Municipal	231,444	1	(36,244)	—	195,201
Mortgage-backed:					
Agency residential	197,549	9	(20,508)	—	177,050
Agency commercial	142,920	2	(18,593)	—	124,329
Corporate	57,649	—	(6,175)	—	51,474
Total available-for-sale	$ 854,796	$ 12	$ (101,645)	$ —	$ 753,163

	September 30, 2023				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held-to-maturity:					
U.S. government agency	$ 88,442	$ —	$ (12,392)	$ 76,050	$ —
Municipal	39,344	6	(1,686)	37,664	—
Mortgage-backed:					
Agency residential	98,115	—	(9,281)	88,834	—
Agency commercial	301,243	—	(53,478)	247,765	—
Total held-to-maturity	$ 527,144	$ 6	$ (76,837)	$ 450,313	$ —

	December 31, 2022			
(dollars in thousands)	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

	December 31, 2022			
(dollars in thousands)	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:

	March 31, 2022	
(dollars in thousands)	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, 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 will offset or mitigate the effect on interest income of the amortization of the premium or discount for that held-to-maturity debt security.

As of September 30, 2023 and December 31, 2022, the Bank had debt securities with a carrying value of $449.2 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 September 30, 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.

	Available-for-Sale		Held-to-Maturity	
(dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	$ 34,149	$ 33,546	$ 2,643	$ 2,634
Due after 1 year through 5 years	213,534	197,634	34,215	31,718
Due after 5 years through 10 years	217,279	180,780	85,250	74,459
Due after 10 years	49,365	39,824	5,678	4,903
Mortgage-backed:				
Agency residential	197,549	177,050	98,115	88,834
Agency commercial	142,920	124,329	301,243	247,765
Total	$ 854,796	$ 753,163	$ 527,144	$ 450,313

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 September 30, 2023, aggregated by category and length of time that individual debt securities have been in a continuous unrealized loss position:

	September 30, 2023					
	Investments in a Continuous Unrealized Loss Position					
	Less than 12 Months		12 Months or More		Total	
(dollars in thousands)	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
Available-for-sale:						
U.S. Treasury	$ —	$ —	$ (15,357)	$ 154,394	$ (15,357)	$ 154,394
U.S. government agency	(5)	1,380	(4,763)	49,298	(4,768)	50,678
Municipal	(282)	10,479	(35,962)	183,720	(36,244)	194,199
Mortgage-backed:						
Agency residential	(725)	13,924	(19,783)	160,778	(20,508)	174,702
Agency commercial	(86)	3,645	(18,507)	120,593	(18,593)	124,238
Corporate	(443)	6,317	(5,732)	45,156	(6,175)	51,473
Total available-for-sale	$ (1,541)	$ 35,745	$ (100,104)	$ 713,939	$ (101,645)	$ 749,684

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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:

	December 31, 2022					
	Investments in a Continuous Unrealized Loss Position					
	Less than 12 Months		12 Months or More		Total	
(dollars in thousands)	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 September 30, 2023, there were 669 debt securities in an unrealized loss position for a period of twelve months or more, and 225 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 September 30, 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 A+/A1 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.

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. There was no allowance for credit losses on corporate securities recorded as of September 30, 2023. A negative provision for credit losses of $0.8 million was recorded during the three months ended September 30, 2023, reversing the provision for credit losses recognized during the first half of 2023, related to one bank subordinated debt security. The initial provision for credit losses recognized during the first half of 2023 reflected heightened potential credit risk following the recent failures of other banks, but this heightened potential credit risk was reduced after a merger announcement by the issuer of the bank subordinated debt security. As of September 30, 2023, 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.

As of September 30, 2023, the Company did not intend to sell the debt securities that are in an unrealized or unrecognized 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 $6.2 million as of September 30, 2023 and is excluded from the estimate of credit losses.

Sales of debt securities were as follows during the three and nine months ended September 30:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Proceeds from sales	$ 39,436	$ —	$ 185,280	$ —
Gross realized gains	—	—	—	—
Gross realized losses	(813)	—	(1,820)	—

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:

	September 30, 2023	
(dollars in thousands)	Readily Determinable Fair Value	No Readily Determinable Fair Value
Initial cost	$ 3,142	$ 2,603
Cumulative net unrealized gains (losses)	(36)	(303)
Carrying value	$ 3,106	$ 2,300

	December 31, 2022	
(dollars in thousands)	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

As of September 30, 2023, the cumulative net unrealized losses on equity securities with no readily determinable fair value reflect impairments of $0.1 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 three and nine months ended September 30, 2023 and 2022. Unrealized gains (losses) on equity securities were as follows during the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Readily determinable fair value	$ (46)	$ (107)	$ 77	$ (447)
No readily determinable fair value	—	—	(138)	—
Unrealized gains (losses) on equity securities	$ (46)	$ (107)	$ (61)	$ (447)

NOTE 4 – LOANS AND RELATED ALLOWANCE FOR CREDIT LOSSES

Major categories of loans are summarized as follows:

(dollars in thousands)	September 30, 2023	December 31, 2022
Commercial and industrial	$ 386,933	$ 266,757
Commercial real estate - owner occupied	297,242	218,503
Commercial real estate - non-owner occupied	901,929	713,202
Construction and land development	371,158	360,824
Multi-family	388,742	287,865
One-to-four family residential	488,655	338,253
Agricultural and farmland	275,239	237,746
Municipal, consumer, and other	232,888	197,103
Loans, before allowance for credit losses	3,342,786	2,620,253
Allowance for credit losses	(38,863)	(25,333)
Loans, net of allowance for credit losses	$ 3,303,923	$ 2,594,920

As of September 30, 2023 and December 31, 2022, commercial and industrial loans include $18 thousand and $28 thousand Paycheck Protection Program (“PPP”) loans, respectively.

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 September 30, 2023, the economic forecast used by management anticipates a mild recession starting in 2024, with the unemployment rate increasing 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 may make qualitative adjustments to the loss estimates, as necessary, to reflect other factors that influence credit losses.

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The following tables detail activity in the allowance for credit losses for the three and nine months ended September 30:

	Three Months Ended September 30, 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
Beginning balance	$ 3,735	$ 2,362	$ 7,538	$ 5,834	$ 2,603	$ 4,077	$ 2,607	$ 9,058	$ 37,814
Provision for credit losses	515	(108)	248	1,004	(348)	(21)	(337)	30	983
Charge-offs	(15)	(2)	(171)	—	—	(8)	—	(216)	(412)
Recoveries	14	2	15	44	280	40	2	81	478
Ending balance	$ 4,249	$ 2,254	$ 7,630	$ 6,882	$ 2,535	$ 4,088	$ 2,272	$ 8,953	$ 38,863

	Three Months Ended September 30, 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
Beginning balance	$ 2,981	$ 1,224	$ 6,611	$ 4,059	$ 1,375	$ 1,696	$ 924	$ 5,864	$ 24,734
Provision for loan losses	14	(65)	268	316	(52)	(78)	(83)	66	386
Charge-offs	(17)	—	—	—	—	(18)	—	(187)	(222)
Recoveries	6	1	3	1	—	60	—	91	162
Ending balance	$ 2,984	$ 1,160	$ 6,882	$ 4,376	$ 1,323	$ 1,660	$ 841	$ 5,834	$ 25,060

	Nine Months Ended September 30, 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
Beginning balance	$ 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 credit losses	1,693	336	87	398	630	939	(100)	1,021	5,004
Charge-offs	(15)	(5)	(171)	—	—	(34)	—	(508)	(733)
Recoveries	45	16	253	52	280	135	4	244	1,029
Ending balance	$ 4,249	$ 2,254	$ 7,630	$ 6,882	$ 2,535	$ 4,088	$ 2,272	$ 8,953	$ 38,863

	Nine Months Ended September 30, 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
Beginning balance	$ 2,440	$ 1,840	$ 8,145	$ 4,914	$ 1,263	$ 1,311	$ 845	$ 3,178	$ 23,936
Provision for loan losses	(189)	(781)	(1,536)	(539)	60	93	(4)	2,843	(53)
Charge-offs	(22)	—	—	—	—	(67)	—	(426)	(515)
Recoveries	755	101	273	1	—	323	—	239	1,692
Ending balance	$ 2,984	$ 1,160	$ 6,882	$ 4,376	$ 1,323	$ 1,660	$ 841	$ 5,834	$ 25,060

Gross charge-offs, further sorted by origination year, were as follows during the three and nine months ended September 30, 2023:

	Gross Charge-Offs for the Three Months Ended September 30, 2023								
	Term Loans by Origination Year								
(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Commercial and industrial	$ —	$ —	$ —	$ —	$ —	$ —	$ 15	$ —	$ 15
Commercial real estate - owner occupied	—	2	—	—	—	—	—	—	2
Commercial real estate - non-owner occupied	—	—	—	—	—	—	171	—	171
Construction and land development	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—	—	—
One-to-four family residential	—	—	—	—	—	8	—	—	8
Agricultural and farmland	—	—	—	—	—	—	—	—	—
Municipal, consumer, and other	141	9	—	—	—	—	66	—	216
Total	$ 141	$ 11	$ —	$ —	$ —	$ 8	$ 252	$ —	$ 412

	Gross Charge-Offs for the Nine Months Ended September 30, 2023								
	Term Loans by Origination Year								
(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Commercial and industrial	$ —	$ —	$ —	$ —	$ —	$ —	$ 15	$ —	$ 15
Commercial real estate - owner occupied	—	5	—	—	—	—	—	—	5
Commercial real estate - non-owner occupied	—	—	—	—	—	—	171	—	171
Construction and land development	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—	—	—
One-to-four family residential	—	—	—	—	1	33	—	—	34
Agricultural and farmland	—	—	—	—	—	—	—	—	—
Municipal, consumer, and other	276	83	—	9	—	—	140	—	508
Total	$ 276	$ 88	$ —	$ 9	$ 1	$ 33	$ 326	$ —	$ 733

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

	September 30, 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	$ 386,763	$ 297,068	$ 888,068	$ 370,942	$ 388,282	$ 482,838	$ 275,111	$ 217,638	$ 3,306,710
Individually evaluated for impairment	170	174	13,861	216	460	5,817	128	15,250	36,076
Total	$ 386,933	$ 297,242	$ 901,929	$ 371,158	$ 388,742	$ 488,655	$ 275,239	$ 232,888	$ 3,342,786
Allowance for credit losses:									
Collectively evaluated for impairment	$ 4,244	$ 2,254	$ 6,503	$ 6,882	$ 2,535	$ 3,737	$ 2,272	$ 5,844	$ 34,271
Individually evaluated for impairment	5	—	1,127	—	—	351	—	3,109	4,592
Total	$ 4,249	$ 2,254	$ 7,630	$ 6,882	$ 2,535	$ 4,088	$ 2,272	$ 8,953	$ 38,863

	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

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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:

	September 30, 2023				
	Amortized Cost				Allowance for Credit Losses
	Primary Collateral Type				
(dollars in thousands)	Real Estate	Vehicles	Other	Total	
Commercial and industrial	$ —	$ —	$ 170	$ 170	$ 5
Commercial real estate - owner occupied	174	—	—	174	—
Commercial real estate - non-owner occupied	13,861	—	—	13,861	1,127
Construction and land development	216	—	—	216	—
Multi-family	460	—	—	460	—
One-to-four family residential	5,817	—	—	5,817	351
Agricultural and farmland	128	—	—	128	—
Municipal, consumer, and other	15,141	31	78	15,250	3,109
Total	$ 35,797	$ 31	$ 248	$ 36,076	$ 4,592

Accrued interest on loans totaled $17.0 million as of September 30, 2023 and is excluded from the estimate of credit losses.

Pre-ASC 326 Adoption Impaired Loan Disclosures

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

	December 31, 2022		
(dollars in thousands)	Unpaid Principal Balance	Recorded Investment	Related Allowance
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

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

	Three Months Ended September 30, 2022	
(dollars in thousands)	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:		
Commercial and industrial	$ 258	$ 5
Commercial real estate - owner occupied	739	11
Commercial real estate - non-owner occupied	14,441	185
Construction and land development	—	—
Multi-family	—	—
One-to-four family residential	349	2
Agricultural and farmland	—	—
Municipal, consumer, and other	8,254	66
Total	$ 24,041	$ 269
With no related allowance:		
Commercial and industrial	$ 3,894	$ 41
Commercial real estate - owner occupied	11,651	141
Commercial real estate - non-owner occupied	17,220	369
Construction and land development	2,010	57
Multi-family	—	—
One-to-four family residential	8,119	99
Agricultural and farmland	425	5
Municipal, consumer, and other	4,457	44
Total	$ 47,776	$ 756
Total loans individually evaluated for impairment:		
Commercial and industrial	$ 4,152	$ 46
Commercial real estate - owner occupied	12,390	152
Commercial real estate - non-owner occupied	31,661	554
Construction and land development	2,010	57
Multi-family	—	—
One-to-four family residential	8,468	101
Agricultural and farmland	425	5
Municipal, consumer, and other	12,711	110
Total	$ 71,817	$ 1,025

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	Nine Months Ended September 30, 2022	
(dollars in thousands)	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:		
Commercial and industrial	$ 272	$ 13
Commercial real estate - owner occupied	1,297	55
Commercial real estate - non-owner occupied	14,631	556
Construction and land development	—	—
Multi-family	—	—
One-to-four family residential	513	11
Agricultural and farmland	—	—
Municipal, consumer, and other	8,368	151
Total	$ 25,081	$ 786
With no related allowance:		
Commercial and industrial	$ 12,793	$ 397
Commercial real estate - owner occupied	11,524	388
Commercial real estate - non-owner occupied	16,894	907
Construction and land development	2,012	105
Multi-family	—	—
One-to-four family residential	8,341	240
Agricultural and farmland	305	8
Municipal, consumer, and other	4,493	98
Total	$ 56,362	$ 2,143
Total loans individually evaluated for impairment:		
Commercial and industrial	$ 13,065	$ 410
Commercial real estate - owner occupied	12,821	443
Commercial real estate - non-owner occupied	31,525	1,463
Construction and land development	2,012	105
Multi-family	—	—
One-to-four family residential	8,854	251
Agricultural and farmland	305	8
Municipal, consumer, and other	12,861	249
Total	$ 81,443	$ 2,929

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

(dollars in thousands)	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Beginning balance	$ 537	$ 413
Reclassification from non-accretable difference	283	500
Accretion income	(58)	(151)
Ending balance	$ 762	$ 762

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.

The following tables present loans by category based on current payment and accrual status:

	September 30, 2023				
		Accruing Interest			
(dollars in thousands)	Current	30 - 89 Days Past Due	90+ Days Past Due	Nonaccrual	Total Loans
Commercial and industrial	$ 386,383	$ 380	$ —	$ 170	$ 386,933
Commercial real estate - owner occupied	297,069	—	—	173	297,242
Commercial real estate - non-owner occupied	900,058	1,605	—	266	901,929
Construction and land development	370,922	20	—	216	371,158
Multi-family	387,966	316	—	460	388,742
One-to-four family residential	481,603	1,897	—	5,155	488,655
Agricultural and farmland	275,096	15	—	128	275,239
Municipal, consumer, and other	232,561	217	—	110	232,888
Total	$ 3,331,658	$ 4,450	$ —	$ 6,678	$ 3,342,786

	December 31, 2022				
		Accruing Interest			
(dollars in thousands)	Current	30 - 89 Days Past Due	90+ Days Past Due	Nonaccrual	Total Loans
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

The following table presents nonaccrual loans with and without a related allowance for credit losses:

	September 30, 2023		
(dollars in thousands)	Nonaccrual With Allowance for Credit Losses	Nonaccrual With No Allowance for Credit Losses	Total Nonaccrual
Commercial and industrial	$ 127	$ 43	$ 170
Commercial real estate - owner occupied	—	173	173
Commercial real estate - non-owner occupied	220	46	266
Construction and land development	—	216	216
Multi-family	—	460	460
One-to-four family residential	100	5,055	5,155
Agricultural and farmland	—	128	128
Municipal, consumer, and other	31	79	110
Total	$ 478	$ 6,200	$ 6,678

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.

The following tables present loans by category based on their assigned risk ratings determined by management:

	September 30, 2023				
(dollars in thousands)	Pass	Pass-Watch	Substandard	Doubtful	Total
Commercial and industrial	$ 382,041	$ 4,114	$ 778	$ —	$ 386,933
Commercial real estate - owner occupied	279,081	8,249	9,912	—	297,242
Commercial real estate - non-owner occupied	842,816	33,767	25,346	—	901,929
Construction and land development	366,198	4,667	293	—	371,158
Multi-family	363,214	24,753	775	—	388,742
One-to-four family residential	468,736	7,572	12,347	—	488,655
Agricultural and farmland	266,353	5,466	3,420	—	275,239
Municipal, consumer, and other	215,726	1,771	15,391	—	232,888
Total	$ 3,184,165	$ 90,359	$ 68,262	$ —	$ 3,342,786

	December 31, 2022				
(dollars in thousands)	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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Risk ratings of loans, further sorted by origination year, are as follows as of September 30, 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	$ 94,311	$ 59,814	$ 26,229	$ 29,297	$ 5,927	$ 8,496	$ 150,403	$ 7,564	$ 382,041
Pass-Watch	229	1,400	257	198	788	450	284	508	4,114
Substandard	3	87	40	43	—	44	310	251	778
Total	$ 94,543	$ 61,301	$ 26,526	$ 29,538	$ 6,715	$ 8,990	$ 150,997	$ 8,323	$ 386,933
Commercial real estate - owner occupied									
Pass	$ 25,378	$ 64,227	$ 58,426	$ 55,269	$ 33,692	$ 34,949	$ 6,487	$ 653	$ 279,081
Pass-Watch	556	963	3,102	351	1,624	1,653	—	—	8,249
Substandard	463	1,163	3,338	70	658	3,229	991	—	9,912
Total	$ 26,397	$ 66,353	$ 64,866	$ 55,690	$ 35,974	$ 39,831	$ 7,478	$ 653	$ 297,242
Commercial real estate - non-owner occupied									
Pass	$ 96,710	$ 254,299	$ 247,868	$ 90,232	$ 96,034	$ 43,858	$ 10,042	$ 3,773	$ 842,816
Pass-Watch	696	—	7,684	358	7,277	3,823	13,680	249	33,767
Substandard	13,424	126	—	—	2,465	9,331	—	—	25,346
Total	$ 110,830	$ 254,425	$ 255,552	$ 90,590	$ 105,776	$ 57,012	$ 23,722	$ 4,022	$ 901,929
Construction and land development									
Pass	$ 139,883	$ 143,616	$ 58,998	$ 7,459	$ 2,753	$ 1,005	$ 7,232	$ 5,252	$ 366,198
Pass-Watch	155	2,537	—	—	—	11	1,127	837	4,667
Substandard	—	216	—	—	—	77	—	—	293
Total	$ 140,038	$ 146,369	$ 58,998	$ 7,459	$ 2,753	$ 1,093	$ 8,359	$ 6,089	$ 371,158
Multi-family									
Pass	$ 44,034	$ 78,646	$ 99,032	$ 53,945	$ 32,475	$ 47,177	$ 7,403	$ 502	$ 363,214
Pass-Watch	2,747	6,671	—	8,827	55	6,096	349	8	24,753
Substandard	—	—	316	—	—	459	—	—	775
Total	$ 46,781	$ 85,317	$ 99,348	$ 62,772	$ 32,530	$ 53,732	$ 7,752	$ 510	$ 388,742
One-to-four family residential									
Pass	$ 91,683	$ 87,716	$ 87,384	$ 65,721	$ 23,325	$ 50,394	$ 57,222	$ 5,291	$ 468,736
Pass-Watch	2,503	412	958	332	608	2,219	219	321	7,572
Substandard	490	2,268	814	831	801	4,245	—	2,898	12,347
Total	$ 94,676	$ 90,396	$ 89,156	$ 66,884	$ 24,734	$ 56,858	$ 57,441	$ 8,510	$ 488,655
Agricultural and farmland									
Pass	$ 31,739	$ 36,428	$ 39,008	$ 37,683	$ 10,797	$ 11,247	$ 97,954	$ 1,497	$ 266,353
Pass-Watch	926	2,030	95	1,006	137	731	541	—	5,466
Substandard	—	—	15	3,277	—	128	—	—	3,420
Total	$ 32,665	$ 38,458	$ 39,118	$ 41,966	$ 10,934	$ 12,106	$ 98,495	$ 1,497	$ 275,239
Municipal, Consumer, and other									
Pass	$ 38,953	$ 58,869	$ 28,671	$ 15,023	$ 1,639	$ 44,137	$ 28,433	$ 1	$ 215,726
Pass-Watch	—	4	—	17	—	1,750	—	—	1,771
Substandard	63	85	5	2	43	15,176	17	—	15,391
Total	$ 39,016	$ 58,958	$ 28,676	$ 15,042	$ 1,682	$ 61,063	$ 28,450	$ 1	$ 232,888
Total by Risk Rating									
Pass	$ 562,691	$ 783,615	$ 645,616	$ 354,629	$ 206,642	$ 241,263	$ 365,176	$ 24,533	$ 3,184,165
Pass-Watch	7,812	14,017	12,096	11,089	10,489	16,733	16,200	1,923	90,359
Substandard	14,443	3,945	4,528	4,223	3,967	32,689	1,318	3,149	68,262
Total	$ 584,946	$ 801,577	$ 662,240	$ 369,941	$ 221,098	$ 290,685	$ 382,694	$ 29,605	$ 3,342,786

Modifications and Troubled Debt Restructurings

There were no loan modifications to borrowers in financial distress during the three and nine months ended September 30, 2023.

There were no new troubled debt restructurings during the three and nine months ended September 30, 2022. As of December 31, 2022, the Company had $3.0 million of troubled debt restructurings.

Pledged Loans

As of September 30, 2023 and December 31, 2022, the Company pledged loans totaling $1.07 billion and $892.1 million, respectively, to the Federal Home Loan Bank of Chicago ("FHLB") to secure available FHLB advance borrowing capacity.

NOTE 5 – LOAN SERVICING

Mortgage loans serviced for others, which are not included in the accompanying consolidated balance sheets, amounted to $1.69 billion and $955.8 million as of September 30, 2023 and December 31, 2022, respectively. Activity in mortgage servicing rights is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Beginning balance	$ 20,133	$ 10,089	$ 10,147	$ 7,994
Acquired	—	—	10,469	—
Capitalized servicing rights	227	144	526	451
Fair value adjustment:				
Attributable to payments and principal reductions	(631)	(362)	(1,621)	(1,048)
Attributable to changes in valuation inputs and assumptions	427	569	635	3,043
Total fair value adjustment	(204)	207	(986)	1,995
Ending balance	$ 20,156	$ 10,440	$ 20,156	$ 10,440

NOTE 6 – FORECLOSED ASSETS

Foreclosed assets activity is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Beginning balance	$ 3,080	$ 2,891	$ 3,030	$ 3,278
Acquired	—	—	271	—
Transfers from loans	879	—	1,049	27
Proceeds from sales	(2,990)	(29)	(3,274)	(476)
Net gain on sales	564	20	632	118
Direct write-downs	(14)	(245)	(189)	(310)
Ending balance	$ 1,519	$ 2,637	$ 1,519	$ 2,637

Gains (losses) on foreclosed assets includes the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Direct write-downs	$ (14)	$ (245)	$ (189)	$ (310)
Net gain on sales	564	20	632	118
Gains (losses) on foreclosed assets	$ 550	$ (225)	$ 443	$ (192)

The carrying value of foreclosed one-to-four family residential real estate properties held was $0.6 million and $20 thousand as of September 30, 2023 and December 31, 2022, respectively. As of September 30, 2023, there were 14 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 7 – DEPOSITS

The Company's deposits are summarized below:

(dollars in thousands)	September 30, 2023	December 31, 2022
Noninterest-bearing deposits	$ 1,086,877	$ 994,954
Interest-bearing deposits:		
Interest-bearing demand	1,134,721	1,139,150
Money market	673,780	555,425
Savings	623,083	634,527
Time	679,607	262,968
Total interest-bearing deposits	3,111,191	2,592,070
Total deposits	$ 4,198,068	$ 3,587,024

As of September 30, 2023, time deposits included $115.0 million of brokered deposits. There were no brokered deposits as of December 31, 2022. Interest-bearing demand deposits included $38.7 million of reciprocal transaction deposits as of September 30, 2023. Money market deposits included $12.8 million and $1.7 million of reciprocal transaction deposits as of September 30, 2023 and December 31, 2022, respectively. Time deposits included $35.5 million and $1.6 million of reciprocal time deposits as of September 30, 2023, and December 31, 2022, respectively.

The aggregate amounts of time deposits in denominations of $250 thousand or more amounted to $115.9 million and $27.2 million as of September 30, 2023 and December 31, 2022, respectively. The aggregate amounts of time deposits in denominations of $100 thousand or more amounted to $302.3 million and $92.6 million as of September 30, 2023 and December 31, 2022, respectively.

The components of interest expense on deposits are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Interest-bearing demand	$ 761	$ 144	$ 1,902	$ 430
Money market	2,041	203	4,492	434
Savings	249	53	616	155
Time	4,160	187	6,898	643
Total interest expense on deposits	$ 7,211	$ 587	$ 13,908	$ 1,662

NOTE 8 – 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:

		Carrying Value	
(dollars in thousands)	Face Value	September 30, 2023	December 31, 2022
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	4,837	4,788
Town and Country Statutory Trust II	4,124	4,407	—
Town and Country Statutory Trust III	7,732	7,575	—
West Plains Investors Statutory Trust I	3,093	2,963	—
Total	$ 53,714	$ 52,774	$ 37,780

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.

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

		Interest Rate at		
	Variable Interest Rate	September 30, 2023	December 31, 2022	Maturity Date
Heartland Bancorp, Inc. Capital Trust B	SOFR plus 3.01%	8.32 %	6.83 %	April 6, 2034
Heartland Bancorp, Inc. Capital Trust C	SOFR plus 1.79	7.20	6.30	June 15, 2037
Heartland Bancorp, Inc. Capital Trust D	SOFR plus 1.61	7.02	6.12	September 15, 2037
FFBI Capital Trust I	SOFR plus 3.06	8.37	6.88	April 6, 2034
National Bancorp Statutory Trust I	SOFR plus 3.16	8.57	7.67	December 15, 2037
Town and Country Statutory Trust II	SOFR plus 3.05	8.46	N/A	March 17, 2034
Town and Country Statutory Trust III	SOFR plus 1.94	7.35	N/A	March 22, 2037
West Plains Investors Statutory Trust I	SOFR plus 1.71	7.12	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 September 30, 2023 and 2022, 100% of the trust preferred securities qualified as Tier 1 capital under the final rule adopted in March 2005.

NOTE 9 – 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:

	September 30, 2023		December 31, 2022	
(dollars in thousands)	Notional Amount	Fair Value	Notional Amount	Fair Value
Fair value recorded in other assets	$ 17,000	$ 514	$ 17,000	$ 629

As of September 30, 2023, the interest rate swap agreements designated as cash flow hedges had contractual maturities between 2024 and 2025. As of September 30, 2023 and December 31, 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)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Designated as cash flow hedges:				
Junior subordinated debentures interest expense	$ 131	$ (14)	$ 334	$ (177)

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:

	September 30, 2023		December 31, 2022	
(dollars in thousands)	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	101,612	9,674	106,995	6,981
Total fair value recorded in other assets	$ 101,612	$ 9,674	$ 106,995	$ 6,981
Fair value recorded in other liabilities:				
Interest rate swaps with a commercial borrower counterparty	$ 101,612	$ (9,674)	$ 106,995	$ (6,981)
Interest rate swaps with a financial institution counterparty	—	—	—	—
Total fair value recorded in other liabilities	$ 101,612	$ (9,674)	$ 106,995	$ (6,981)

As of September 30, 2023, the interest rate swap agreements not designated as hedging instruments had contractual maturities between 2023 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Not designated as hedging instruments:				
Gross gains	$ 2,510	$ 5,209	$ 6,950	$ 15,303
Gross losses	(2,510)	(5,209)	(6,950)	(15,303)
Net gains (losses)	$ —	$ —	$ —	$ —

NOTE 10 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Unrealized Gains (Losses) on Debt Securities			
(dollars in thousands)	Available-for-Sale	Held-to-Maturity	Derivatives	Total
Three Months Ended September 30, 2023				
Balance, June 30, 2023	$ (61,560)	$ (9,256)	$ 154	$ (70,662)
Other comprehensive income (loss) before reclassifications	(11,326)	—	58	(11,268)
Reclassifications	13	518	(131)	400
Other comprehensive income (loss), before tax	(11,313)	518	(73)	(10,868)
Income tax expense (benefit)	(3,224)	147	(21)	(3,098)
Other comprehensive income (loss), after tax	(8,089)	371	(52)	(7,770)
Balance, September 30, 2023	$ (69,649)	$ (8,885)	$ 102	$ (78,432)
Three Months Ended September 30, 2022				
Balance, June 30, 2022	$ (42,061)	$ (10,656)	$ (103)	$ (52,820)
Other comprehensive income (loss) before reclassifications	(35,358)	—	374	(34,984)
Reclassifications	—	504	14	518
Other comprehensive income (loss), before tax	(35,358)	504	388	(34,466)
Income tax expense (benefit)	(10,079)	144	111	(9,824)
Other comprehensive income (loss), after tax	(25,279)	360	277	(24,642)
Balance, September 30, 2022	$ (67,340)	$ (10,296)	$ 174	$ (77,462)

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Unrealized Gains (Losses) on Debt Securities			
(dollars in thousands)	Available-for-Sale	Held-to-Maturity	Derivatives	Total
Nine Months Ended September 30, 2023				
Balance, December 31, 2022	$ (61,998)	$ (9,946)	$ 185	$ (71,759)
Other comprehensive income (loss) before reclassifications	(12,521)	—	219	(12,302)
Reclassifications	1,820	1,483	(334)	2,969
Other comprehensive income (loss), before tax	(10,701)	1,483	(115)	(9,333)
Income tax expense (benefit)	(3,050)	422	(32)	(2,660)
Other comprehensive income (loss), after tax	(7,651)	1,061	(83)	(6,673)
Balance, September 30, 2023	$ (69,649)	$ (8,885)	$ 102	$ (78,432)
Nine Months Ended September 30, 2022				
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	(112,931)	—	1,117	(111,814)
Reclassifications	—	1,234	177	1,411
Other comprehensive income (loss), before tax	(112,931)	1,234	1,294	(110,403)
Income tax expense (benefit)	(32,191)	352	369	(31,470)
Other comprehensive income (loss), after tax	(80,740)	882	925	(78,933)
Balance, September 30, 2022	$ (67,340)	$ (10,296)	$ 174	$ (77,462)

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.

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 9 for additional information.

NOTE 11 – 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Numerator:				
Net income	$ 19,715	$ 15,627	$ 47,396	$ 43,316
Earnings allocated to participating securities	(10)	(17)	(26)	(51)
Numerator for earnings per share - basic and diluted	$ 19,705	$ 15,610	$ 47,370	$ 43,265
Denominator:				
Weighted average common shares outstanding	31,829,250	28,787,662	31,598,650	28,887,757
Dilutive effect of outstanding restricted stock units	137,187	72,643	102,574	56,761
Weighted average common shares outstanding, including all dilutive potential shares	31,966,437	28,860,305	31,701,224	28,944,518
Earnings per share - Basic	$ 0.62	$ 0.54	$ 1.50	$ 1.50
Earnings per share - Diluted	$ 0.62	$ 0.54	$ 1.49	$ 1.49

NOTE 12 – 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 (vi) 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Restricted stock units	$ 313	$ 230	$ 907	$ 1,072
Performance restricted stock units	295	119	652	530
Total awards classified as equity	608	349	1,559	1,602
Stock appreciation rights	3	51	(43)	35
Total stock-based compensation expense	$ 611	$ 400	$ 1,516	$ 1,637

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.

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 nine months ended September 30, 2023 and 2022, the total grant date fair value of the restricted stock units granted was $1.0 million and $0.9 million, respectively, based on the grant date closing prices. The total intrinsic value of restricted stock that vested during the nine months ended September 30, 2023 and 2022 was $1.1 million and $0.7 million, respectively.

The following is a summary of restricted stock unit activity:

	Three Months Ended September 30,			
	2023		2022	
	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Beginning balance	129,422	$ 19.58	120,631	$ 17.98
Granted	—	—	—	—
Vested	—	—	—	—
Forfeited	(520)	21.23	(1,328)	18.35
Ending balance	128,902	$ 19.57	119,303	$ 17.98

	Nine Months Ended September 30,			
	2023		2022	
	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
Granted	41,847	22.72	46,312	19.11
Vested	(51,693)	17.91	(34,925)	17.26
Forfeited	(1,238)	18.53	(1,328)	18.35
Ending balance	128,902	$ 19.57	119,303	$ 17.98

As of September 30, 2023, unrecognized compensation cost related to the non-vested restricted stock units was $1.3 million. This cost is expected to be recognized over the weighted average remaining service period of 1.7 years.

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 nine months ended September 30, 2023 and 2022, the total fair value of the performance restricted stock units granted was $0.4 million and $0.5 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:

	Three Months Ended September 30,			
	2023		2022	
	Performance Restricted Stock Units	Weighted Average Grant Date Fair Value	Performance Restricted Stock Units	Weighted Average Grant Date Fair Value
Beginning balance	79,097	$ 18.25	62,067	$ 17.02
Granted	—	—	—	—
Vested	—	—	—	—
Forfeited	—	—	—	—
Ending balance	79,097	$ 18.25	62,067	$ 17.02

	Nine Months Ended September 30,			
	2023		2022	
	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
Vested	—	—	—	—
Forfeited	—	—	—	—
Ending balance	79,097	$ 18.25	62,067	$ 17.02

As of September 30, 2023, unrecognized compensation cost related to non-vested performance restricted stock units was $0.4 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.

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 non-vested stock appreciation rights vest in four equal annual installments beginning on the first anniversary of the grant date.

The following is a summary of stock appreciation rights activity:

	Three Months Ended September 30,			
	2023		2022	
	Stock Appreciation Rights Outstanding	Weighted Average Grant Date Assigned Value	Stock Appreciation Rights Outstanding	Weighted Average Grant Date Assigned Value
Beginning balance	73,440	$ 16.32	91,800	$ 16.32
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Forfeited	—	—	—	—
Ending balance	73,440	$ 16.32	91,800	$ 16.32

	Nine Months Ended September 30,			
	2023		2022	
	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
Granted	—	—	—	—
Exercised	—	—	(6,120)	16.32
Expired	—	—	—	—
Forfeited	—	—	—	—
Ending balance	73,440	$ 16.32	91,800	$ 16.32

A further summary of stock appreciation rights as of September 30, 2023, is as follows:

	Stock Appreciation Rights		Weighted Average Remaining
Grant Date Assigned Values	Outstanding	Exercisable	Contractual Term
$16.32	73,440	73,440	5.9 years

As of September 30, 2023, there was no unrecognized compensation cost for stock appreciation rights.

As of September 30, 2023 and December 31, 2022, the liability recorded for outstanding stock appreciation rights was $0.4 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.

	September 30, 2023	December 31, 2022
Risk-free interest rate	4.60 %	3.95 %
Expected volatility	37.29 %	36.54 %
Expected life (in years)	5.9	6.7
Expected dividend yield	3.73 %	3.27 %

As of September 30, 2023, the liability recorded for previously exercised stock appreciation rights was $0.2 million, which will be paid in one remaining annual installment in 2024. As of December 31, 2022, the liability recorded for previously exercised stock appreciation rights was $0.5 million.

NOTE 13 – 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 September 30, 2023 and December 31, 2022, the capital conservation buffer was 2.5% of risk-weighted assets.

As of September 30, 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:

	September 30, 2023					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Consolidated HBT Financial, Inc.						
Total Capital (to Risk Weighted Assets)	$ 590,174	15.09 %	$ 312,868	8.00 %	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	515,643	13.18	234,651	6.00	N/A	N/A
Common Equity Tier 1 Capital (to Risk Weighted Assets)	464,483	11.88	175,988	4.50	N/A	N/A
Tier 1 Capital (to Average Assets)	515,643	10.34	199,420	4.00	N/A	N/A
Heartland Bank and Trust Company						
Total Capital (to Risk Weighted Assets)	$ 577,525	14.78 %	$ 312,537	8.00 %	$ 390,671	10.00 %
Tier 1 Capital (to Risk Weighted Assets)	542,448	13.89	234,403	6.00	312,537	8.00
Common Equity Tier 1 Capital (to Risk Weighted Assets)	542,448	13.89	175,802	4.50	253,936	6.50
Tier 1 Capital (to Average Assets)	542,448	10.89	199,216	4.00	249,020	5.00

HBT FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	December 31, 2022					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
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

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Recurring Basis

The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Additional information on fair value measurements is summarized in Note 1 to the Company's annual consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 8, 2023. There were no transfers between levels during the three and nine months ended September 30, 2023 and 2022. The Company's policy for determining transfers between levels occurs at the end of the reporting period when circumstances in the underlying valuation criteria change and result in transfer between levels.

The following tables present the balances of the assets measured at fair value on a recurring basis:

	September 30, 2023			
(dollars in thousands)	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**	**Total Fair Value**
Debt securities available-for-sale:				
U.S. Treasury	$ 154,394	$ —	$ —	$ 154,394
U.S. government agency	—	50,715	—	50,715
Municipal	—	195,201	—	195,201
Mortgage-backed:				
Agency residential	—	177,050	—	177,050
Agency commercial	—	124,329	—	124,329
Corporate	—	51,474	—	51,474
Equity securities with readily determinable fair values	3,106	—	—	3,106
Mortgage servicing rights	—	—	20,156	20,156
Derivative financial assets	—	10,188	—	10,188
Derivative financial liabilities	—	9,674	—	9,674

	December 31, 2022			
(dollars in thousands)	**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

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy. There were no changes to the valuation techniques from December 31, 2022 to September 30, 2023.

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.

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.

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.

The following tables present additional information about the unobservable inputs used in the fair value measurement of the mortgage servicing rights (dollars in thousands):

September 30, 2023	Fair Value		Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mortgage servicing rights	$	20,156	Discounted cash flows	Constant pre-payment rates (CPR)	6.5% to 41.5% (8.2%)
				Discount rate	9.0% to 45.9% (9.8%)

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

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as there is evidence of impairment or a change in the amount of previously recognized impairment.

The following tables present the balances of the assets measured at fair value on a nonrecurring basis:

	September 30, 2023			
(dollars in thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Loans held for sale	$ —	$ 3,563	$ —	$ 3,563
Collateral-dependent loans	—	—	31,484	31,484
Bank premises held for sale	—	—	35	35
Foreclosed assets	—	—	1,519	1,519

	December 31, 2022			
(dollars in thousands)	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

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 indicate fair value of the held for sale loans is greater than cost.

Collateral-Dependent Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for loans with respect to which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of collateral-dependent impaired loans is estimated based on the fair value of the underlying collateral supporting the loan. Collateral-dependent loans require classification in the fair value hierarchy. Impaired loans include loans acquired with deteriorated credit quality. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

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 Level 3 inputs based on appraisals and customized discounting criteria. The carrying value of bank premises held for sale is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

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 Level 3 inputs based on appraisals and customized discounting criteria. The carrying value of foreclosed assets is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

Collateral-Dependent Loans, Bank Premises Held for Sale, and Foreclosed Assets

The estimated fair value of collateral-dependent loans, bank premises held for sale, and foreclosed assets is based on the appraised fair value of the collateral, less estimated costs to sell. Collateral-dependent loans, bank premises held for sale, and foreclosed assets are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or a similar evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals or a similar evaluation of the collateral underlying collateral-dependent loans and foreclosed assets are obtained at the time a loan is first considered impaired or a loan is transferred to foreclosed assets. Appraisals or a similar evaluation of bank premises held for sale are obtained when first classified as held for sale. Appraisals or similar evaluations are obtained subsequently as deemed necessary by management but at least annually on foreclosed assets and bank premises held for sale. Appraisals are reviewed for accuracy and consistency by management. Appraisals are performed by individuals selected from the list of approved appraisers maintained by management. The appraised values are reduced by estimated costs to sell. These discounts and estimates are developed by management by comparison to historical results.

The following tables present quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements (dollars in thousands):

September 30, 2023	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral-dependent loans	$ 31,484	Appraisal of collateral	Appraisal adjustments	Not meaningful
Bank premises held for sale	35	Appraisal	Appraisal adjustments	7% (7%)
Foreclosed assets	1,519	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.

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 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.

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.

The following table provides summary information on the carrying amounts and estimated fair values of the Company's financial instruments:

(dollars in thousands)	Fair Value Hierarchy Level	September 30, 2023		December 31, 2022	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	Level 1	$ 111,913	$ 111,913	$ 114,159	$ 114,159
Debt securities held-to-maturity	Level 2	527,144	450,313	541,600	478,801
Restricted stock	Level 3	11,165	11,165	7,965	7,965
Loans, net	Level 3	3,303,923	3,252,850	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	23,447	23,447	19,506	19,506
Financial liabilities:					
Time deposits	Level 3	679,607	668,960	262,968	253,619
Securities sold under agreements to repurchase	Level 2	28,900	28,900	43,081	43,081
Subordinated notes	Level 3	39,454	36,852	39,395	37,205
Junior subordinated debentures	Level 3	52,774	43,600	37,780	37,030
Accrued interest payable	Level 2	3,707	3,707	1,363	1,363

The Company estimated the fair value of lending related commitments as described in Note 15 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.

NOTE 15 – 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	
(dollars in thousands)	September 30, 2023	December 31, 2022
Commitments to extend credit	$ 881,943	$ 756,885
Standby letters of credit	23,689	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 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 $4.4 million as of September 30, 2023.

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 is 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 is 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.

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. If the proposed settlement agreements are approved by the Court and are not subject to appeal, the Bank will make one-time cash payments totaling $3.4 million.

The *DeBaere, et al* settlement agreement was preliminarily approved by the Court on September 28, 2023, and the *Miller, et al* settlement agreement is pending preliminary approval by the Court. The proposed 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 *DeBaere, et al* and *Miller, et al* cases. The Bank has agreed in principle to the settlements to avoid the cost, risks and distraction of continued litigation. The Company believes the proposed settlements are in the best interests of the Company and its shareholders.

Accordingly, the Bank had in the aggregate $3.4 million accrued as of September 30, 2023 and $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 third 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. The Company is unable to predict when the matter will be resolved, the ultimate outcome, or potential costs or damages to be incurred.

ITEM 2. 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.

The following is management's discussion and analysis of the financial condition as of September 30, 2023 (unaudited), as compared with December 31, 2022, and the results of operations for the three and nine months ended September 30, 2023 and 2022 (unaudited). Management's discussion and analysis should be read in conjunction with the Company's unaudited consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q, as well as the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 8, 2023. Results of operations for the three and nine months ended September 30, 2023 and 2022 are not necessarily indicative of results to be attained for the year ended December 31, 2023 or for any other period.

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 business, commercial, wealth management, and retail banking products and services to businesses, families, and local governments throughout Illinois and Eastern Iowa. As of September 30, 2023, the Company had total assets of $5.0 billion, loans held for investment of $3.3 billion, and total deposits of $4.2 billion.

Market Area

As of September 30, 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:

	September 30, 2023		December 31, 2022	
(dollars in thousands)	**Loans**	**Deposits**	**Loans**	**Deposits**
Central	$ 1,663,966	$ 2,883,803	$ 1,024,015	$ 2,239,030
Chicago MSA	1,370,054	1,207,001	1,294,327	1,216,423
Illinois	3,034,020	4,090,804	2,318,342	3,455,453
Iowa	308,766	107,264	301,911	131,571
Total	$ 3,342,786	$ 4,198,068	$ 2,620,253	$ 3,587,024

Town and Country Acquisition

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 10 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 million, total loans held for investment of $635 million, and total deposits of $720 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. There were no acquisition-related expenses during the three months ended September 30, 2023. Acquisition-related expenses totaled $13.7 million for the nine months ended September 30, 2023, which includes 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 during the first quarter of 2023, and totaled $462 thousand for the three and nine months ended September 30, 2022. We do not expect material acquisition-related expenses related to Town and Country in subsequent quarters.

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:

(dollars in thousands, except per share amounts)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Total interest and dividend income	$ 59,041	$ 39,014	$ 167,588	$ 108,106
Total interest expense	10,762	1,624	23,600	4,415
Net interest income	48,279	37,390	143,988	103,691
Provision for credit losses	480	386	6,460	(53)
Net interest income after provision for credit losses	47,799	37,004	137,528	103,744
Total noninterest income	9,490	8,234	26,841	26,828
Total noninterest expense	30,671	23,998	100,577	71,997
Income before income tax expense	26,618	21,240	63,792	58,575
Income tax expense	6,903	5,613	16,396	15,259
Net income	$ 19,715	$ 15,627	$ 47,396	$ 43,316
Adjusted net income (1)	$ 20,279	$ 15,856	$ 58,910	$ 41,919
Net interest income (tax-equivalent basis) (1) (2)	$ 48,954	$ 38,064	$ 146,080	$ 105,492
Share and Per Share Information				
Earnings per share - Diluted	$ 0.62	$ 0.54	$ 1.49	$ 1.49
Adjusted earnings per share - Diluted (1)	0.63	0.55	1.86	1.45
Weighted average shares of common stock outstanding	31,829,250	28,787,662	31,598,650	28,887,757
Summary Ratios				
Net interest margin *	4.07 %	3.65 %	4.14 %	3.36 %
Net interest margin (tax-equivalent basis) * (1) (2)	4.13	3.72	4.20	3.41
Yield on loans *	6.10	4.91	5.96	4.66
Yield on interest-earning assets *	4.97	3.81	4.82	3.50
Cost of interest-bearing liabilities *	1.27	0.23	0.96	0.21
Cost of total deposits *	0.69	0.06	0.45	0.06
Cost of funds *	0.96	0.17	0.72	0.15
Efficiency ratio	51.85 %	52.07 %	57.73 %	54.60 %
Efficiency ratio (tax-equivalent basis) (1) (2)	51.25	51.31	57.04	53.86
Return on average assets *	1.58 %	1.47 %	1.29 %	1.35 %
Return on average stockholders' equity *	17.02	16.27	14.22	14.91
Return on average tangible common equity * (1)	20.70	17.70	17.17	16.20
Adjusted return on average assets * (1)	1.62 %	1.49 %	1.61 %	1.31 %
Adjusted return on average stockholders' equity * (1)	17.51	16.51	17.68	14.43
Adjusted return on average tangible common equity * (1)	21.29	17.96	21.34	15.67

* Annualized measure.
(1) See "Non-GAAP Financial Information" for reconciliation of non-GAAP measure 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 Three Months Ended September 30, 2023 to the Three Months Ended September 30, 2022

For the three months ended September 30, 2023, net income was $19.7 million, increasing by $4.1 million, or 26.2%, when compared to net income for the three months ended September 30, 2022. Notable changes include the following:

- A $10.9 million increase in net interest income, primarily attributable to higher yields on interest-earning assets and the increase in average interest-earning assets following the Town and Country merger;
- There were no Town and Country acquisition-related expenses during the third quarter of 2023, compared to $0.5 million during the third quarter of 2022;
- Excluding Town and Country acquisition-related expenses, noninterest expense increased by $7.1 million primarily due to the addition of Town and Country's operations;
- Net losses of $0.8 million on the sale of $39.4 million of municipal securities were realized during the three months ended September 30, 2023, with the sales proceeds used to reduce FHLB borrowings and fund loan growth; and
- A $1.3 million increase in noninterest income, primarily attributable to a $0.8 million improvement in gains (losses) on foreclosed assets as well as the addition of Town and Country's operations which contributed to a $0.5 million increase in mortgage servicing income, a $0.3 million increase in wealth management fees, and a $0.2 million increase in card income.

Comparison of the Nine Months Ended September 30, 2023 to the Nine Months Ended September 30, 2022

For the nine months ended September 30, 2023, net income was $47.4 million, increasing by $4.1 million, or 9.4%, when compared to net income for the nine months ended September 30, 2022. Notable changes include the following:

- A $40.3 million increase in net interest income, primarily attributable to higher yields on interest-earning assets and the increase in average interest-earning assets following the Town and Country merger;
- Town and Country acquisition-related expenses totaled $13.7 million during the nine months ended September 30, 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 $0.5 million during the nine months ended September 30, 2022;
- Net losses of $1.8 million on the sale of $185.3 million of securities were realized during the nine months ended September 30, 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 $21.3 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 tables set forth average balances, average yields and costs, and certain other information for the three and nine months ended September 30, 2023 and 2022. 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.

	Three Months Ended					
	September 30, 2023			September 30, 2022		
(dollars in thousands)	Average Balance	Interest	Yield/Cost *	Average Balance	Interest	Yield/Cost *
ASSETS						
Loans	$ 3,296,703	$ 50,712	6.10 %	$ 2,481,920	$ 30,697	4.91 %
Securities	1,324,686	7,429	2.22	1,470,092	7,842	2.12
Deposits with banks	77,595	714	3.65	105,030	458	1.73
Other	9,347	186	7.90	2,936	17	2.25
Total interest-earning assets	4,708,331	$ 59,041	4.97 %	4,059,978	$ 39,014	3.81 %
Allowance for credit losses	(38,317)			(24,717)		
Noninterest-earning assets	294,818			173,461		
Total assets	$ 4,964,832			$ 4,208,722		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest-bearing deposits:						
Interest-bearing demand	$ 1,160,654	$ 761	0.26 %	$ 1,137,072	$ 144	0.05 %
Money market	683,859	2,041	1.18	577,388	203	0.14
Savings	639,384	249	0.15	649,752	53	0.03
Time	585,372	4,160	2.82	271,870	187	0.27
Total interest-bearing deposits	3,069,269	7,211	0.93	2,636,082	587	0.09
Securities sold under agreements to repurchase	33,807	35	0.41	50,427	9	0.07
Borrowings	157,908	2,108	5.30	11,967	85	2.80
Subordinated notes	39,444	470	4.72	39,365	470	4.73
Junior subordinated debentures issued to capital trusts	52,767	938	7.05	37,755	473	4.97
Total interest-bearing liabilities	3,353,195	$ 10,762	1.27 %	2,775,596	$ 1,624	0.23 %
Noninterest-bearing deposits	1,105,472			1,031,407		
Noninterest-bearing liabilities	46,564			20,736		
Total liabilities	4,505,231			3,827,739		
Stockholders' Equity	459,601			380,983		
Total liabilities and stockholders' equity	$ 4,964,832			$ 4,208,722		
Net interest income/Net interest margin (1)		$ 48,279	4.07 %		$ 37,390	3.65 %
Tax-equivalent adjustment (2)		675	0.06		674	0.07
Net interest income (tax-equivalent basis)/ Net interest margin (tax-equivalent basis) (2) (3)		$ 48,954	4.13 %		$ 38,064	3.72 %
Net interest rate spread (4)			3.70 %			3.58 %
Net interest-earning assets (5)	$ 1,355,136			$ 1,284,382		
Ratio of interest-earning assets to interest-bearing liabilities	1.40			1.46		
Cost of total deposits			0.69 %			0.06 %
Cost of funds			0.96			0.17

* Annualized measure.
(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.

	Nine Months Ended					
	September 30, 2023			September 30, 2022		
(dollars in thousands)	Average Balance	Interest	Yield/Cost *	Average Balance	Interest	Yield/Cost *
ASSETS						
Loans	$ 3,183,641	$ 142,012	5.96 %	$ 2,485,501	$ 86,687	4.66 %
Securities	1,373,175	22,922	2.23	1,405,245	20,332	1.93
Deposits with banks	84,720	2,234	3.53	237,646	1,037	0.58
Other	8,457	420	6.64	2,829	50	2.36
Total interest-earning assets	4,649,993	$ 167,588	4.82 %	4,131,221	$ 108,106	3.50 %
Allowance for credit losses	(37,053)			(24,467)		
Noninterest-earning assets	289,843			172,243		
Total assets	$ 4,902,783			$ 4,278,997		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest-bearing deposits:						
Interest-bearing demand	$ 1,204,937	$ 1,902	0.21 %	$ 1,146,635	$ 430	0.05 %
Money market	664,846	4,492	0.90	585,815	434	0.10
Savings	678,495	616	0.12	653,659	155	0.03
Time	463,937	6,898	1.99	289,000	643	0.30
Total interest-bearing deposits	3,012,215	13,908	0.62	2,675,109	1,662	0.08
Securities sold under agreements to repurchase	35,844	107	0.40	51,503	26	0.07
Borrowings	148,443	5,594	5.04	4,344	87	2.67
Subordinated notes	39,424	1,409	4.78	39,345	1,409	4.79
Junior subordinated debentures issued to capital trusts	51,054	2,582	6.76	37,738	1,231	4.36
Total interest-bearing liabilities	3,286,980	$ 23,600	0.96 %	2,808,039	$ 4,415	0.21 %
Noninterest-bearing deposits	1,123,917			1,060,566		
Noninterest-bearing liabilities	46,310			21,883		
Total liabilities	4,457,207			3,890,488		
Stockholders' Equity	445,576			388,509		
Total liabilities and stockholders' equity	$ 4,902,783			4,278,997		
Net interest income/Net interest margin (1)		$ 143,988	4.14 %		$ 103,691	3.36 %
Tax-equivalent adjustment (2)		2,092	0.06		1,801	0.05
Net interest income (tax-equivalent basis)/ Net interest margin (tax-equivalent basis) (2) (3)		$ 146,080	4.20 %		$ 105,492	3.41 %
Net interest rate spread (4)			3.86 %			3.29 %
Net interest-earning assets (5)	$ 1,363,013			$ 1,323,182		
Ratio of interest-earning assets to interest-bearing liabilities	1.41			1.47		
Cost of total deposits			0.45 %			0.06 %
Cost of funds			0.72			0.15

* Annualized measure.
(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.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
(dollars in thousands)	Interest	Yield Contribution *	Interest	Yield Contribution *	Interest	Yield Contribution *	Interest	Yield Contribution *
Contractual interest	$ 48,232	5.80 %	$ 29,192	4.67 %	$ 135,105	5.67 %	$ 79,672	4.28 %
Loan fees (excluding PPP loans)	1,176	0.14	1,030	0.16	3,466	0.15	3,309	0.18
PPP loan fees	—	—	106	0.02	1	—	1,487	0.08
Accretion of acquired loan discounts	1,143	0.14	253	0.04	2,964	0.12	696	0.04
Nonaccrual interest recoveries	161	0.02	116	0.02	476	0.02	1,523	0.08
Total loan interest income	$ 50,712	6.10 %	$ 30,697	4.91 %	$ 142,012	5.96 %	$ 86,687	4.66 %

* Annualized measure.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
(dollars in thousands)	Interest	Net Interest Margin Contribution *	Interest	Net Interest Margin Contribution *	Interest	Net Interest Margin Contribution *	Interest	Net Interest Margin Contribution *
Interest income:								
Contractual interest on loans	$ 48,232	4.06 %	$ 29,192	2.85 %	$ 135,105	3.89 %	$ 79,672	2.58 %
Loan fees (excluding PPP loans)	1,176	0.10	1,030	0.10	3,466	0.10	3,309	0.11
PPP loan fees	—	—	106	0.01	1	—	1,487	0.05
Accretion of acquired loan discounts	1,143	0.10	253	0.02	2,964	0.09	696	0.02
Nonaccrual interest recoveries	161	0.01	116	0.01	476	0.01	1,523	0.05
Securities	7,429	0.63	7,842	0.77	22,922	0.66	20,332	0.66
Deposits with banks	714	0.06	458	0.05	2,234	0.06	1,037	0.03
Other	186	0.01	17	—	420	0.01	50	—
Total interest income	59,041	4.97	39,014	3.81	167,588	4.82	108,106	3.50
Interest expense:								
Deposits	7,211	0.60	587	0.06	13,908	0.40	1,662	0.06
Other interest-bearing liabilities	3,551	0.30	1,037	0.10	9,692	0.28	2,753	0.08
Total interest expense	10,762	0.90	1,624	0.16	23,600	0.68	4,415	0.14
Net interest income	48,279	4.07	37,390	3.65	143,988	4.14	103,691	3.36
Tax-equivalent adjustment (1)	675	0.06	674	0.07	2,092	0.06	1,801	0.05
Net interest income (tax-equivalent) (1) (2)	$ 48,954	4.13 %	$ 38,064	3.72 %	$ 146,080	4.20 %	$ 105,492	3.41 %

* Annualized measure.
(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.

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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.

	Three Months Ended September 30, 2023 vs. Three Months Ended September 30, 2022			Nine Months Ended September 30, 2023 vs. Nine Months Ended September 30, 2022		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
(dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Loans	$ 11,487	$ 8,528	$ 20,015	$ 27,757	$ 27,568	$ 55,325
Securities	(802)	389	(413)	(473)	3,063	2,590
Deposits with banks	(145)	401	256	(1,048)	2,245	1,197
Other	79	90	169	194	176	370
Total interest-earning assets	10,619	9,408	20,027	26,430	33,052	59,482
Interest-bearing liabilities:						
Interest-bearing deposits:						
Interest-bearing demand	3	614	617	23	1,449	1,472
Money market	44	1,794	1,838	66	3,992	4,058
Savings	(1)	197	196	6	455	461
Time	439	3,534	3,973	602	5,653	6,255
Total interest-bearing deposits	485	6,139	6,624	697	11,549	12,246
Securities sold under agreements to repurchase	(4)	30	26	(10)	91	81
Borrowings	1,885	138	2,023	5,364	143	5,507
Subordinated notes	1	(1)	—	3	(3)	—
Junior subordinated debentures issued to capital trusts	226	239	465	528	823	1,351
Total interest-bearing liabilities	2,593	6,545	9,138	6,582	12,603	19,185
Change in net interest income	$ 8,026	$ 2,863	$ 10,889	$ 19,848	$ 20,449	$ 40,297

Comparison of the Three Months Ended September 30, 2023 to the Three Months Ended September 30, 2022

Net interest income for the three months ended September 30, 2023 was $48.3 million, increasing $10.9 million, or 29.1%, from the three months ended September 30, 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.

Net interest margin increased to 4.07% for the three months ended September 30, 2023, compared to 3.65% for the three months ended September 30, 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 10 basis points during the three months ended September 30, 2023, from 2 basis points during the three months ended September 30, 2022.

Comparison of the Nine Months Ended September 30, 2023 to the Nine Months Ended September 30, 2022

Net interest income for the nine months ended September 30, 2023 was $144.0 million, increasing $40.3 million, or 38.9%, from the nine months ended September 30, 2022. The increase is primarily attributable to higher yields on interest-earning assets and the increase in average interest-earning assets following the Town and Country merger.

Net interest margin increased to 4.14% for the nine months ended September 30, 2023, compared to 3.36% for the nine months ended September 30, 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 nine months ended September 30, 2023, from 2 basis points during the nine months ended September 30, 2022.

The quarterly net interest margins were as follows:

	2023	2022
Three months ended:		
March 31	4.20 %	3.08 %
June 30	4.16	3.34
September 30	4.07	3.65
December 31	—	4.10

In March 2022, the Federal Open Markets Committee ("FOMC") raised the target range for the federal funds rate to 0.25% to 0.50%, the first rate hike since December 2018. Since March 2022, the FOMC has raised the target range for the federal funds rate several times, leaving the target range for the federal funds rate at 5.25% to 5.50% as of September 30, 2023.

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 in the second and third quarters 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 we expect such costs to continue to increase during the remainder of 2023. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
PROVISION FOR CREDIT LOSSES				
Loans	$ 983	$ 386	$ 5,004	$ (53)
Unfunded lending-related commitments	297	—	1,456	—
Debt securities	(800)	—	—	—
Total provision for credit losses	$ 480	$ 386	$ 6,460	$ (53)

Comparison of the Three Months Ended September 30, 2023 to the Three Months Ended September 30, 2022

The Company recorded a provision for credit losses of $0.5 million for the third quarter of 2023. The provision for credit losses primarily reflects a $0.9 million increase in required reserves driven by growth of the loan portfolio and unfunded commitments; a $0.8 million increase in required reserves resulting from changes in economic and qualitative factors; a $0.8 million decrease in reserves on debt securities available-for-sale, related to one bank subordinated debt security; a $0.5 million decrease in specific reserves on individually evaluated loans; and net recoveries of $0.1 million.

Comparison of the Nine Months Ended September 30, 2023 to the Nine Months Ended September 30, 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 $1.8 million decrease in specific reserves on individually evaluated loans; a $1.8 million increase in required reserves driven by growth of the loan portfolio and unfunded commitments; a $0.4 million increase in required reserves resulting from changes in economic and qualitative factors; and net recoveries of $0.3 million.

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 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:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(dollars in thousands)	2023	2022	$ Change	2023	2022	$ Change
Card income	$ 2,763	$ 2,569	$ 194	$ 8,326	$ 7,687	$ 639
Wealth management fees	2,381	2,059	322	6,998	6,670	328
Service charges on deposit accounts	2,040	1,927	113	5,830	5,371	459
Mortgage servicing	1,169	697	472	3,522	2,016	1,506
Mortgage servicing rights fair value adjustment	23	351	(328)	(460)	2,446	(2,906)
Gains on sale of mortgage loans	476	354	122	1,125	1,267	(142)
Realized gains (losses) on sales of securities	(813)	—	(813)	(1,820)	—	(1,820)
Unrealized gains (losses) on equity securities	(46)	(107)	61	(61)	(447)	386
Gains (losses) on foreclosed assets	550	(225)	775	443	(192)	635
Gains (losses) on other assets	52	(31)	83	161	119	42
Income on bank owned life insurance	153	41	112	415	122	293
Other noninterest income	742	599	143	2,362	1,769	593
Total noninterest income	$ 9,490	$ 8,234	$ 1,256	$ 26,841	$ 26,828	$ 13

Comparison of the Three Months Ended September 30, 2023 to the Three Months Ended September 30, 2022

Total noninterest income for the three months ended September 30, 2023, was $9.5 million, an increase of $1.3 million, or 15.3%, from the three months ended September 30, 2022. Notable changes in noninterest income include the following:

- Net losses of $0.8 million were realized on the sale of $39.4 million of municipal debt securities during the third quarter of 2023 which were not present in the third quarter of 2022 results;
- A $0.6 million gain on foreclosed assets was recognized during the third quarter of 2023, primarily related to the sale of one property, compared to a $0.2 million loss on foreclosed assets during the third quarter of 2022;
- The addition of Town and Country's operations in the first quarter of 2023 contributed to a $0.5 million increase in mortgage servicing revenue, with the size of our existing mortgage servicing portfolio nearly doubling, a $0.3 million increase in wealth management fees, and a $0.2 million increase in card income; and
- A $0.3 million decrease in the mortgage servicing rights fair value adjustment, primarily due to changes in prepayment assumptions utilized in the valuations.

Comparison of the Nine Months Ended September 30, 2023 to the Nine Months Ended September 30, 2022

Total noninterest income for the nine months ended September 30, 2023, was $26.8 million, nearly unchanged from the nine months ended September 30, 2022. Notable changes in noninterest income include the following:

- A $2.9 million change 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 nine months ended September 30, 2023. The vast majority of the securities portfolio acquired from Town and Country was sold during the first quarter of 2023, and an additional $39.4 million of municipal debt securities were sold during the third quarter of 2023;
- The addition of Town and Country's operations in the first quarter of 2023 contributed to a $1.5 million increase in mortgage servicing revenue, with the size of our existing mortgage servicing portfolio nearly

doubling, a $0.6 million increase in card income, a $0.5 million increase in service charges on deposit accounts, and a $0.3 million increase in wealth management fees; and

- A $0.4 million gain on foreclosed assets was recognized during 2023, primarily related to the sale of one property, compared to a $0.2 million loss on foreclosed assets during 2022.

Noninterest Expense

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
(dollars in thousands)	2023	2022	$ Change	2023	2022	$ Change
Salaries	$ 15,644	$ 12,752	$ 2,892	$ 51,715	$ 38,489	$ 13,226
Employee benefits	2,616	1,771	845	7,658	6,199	1,459
Occupancy of bank premises	2,573	1,979	594	7,460	5,780	1,680
Furniture and equipment	667	668	(1)	2,135	1,843	292
Data processing	2,581	1,631	950	9,787	5,274	4,513
Marketing and customer relations	1,679	880	799	3,874	2,936	938
Amortization of intangible assets	720	243	477	1,950	733	1,217
FDIC insurance	512	302	210	1,705	888	817
Loan collection and servicing	345	336	9	971	771	200
Foreclosed assets	76	97	(21)	234	260	(26)
Other noninterest expense	3,258	3,339	(81)	13,088	8,824	4,264
Total noninterest expense	$ 30,671	$ 23,998	$ 6,673	$ 100,577	$ 71,997	$ 28,580

Comparison of the Three Months Ended September 30, 2023 to the Three Months Ended September 30, 2022

Total noninterest expense for the three months ended September 30, 2023, was $30.7 million, an increase of $6.7 million, or 27.8%, from the three months ended September 30, 2022. Notable changes in noninterest expense include the following:

- There were no Town and Country acquisition-related expenses for the three months ended September 30, 2023, but such expenses totaled $0.5 million for the three months ended September 30, 2022;
- Excluding Town and Country acquisition-related expenses, the $7.1 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; and
- A $0.8 million increase in marketing and customer relations expense.

Comparison of the Nine Months Ended September 30, 2023 to the Nine Months Ended September 30, 2022

Total noninterest expense for the nine months ended September 30, 2023, was $100.6 million, an increase of $28.6 million, or 39.7%, from the nine months ended September 30, 2022. Notable changes in noninterest expense include the following:

- Town and Country acquisition-related noninterest expenses totaled $7.8 million and $0.5 million for the nine months ended September 30, 2023 and 2022, respectively;
- Excluding Town and Country acquisition-related expenses, the $21.3 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; and
- Legal fees of $0.8 million and accruals of $0.8 million related to pending legal matters previously disclosed were incurred during the second quarter of 2023 which were not present in the 2022 results. Settlements have been reached with plaintiffs in these matters which are now pending final court approval.

Income Taxes

During the three months ended September 30, 2023 and 2022, we recorded income tax expense of $6.9 million, or an effective tax rate of 25.9%, and $5.6 million, or an effective tax rate of 26.4%, respectively. During the nine months ended September 30, 2023 and 2022, we recorded income tax expense of $16.4 million, or an effective tax rate of 25.7%, and $15.3 million, or an effective tax rate of 26.1%, respectively. The fluctuations in effective tax rate are primarily attributable to lower overall 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)	September 30, 2023	December 31, 2022	$ Change	% Change
Consolidated Balance Sheet Information				
Cash and cash equivalents	$ 111,913	$ 114,159	$ (2,246)	(2.0)%
Debt securities available-for-sale, at fair value	753,163	843,524	(90,361)	(10.7)
Debt securities held-to-maturity	527,144	541,600	(14,456)	(2.7)
Loans held for sale	3,563	615	2,948	479.3
Loans, before allowance for credit losses	3,342,786	2,620,253	722,533	27.6
Less: allowance for credit losses	38,863	25,333	13,530	53.4
Loans, net of allowance for credit losses	3,303,923	2,594,920	709,003	27.3
Goodwill	59,820	29,322	30,498	104.0
Intangible assets, net	21,402	1,070	20,332	1,900.2
Other assets	210,840	161,524	49,316	30.5
Total assets	$ 4,991,768	$ 4,286,734	$ 705,034	16.4 %
Total deposits	$ 4,198,068	$ 3,587,024	$ 611,044	17.0 %
Securities sold under agreements to repurchase	28,900	43,081	(14,181)	(32.9)
Borrowings	177,650	160,000	17,650	11.0
Subordinated notes	39,454	39,395	59	0.1
Junior subordinated debentures	52,774	37,780	14,994	39.7
Other liabilities	38,671	45,822	(7,151)	(15.6)
Total liabilities	4,535,517	3,913,102	622,415	15.9
Total stockholders' equity	456,251	373,632	82,619	22.1
Total liabilities and stockholders' equity	$ 4,991,768	$ 4,286,734	$ 705,034	16.4 %
Tangible assets (1)	$ 4,910,546	$ 4,256,342	$ 654,204	15.4 %
Tangible common equity (1)	375,029	343,240	31,789	9.3
Core deposits (1)	$ 3,967,155	$ 3,559,866	$ 407,289	11.4 %
Share and Per Share Information				
Book value per share	$ 14.36	$ 12.99		
Tangible book value per share (1)	11.80	11.94		
Shares of common stock outstanding	31,774,140	28,752,626		
Balance Sheet Ratios				
Loan to deposit ratio	79.63 %	73.05 %		
Core deposits to total deposits (1)	94.50	99.24		
Stockholders' equity to total assets	9.14	8.72		
Tangible common equity to tangible assets (1)	7.64	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 $87.2 million;
- Following the Town and Country merger, $145.8 million of the securities acquired from Town and Country were sold with the sales proceeds used to reduce FHLB borrowings and fund loan growth, and an additional $39.4 million of municipal securities were sold during the third quarter of 2023;
- Additionally, paydowns, maturities and calls of debt securities generated another $74.6 million of proceeds which were used to reduce FHLB borrowings and fund loan growth; and
- Excluding the impact of the Town and Country merger, total deposits decreased $109.4 million primarily attributable to decreases in balances held in existing smaller balance accounts, partially offset by the addition of $115.0 million of brokered deposits.

Loan Portfolio

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

	September 30, 2023		December 31, 2022	
(dollars in thousands)	Balance	Percent	Balance	Percent
Commercial and industrial	$ 386,933	11.6 %	$ 266,757	10.2 %
Commercial real estate - owner occupied	297,242	8.9	218,503	8.3
Commercial real estate - non-owner occupied	901,929	27.0	713,202	27.2
Construction and land development	371,158	11.1	360,824	13.8
Multi-family	388,742	11.6	287,865	11.0
One-to-four family residential	488,655	14.6	338,253	12.9
Agricultural and farmland	275,239	8.2	237,746	9.1
Municipal, consumer, and other	232,888	7.0	197,103	7.5
Loans, before allowance for credit losses	3,342,786	100.0 %	2,620,253	100.0 %
Allowance for credit losses	(38,863)		(25,333)	
Loans, net of allowance for credit losses	$ 3,303,923		$ 2,594,920	

Loans, before allowance for credit losses were $3.34 billion at September 30, 2023, an increase of $722.5 million, or 27.6%, from December 31, 2022. Excluding the impact of the Town and Country merger, total loans increased $87.2 million, or 3.3%, 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 three pools of loans totaling $49.9 million. Two 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; and
- Seasonally higher agricultural line of credit usage further contributed to loan growth.

Loan Portfolio Maturities

The following table summarizes the scheduled maturities of the loan portfolio as of September 30, 2023. Demand loans (loans having no stated repayment schedule or maturity) and overdraft loans are reported as being due in one year or less.

(dollars in thousands)	1 Year or Less	After 1 Year Through 5 Years	After 5 Years Through 15 Years	After 15 Years	Total
Commercial and industrial	$ 204,207	$ 148,503	$ 34,223	$ —	$ 386,933
Commercial real estate - owner occupied	34,905	146,465	107,379	8,493	297,242
Commercial real estate - non-owner occupied	110,609	559,662	225,682	5,976	901,929
Construction and land development	185,707	164,006	21,369	76	371,158
Multi-family	31,553	286,438	68,783	1,968	388,742
One-to-four family residential	50,626	193,438	122,249	122,342	488,655
Agricultural and farmland	116,683	108,723	45,311	4,522	275,239
Municipal, consumer, and other	69,460	64,735	72,128	26,565	232,888
Total	$ 803,750	$ 1,671,970	$ 697,124	$ 169,942	$ 3,342,786

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

	Variable Interest Rates				
(dollars in thousands)	Repricing 1 Year or Less	Repricing After 1 Year	Total Variable Interest Rates	Predetermined (Fixed) Interest Rates	Total
Commercial and industrial	$ 39,186	$ 7,335	$ 46,521	$ 136,205	$ 182,726
Commercial real estate - owner occupied	34,499	39,762	74,261	188,076	262,337
Commercial real estate - non-owner occupied	119,511	32,358	151,869	639,451	791,320
Construction and land development	82,323	1,422	83,745	101,706	185,451
Multi-family	43,372	37,932	81,304	275,885	357,189
One-to-four family residential	80,807	72,131	152,938	285,091	438,029
Agricultural and farmland	2,427	11,889	14,316	144,240	158,556
Municipal, consumer, and other	35,812	20,917	56,729	106,699	163,428
Total	$ 437,937	$ 223,746	$ 661,683	$ 1,877,353	$ 2,539,036

Nonperforming Assets

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

(dollars in thousands)	September 30, 2023	December 31, 2022
NONPERFORMING ASSETS		
Nonaccrual	$ 6,678	$ 2,155
Past due 90 days or more, still accruing [(1)]	—	1
Total nonperforming loans	6,678	2,156
Foreclosed assets	1,519	3,030
Total nonperforming assets	$ 8,197	$ 5,186
Nonperforming loans that are wholly or partially guaranteed by the U.S. Government	$ 1,968	$ 133
Allowance for credit losses	$ 38,863	$ 25,333
Loans, before allowance for credit losses	3,342,786	2,620,253
CREDIT QUALITY RATIOS		
Allowance for credit losses to loans, before allowance for credit losses	1.16 %	0.97 %
Allowance for credit losses to nonaccrual loans	581.96	1,175.55
Allowance for credit losses to nonperforming loans	581.96	1,175.00
Nonaccrual loans to loans, before allowance for credit losses	0.20	0.08
Nonperforming loans to loans, before allowance for credit losses	0.20	0.08
Nonperforming assets to total assets	0.16	0.12
Nonperforming assets to loans, before allowance for credit losses, and foreclosed assets	0.25	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 $8.2 million at September 30, 2023, increasing by $3.0 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, partially offset by the payoff of several smaller credits and sale of one larger foreclosed property.

Risk Classification of Loans

Our risk classifications of loans were as follows:

(dollars in thousands)	September 30, 2023	December 31, 2022
Pass	$ 3,184,165	$ 2,479,488
Pass-watch	90,359	66,934
Substandard	68,262	73,831
Doubtful	—	—
Total	$ 3,342,786	$ 2,620,253

Pass-watch loans increased $23.4 million, or 35.0%, and substandard loans decreased $5.6 million, or 7.5%, from December 31, 2022 to September 30, 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 a $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)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net charge-offs (recoveries)				
Commercial and industrial	$ 1	$ 11	$ (30)	$ (733)
Commercial real estate - owner occupied	—	(1)	(11)	(101)
Commercial real estate - non-owner occupied	156	(3)	(82)	(273)
Construction and land development	(44)	(1)	(52)	(1)
Multi-family	(280)	—	(280)	—
One-to-four family residential	(32)	(42)	(101)	(256)
Agricultural and farmland	(2)	—	(4)	—
Municipal, consumer, and other	135	96	264	187
Total	$ (66)	$ 60	$ (296)	$ (1,177)
Average loans, before allowance for credit losses				
Commercial and industrial	$ 393,231	$ 233,046	$ 360,233	$ 271,136
Commercial real estate - owner occupied	291,969	212,997	290,025	220,463
Commercial real estate - non-owner occupied	895,384	675,086	867,277	687,024
Construction and land development	360,319	348,958	366,372	329,781
Multi-family	378,775	265,690	360,842	254,836
One-to-four family residential	492,094	327,272	471,483	328,199
Agricultural and farmland	264,110	235,273	247,598	232,762
Municipal, consumer, and other	220,821	183,598	219,811	161,300
Total	$ 3,296,703	$ 2,481,920	$ 3,183,641	$ 2,485,501
Charge-offs (recoveries) to average loans, before allowance for credit losses *				
Commercial and industrial	— %	0.02 %	(0.01)%	(0.36)%
Commercial real estate - owner occupied	—	—	(0.01)	(0.06)
Commercial real estate - non-owner occupied	0.07	—	(0.01)	(0.05)
Construction and land development	(0.05)	—	(0.02)	—
Multi-family	(0.29)	—	(0.10)	—
One-to-four family residential	(0.03)	(0.05)	(0.03)	(0.10)
Agricultural and farmland	—	—	—	—
Municipal, consumer, and other	0.24	0.21	0.16	0.16
Total	(0.01)%	0.01 %	(0.01)%	(0.06)%

* Annualized measure.

The net charge-offs (recoveries) to average total loans before allowance for credit losses 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 September 30, 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.

	September 30, 2023					
	Available-for-Sale		Held-to-Maturity		Total	
(dollars in thousands)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
Due in 1 year or less						
U.S. Treasury	$ 30,058	1.56 %	$ —	— %	$ 30,058	1.56 %
Municipal	4,091	2.78	2,643	3.74	6,734	3.16
Mortgage-backed:						
Agency residential	54	2.69	—	—	54	2.69
Agency commercial	6,376	3.38	—	—	6,376	3.38
Total	$ 40,579	1.97 %	$ 2,643	3.74 %	$ 43,222	2.08 %
Due after 1 year through 5 years						
U.S. Treasury	$ 99,538	1.27 %	$ —	— %	$ 99,538	1.27 %
U.S. government agency	46,372	2.57	17,411	1.94	63,783	2.40
Municipal	45,710	1.91	16,804	3.11	62,514	2.23
Mortgage-backed:						
Agency residential	14,078	2.77	8,286	1.62	22,364	2.34
Agency commercial	60,338	1.70	33,301	2.85	93,639	2.11
Corporate	21,914	4.94	—	—	21,914	4.94
Total	$ 287,950	2.02 %	$ 75,802	2.57 %	$ 363,752	2.14 %
Due after 5 years through 10 years						
U.S. Treasury	$ 40,155	1.53 %	$ —	— %	$ 40,155	1.53 %
U.S. government agency	9,111	2.30	67,937	2.60	77,048	2.56
Municipal	134,278	1.77	17,313	3.46	151,591	1.96
Mortgage-backed:						
Agency residential	72,319	2.11	3,531	3.51	75,850	2.17
Agency commercial	36,428	1.83	226,404	1.87	262,832	1.87
Corporate	33,735	4.14	—	—	33,735	4.14
Total	$ 326,026	2.08 %	$ 315,185	2.14 %	$ 641,211	2.11 %
Due after 10 years						
U.S. government agency	$ —	— %	$ 3,094	2.83 %	$ 3,094	2.83 %
Municipal	47,365	1.72	2,584	3.39	49,949	1.81
Mortgage-backed:						
Agency residential	111,098	2.96	86,298	3.66	197,396	3.27
Agency commercial	39,778	2.29	41,538	1.86	81,316	2.07
Corporate	2,000	4.50	—	—	2,000	4.50
Total	$ 200,241	2.55 %	$ 133,514	3.07 %	$ 333,755	2.76 %
Total						
U.S. Treasury	$ 169,751	1.38 %	$ —	— %	$ 169,751	1.38 %
U.S. government agency	55,483	2.53	88,442	2.48	143,925	2.50
Municipal	231,444	1.80	39,344	3.32	270,788	2.03
Mortgage-backed:						
Agency residential	197,549	2.63	98,115	3.48	295,664	2.92
Agency commercial	142,920	1.97	301,243	1.98	444,163	1.98
Corporate	57,649	4.45	—	—	57,649	4.45
Total	$ 854,796	2.17 %	$ 527,144	2.44 %	$ 1,381,940	2.27 %

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:

	Three Months Ended September 30,						
	2023			2022			
(dollars in thousands)	Average Balance	Percent of Total Deposits	Weighted Average Cost *	Average Balance	Percent of Total Deposits	Weighted Average Cost *	Percent Change in Average Balance
Noninterest-bearing	$ 1,105,472	26.5 %	— %	$ 1,031,407	28.1 %	— %	7.2 %
Interest-bearing demand	1,160,654	27.8	0.26	1,137,072	31.0	0.05	2.1
Money market	683,859	16.4	1.18	577,388	15.8	0.14	18.4
Savings	639,384	15.3	0.15	649,752	17.7	0.03	(1.6)
Total non-maturity deposits	3,589,369	86.0	0.34	3,395,619	92.6	0.05	5.7
Time	585,372	14.0	2.82	271,870	7.4	0.27	115.3
Total deposits	$ 4,174,741	100.0 %	0.69 %	$ 3,667,489	100.0 %	0.06 %	13.8 %

	Nine Months Ended September 30,						
	2023			2022			
(dollars in thousands)	Average Balance	Percent of Total Deposits	Weighted Average Cost *	Average Balance	Percent of Total Deposits	Weighted Average Cost *	Percent Change in Average Balance
Noninterest-bearing	$ 1,123,917	27.2 %	— %	$ 1,060,566	28.4 %	— %	6.0 %
Interest-bearing demand	1,204,937	29.1	0.21	1,146,635	30.7	0.05	5.1
Money market	664,846	16.1	0.90	585,815	15.7	0.10	13.5
Savings	678,495	16.4	0.12	653,659	17.5	0.03	3.8
Total non-maturity deposits	3,672,195	88.8	0.26	3,446,675	92.3	0.04	6.5
Time	463,937	11.2	1.99	289,000	7.7	0.30	60.5
Total deposits	$ 4,136,132	100.0 %	0.45 %	$ 3,735,675	100.0 %	0.06 %	10.7 %

* Annualized measure.

The increase in average deposits balances in 2023 compared to 2022 are primarily attributable to the Town and Country merger which added $576.8 million of non-maturity deposits and $143.6 million in time deposits on February 1, 2023. Recent increases in market interest rates have increased competition for deposits. As a result, deposit costs have and are expected to continue to increase during 2023, relative to 2022, and core deposits balances may decrease. Additionally, outgoing core deposits may be replaced by higher cost funding sources, such as FHLB advances and brokered deposits.

The following table sets forth time deposits by remaining maturity as of September 30, 2023:

(dollars in thousands)	3 Months or Less	Over 3 through 6 Months	Over 6 through 12 Months	Over 12 Months	Total
Time deposits:					
Amounts less than $100,000	$ 46,386	$ 141,889	$ 136,841	$ 52,182	$ 377,298
Amounts of $100,000 or more but less than $250,000	36,487	40,472	86,034	23,376	186,369
Amounts of $250,000 or more	25,867	33,484	47,831	8,758	115,940
Total time deposits	$ 108,740	$ 215,845	$ 270,706	$ 84,316	$ 679,607

As of September 30, 2023 and December 31, 2022, the Bank's uninsured deposits were estimated to be $876.0 million and $739.0 million, respectively.

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 FRB, 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 on federal funds purchased and FHLB borrowings.

As of September 30, 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 September 30, 2023, the Bank had no material commitments for capital expenditures.

Holding Company Liquidity

The Holding Company, or HBT Financial, Inc. on an unconsolidated basis, is a corporation separate and apart from the Bank and, therefore, it must provide for its own liquidity. As of September 30, 2023, the Holding Company had cash and cash equivalents of $13.0 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 three months ended September 30, 2023 and 2022, the Bank paid $12.0 million and $6.0 million in dividends to the Holding Company, respectively. During the nine months ended September 30, 2023 and 2022, the Bank paid $52.0 million and $18.0 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 three months ended September 30, 2023 and 2022, holding company operating expenses consisted of interest expense of $1.4 million and $0.9 million, respectively, and other operating expenses of $1.2 million and $1.4 million, respectively. During the nine months ended September 30, 2023 and 2022, holding company operating expenses consisted of interest expense of $4.0 million and $2.6 million, respectively, and other operating expenses of $4.6 million and $4.0 million, respectively.

Additionally, the Holding Company paid $5.4 million and $4.6 million of dividends to stockholders during the three months ended September 30, 2023 and 2022, respectively, and paid $16.4 million and $14.0 million of dividends to stockholders during the nine months ended September 30, 2023 and 2022, 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 September 30, 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 September 30, 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 September 30, 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 September 30, 2023 and December 31, 2022, the capital conservation buffer requirement was 2.5% of risk-weighted assets.

As of September 30, 2023 and December 31, 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.

	September 30, 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)	15.09 %	16.27 %	10.50 %	N/A
Tier 1 Capital (to Risk Weighted Assets)	13.18	14.23	8.50	N/A
Common Equity Tier 1 Capital (to Risk Weighted Assets)	11.88	13.07	7.00	N/A
Tier 1 Capital (to Average Assets)	10.34	10.48	4.00	N/A
Heartland Bank and Trust Company				
Total Capital (to Risk Weighted Assets)	14.78 %	15.43 %	10.50 %	10.00 %
Tier 1 Capital (to Risk Weighted Assets)	13.89	14.63	8.50	8.00
Common Equity Tier 1 Capital (to Risk Weighted Assets)	13.89	14.63	7.00	6.50
Tier 1 Capital (to Average Assets)	10.89	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 September 30, 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

During 2022, the Company paid quarterly cash dividends of $0.16 per share. On January 24, 2023, the Company announced an increase of $0.01 and paid a $0.17 per share dividend through the third quarter of 2023.

Stock Repurchase Program

Under the Company’s stock repurchase program, the Company repurchased 91,728 shares of its common stock at a weighted average price of $18.48 during the three months ended September 30, 2023. The Company’s Board of Directors authorized the repurchase of up to $15.0 million of its common stock under its stock repurchase program in effect until January 1, 2024. As of September 30, 2023, the Company had $7.6 million remaining under the current stock repurchase authorization.

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 15 – 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 Quarterly Report on Form 10-Q 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	• Net income, with the following adjustments: - excludes acquisition expenses, - excludes branch closure expenses, - excludes charges related to termination of certain employee benefit plans, - 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.	• 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: - 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)	• Net interest income adjusted for the tax-favored status of tax-exempt loans and securities. (1)	• 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)	• Noninterest expense less amortization of intangible assets divided by the sum of net interest income (tax equivalent basis) and noninterest income. (1)	• 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	• Tangible Common Equity is total stockholders' equity less goodwill and other intangible assets. • Tangible Assets is total assets less goodwill and other intangible assets.	• 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: - 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	• Total deposits, excluding: - Time deposits of $250,000 or more, and - Brokered deposits	• 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

(dollars in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net income	$ 19,715	$ 15,627	$ 47,396	$ 43,316
Adjustments:				
Acquisition expenses [(1)]	—	(462)	(13,691)	(462)
Gains (losses) on sales of closed branch premises	—	(38)	75	141
Realized gains (losses) on sales of securities	(813)	—	(1,820)	—
Mortgage servicing rights fair value adjustment	23	351	(460)	2,446
Total adjustments	(790)	(149)	(15,896)	2,125
Tax effect of adjustments	226	(80)	4,382	(728)
Total adjustments after tax effect	(564)	(229)	(11,514)	1,397
Adjusted net income	$ 20,279	$ 15,856	$ 58,910	$ 41,919
Average assets	$ 4,964,832	$ 4,208,722	$ 4,902,783	$ 4,278,997
Return on average assets *	1.58 %	1.47 %	1.29 %	1.35 %
Adjusted return on average assets *	1.62	1.49	1.61	1.31

* Annualized measure.

(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.

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

(dollars in thousands, except per share amounts)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Numerator:				
Net income	$ 19,715	$ 15,627	$ 47,396	$ 43,316
Earnings allocated to participating securities [(1)]	(10)	(17)	(26)	(51)
Numerator for earnings per share - basic and diluted	$ 19,705	$ 15,610	$ 47,370	$ 43,265
Adjusted net income	$ 20,279	$ 15,856	$ 58,910	$ 41,919
Earnings allocated to participating securities [(1)]	(10)	(17)	(33)	(49)
Numerator for adjusted earnings per share - basic and diluted	$ 20,269	$ 15,839	$ 58,877	$ 41,870
Denominator:				
Weighted average common shares outstanding	31,829,250	28,787,662	31,598,650	28,887,757
Dilutive effect of outstanding restricted stock units	137,187	72,643	102,574	56,761
Weighted average common shares outstanding, including all dilutive potential shares	31,966,437	28,860,305	31,701,224	28,944,518
Earnings per share - Basic	$ 0.62	$ 0.54	$ 1.50	$ 1.50
Earnings per share - Diluted	$ 0.62	$ 0.54	$ 1.49	$ 1.49
Adjusted earnings per share - Basic	$ 0.64	$ 0.55	$ 1.86	$ 1.45
Adjusted earnings per share - Diluted	$ 0.63	$ 0.55	$ 1.86	$ 1.45

(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)

(dollars in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net interest income (tax-equivalent basis)				
Net interest income	$ 48,279	$ 37,390	$ 143,988	$ 103,691
Tax-equivalent adjustment (1)	675	674	2,092	1,801
Net interest income (tax-equivalent basis) (1)	$ 48,954	$ 38,064	$ 146,080	$ 105,492
Net interest margin (tax-equivalent basis)				
Net interest margin *	4.07 %	3.65 %	4.14 %	3.36 %
Tax-equivalent adjustment * (1)	0.06	0.07	0.06	0.05
Net interest margin (tax-equivalent basis) * (1)	4.13 %	3.72 %	4.20 %	3.41 %
Average interest-earning assets	$ 4,708,331	$ 4,059,978	$ 4,649,993	$ 4,131,221

* Annualized measure.
(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)

(dollars in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Efficiency ratio (tax-equivalent basis)				
Total noninterest expense	$ 30,671	$ 23,998	$ 100,577	$ 71,997
Less: amortization of intangible assets	720	243	1,950	733
Adjusted noninterest expense	$ 29,951	$ 23,755	$ 98,627	$ 71,264
Net interest income	$ 48,279	$ 37,390	$ 143,988	$ 103,691
Total noninterest income	9,490	8,234	26,841	26,828
Operating revenue	57,769	45,624	170,829	130,519
Tax-equivalent adjustment (1)	675	674	2,092	1,801
Operating revenue (tax-equivalent basis) (1)	$ 58,444	$ 46,298	$ 172,921	$ 132,320
Efficiency ratio	51.85 %	52.07 %	57.73 %	54.60 %
Efficiency ratio (tax-equivalent basis) (1)	51.25	51.31	57.04	53.86

(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)	September 30, 2023	December 31, 2022
Tangible Common Equity		
Total stockholders' equity	$ 456,251	$ 373,632
Less: Goodwill	59,820	29,322
Less: Intangible assets, net	21,402	1,070
Tangible common equity	$ 375,029	$ 343,240
Tangible Assets		
Total assets	$ 4,991,768	$ 4,286,734
Less: Goodwill	59,820	29,322
Less: Intangible assets, net	21,402	1,070
Tangible assets	$ 4,910,546	$ 4,256,342
Total stockholders' equity to total assets	9.14 %	8.72 %
Tangible common equity to tangible assets	7.64	8.06
Shares of common stock outstanding	31,774,140	28,752,626
Book value per share	$ 14.36	$ 12.99
Tangible book value per share	11.80	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)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Average Tangible Common Equity				
Total stockholders' equity	$ 459,601	$ 380,983	$ 445,576	$ 388,509
Less: Goodwill	59,875	29,322	56,406	29,322
Less: Intangible assets, net	21,793	1,356	20,005	1,597
Average tangible common equity	$ 377,933	$ 350,305	$ 369,165	$ 357,590
Net income	$ 19,715	$ 15,627	$ 47,396	$ 43,316
Adjusted net income	20,279	15,856	58,910	41,919
Return on average stockholders' equity *	17.02 %	16.27 %	14.22 %	14.91 %
Return on average tangible common equity *	20.70	17.70	17.17	16.20
Adjusted return on average stockholders' equity *	17.51 %	16.51 %	17.68 %	14.43 %
Adjusted return on average tangible common equity *	21.29	17.96	21.34	15.67

* Annualized measure.

Reconciliation of Non-GAAP Financial Measure - Core Deposits

(dollars in thousands)	September 30, 2023	December 31, 2022
Core Deposits		
Total deposits	$ 4,198,068	$ 3,587,024
Less: time deposits of $250,000 or more	115,940	27,158
Less: brokered deposits	114,973	—
Core deposits	$ 3,967,155	$ 3,559,866
Core deposits to total deposits	94.50 %	99.24 %

ITEM 3. 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
September 30, 2023			
+400	7.5 %	6.5 %	10.4 %
+300	7.1	4.6	7.7
+200	6.2	2.6	5.1
+100	4.0	0.7	2.3
-100	(5.5)	(4.7)	(6.1)
-200	(12.9)	(7.8)	(11.2)
-300	(9.7)	(10.7)	(16.6)
-400	2.4	(12.5)	(19.9)
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 4. 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 September 30, 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.

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 September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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, financial condition, 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 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 8, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

On December 20, 2022, the Company’s board of directors approved a stock repurchase program that authorizes the Company to repurchase up to $15.0 million of its common stock. The stock repurchase program will be in effect until January 1, 2024 with the timing of purchases and number of shares repurchased 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 may 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 third 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)
July 1 - 31, 2023	19,632	$ 18.59	19,632	$ 8,906
August 1 - 31, 2023	34,996	18.81	34,996	8,248
September 1 - 30, 2023	37,100	18.12	37,100	7,576
Total	91,728	$ 18.48	91,728	$ 7,576

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

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ITEM 5. OTHER INFORMATION

During the fiscal quarter ended September 30, 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 Rule10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
32.1 *	Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350.
32.2 *	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350.
101.INS	iXBRL Instance Document.
101.SCH	iXBRL Taxonomy Extension Schema Document.
101.CAL	iXBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	iXBRL Taxonomy Extension Label Linkbase Document.
101.PRE	iXBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	iXBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibits 101).

* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent the Company specifically incorporates it by reference.

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.
November 3, 2023	By: /s/ Peter R. Chapman
	Peter R. Chapman
	Chief Financial Officer
	(on behalf of the registrant and as principal financial officer)

EXHIBIT 31.1

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 quarterly report on Form 10-Q 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: November 3, 2023

/s/ J. Lance Carter
J. Lance Carter
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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 quarterly report on Form 10-Q 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: November 3, 2023

/s/ Peter R. Chapman
Peter R. Chapman
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

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 Quarterly Report of HBT Financial, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 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)
November 3, 2023

EXHIBIT 32.2

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 Quarterly Report of HBT Financial, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 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)
November 3, 2023