Community Bank Case Study Competition Report

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Executive Summary

Heartland Bank and Trust Company (HBT), headquartered in Bloomington, Illinois, is a $5 billion community bank and a subsidiary of HBT Financial, Inc., a publicly traded entity since 2019. It maintains a family-led legacy of relationship-driven banking dating back to the early 20th century.

HBT has consistently outperformed peer institutions in key financial metrics. Its 2024 Return on Equity (13.3%) and efficiency ratio (50.1%) both exceeded peer averages, signaling disciplined expense management and strong profitability. The bank's net interest margin benefited from a stable base of low-cost core deposits, reflecting its conservative funding strategy. While HBT's interest income was modest due to its low-risk loan portfolio, low funding costs and high operational efficiency led to above-average earnings. This approach has yielded consistently low nonperforming loan ratios and strong loan loss reserves. Asset growth since 2019 has been largely acquisition-driven, allowing HBT to double in size while preserving asset quality and capital strength. As of 2024, the bank’s equity-to-assets ratio stood at a robust 12.3%.

HBT’s asset-liability management is overseen by an internal committee that monitors interest rate exposure and evaluates stress scenarios. The bank’s asset sensitivity—combined with its reliance on core deposits—positions it to benefit from rising interest rates. Although HBT held unrealized losses on its securities portfolio due to rate increases, its capital ratios remain well above regulatory requirements.

Unlike banks shifting toward digital-only models, HBT continues to prioritize its branch network as a core component of customer engagement. It leads its home county of McLean, IL in deposit market share and uses deposits raised in Central Illinois to support lending in its other markets like Chicago MSA and Eastern Iowa. The bank uses targeted branch closures, technology integration, and remodeling to improve efficiency while maintaining a strong community presence. Demographic diversity across locations informs service strategies, with rural branches catering to older clientele and suburban locations reaching younger populations.

HBT leverages third-party partnerships to implement scalable, secure technology solutions. Its core provider, Jack Henry, supports operations bank-wide. The bank balances innovation with regulatory and security concerns—adopting tools like generative AI internally while avoiding customer-facing AI applications. It emphasizes staff development in areas like automation and scripting to enhance efficiency and reduce manual tasks.

HBT maintains a proactive, collaborative compliance approach, supported by a dedicated in-house team and active participation in industry associations. Regulatory challenges—particularly fair lending and consumer protection rules—affect strategic decisions. The bank recognizes the distinct role of community banks and avoids a one-size-fits-all model that mirrors standards for the largest institutions.

Introduction

Heartland Bank and Trust Company (HBT) is a large community bank ($5 billion in assets) headquartered in Bloomington, IL, with 66 full-service branches in Central Illinois, Chicago MSA, and Eastern Iowa. It is a sole subsidiary of HBT Financial, Inc., a financial holding company whose stock has been publicly traded under the ticker HBT since 2019.

HBT originates with the Drake family, who settled in Central Illinois in 1852 and entered the banking industry in 1920. The bank continues to uphold a tradition of local service and leadership. Efficiency and responsiveness are central to Heartland Bank's operations. Policies are set by local leadership to reflect the specific needs of the communities the bank serves. The institution focuses on getting to know its customers and understanding their financial goals, living out the philosophy: *Small enough to know you, big enough to serve you*.

The bank is proud of its financial strength, the comprehensive services it provides, and the professionals who deliver those services. When compared with other institutions, Heartland stands out for its stability (having thrived even during the Great Recession) and commitment to the community.

I. Financial Analysis

We compare Heartland Bank and Trust's performance to that of the peer group of 294 U.S. commercial banks with total assets between $2.5 billion and $10 billion as of Q4:2024. This is roughly one-half and twice the size of HBT. The analyses in this section and Section II are based on the FDIC Uniform Bank Performance Report (FDIC, 2025a), insights from Mark Scheirer, HBT's Executive VP and Chief Credit Officer (Scheirer, 2025), and the company's annual and quarterly reports (Heartland Bank and Trust, 2025a and 2025b).

Earnings Performance

Heartland Bank and Trust (HBT) has demonstrated strong and stable earnings over the past six years. In 2024, the bank reported a Return on Equity (ROE) of 13.3%, outperforming the peer group average of 11.1%. While this reflects a slight decline from its 2023 ROE of 14.1%, HBT continues to maintain superior profitability relative to comparable institutions, despite its lower leverage. *Figure 1* demonstrates that the bank has outperformed its peers in terms of both ROA and ROE. We use six years (2019-2024) rather than five to start with the last pre-Covid year. With the exception of ROE and efficiency ratio, all figures are in percent of assets.

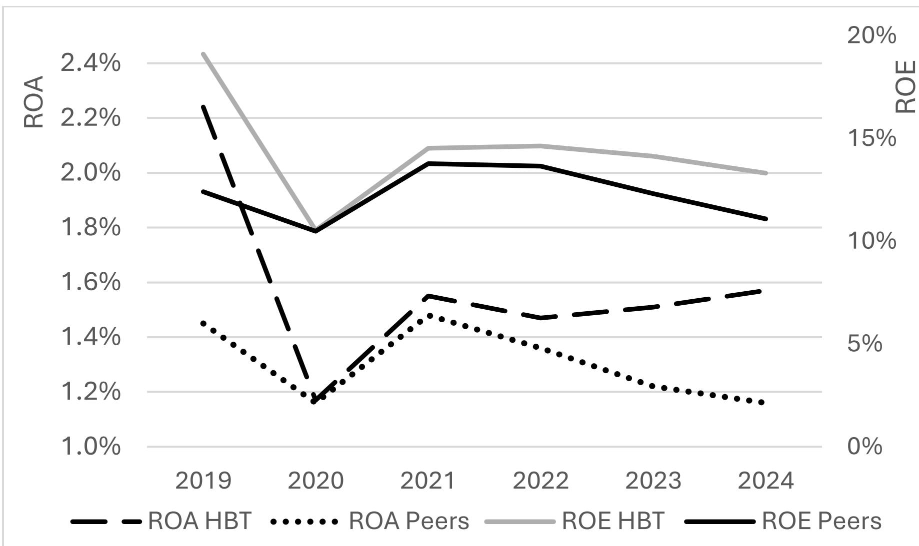

Figure 1 ROA and ROE

Low interest expense, strong asset quality, and superior operational efficiency are the bank's core strengths. HBT's efficiency ratio has been consistently lower than peers' (e.g., 50.1% vs. 58.9% in 2024). Thus, HBT generates more income per dollar spent, underscoring its disciplined cost structure. Even with a relatively large branch network for its size, HBT's non-interest expense is 2.39% of assets, below the 2.60% for the peers in 2024. *Figure 2* plots the efficiency ratio and the noninterest expense for the bank and the peers. The relatively low cost of living in Central Illinois, where most of HBT's employees are, helps control the salary expense.

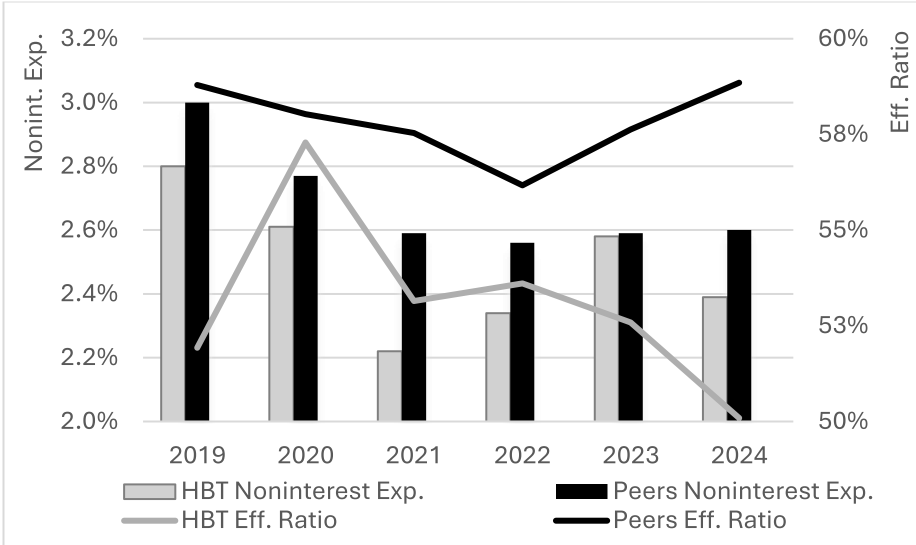

Figure 2 Noninterest Expense and Efficiency Ratio

Figure 3 shows that assets per employee are consistently lower for HBT than for the peer group, and so is its noninterest income.

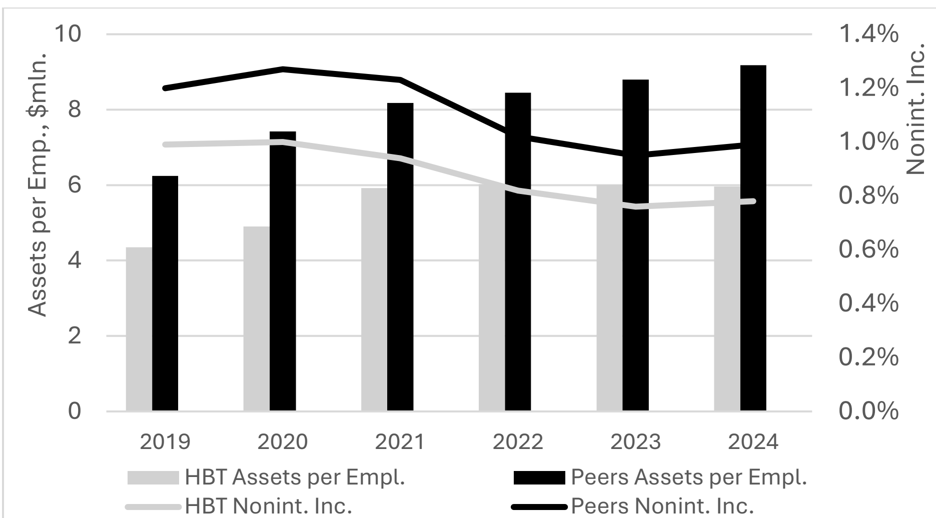

Figure 3 Assets per Employee and Noninterest Income

HBT has a large trust department and services a large portfolio of residential mortgages, which requires staffing and brings in fee income but is not reflected in asset totals. The bank's *net* noninterest income in the 2019-2024 period (not plotted) has been similar to that of peers, lower in some years and higher in others, with the largest difference of only 18 basis points. We therefore conclude that HBT's investment in physical infrastructure has not compromised cost efficiency.

Loan Portfolio Composition

HBT follows a conservative, relationship-driven lending strategy. The bank allocates a larger share of its portfolio to farm and real estate loans, while maintaining limited exposure to consumer lending and commercial & industrial (C&I) loans. HBT has higher CRE, construction & development, and multifamily loans and lower residential RE loans, which it mostly originates to sell. The FDIC classifies HBT as a commercial lender.

HBT emphasizes credit quality over aggressive growth, the strategy that has successfully kept loan delinquency rates low and preserved capital during periods of economic volatility. A key factor behind this stability is high-recourse lending, which keeps non-residential RE borrowers more accountable and helps limit credit losses. The downside of this strategy is lower interest income from loans, which HBT consciously accepts. Low cost of deposits results in higher net interest margins for HBT than peer banks, which we discuss in Section II.

Figure 4 shows that from 2020 to 2024, Heartland Bank's nonperforming loans to assets (NPL/TA) remained consistently lower than those of its peer group. At the same time, its allowance for loan losses to nonperforming loans (ALL/NPL) was higher. Thus, HBT has had fewer problematic loans and set aside more funds to cover potential losses. The combination of lower NPL/TA and higher ALL/NPL reflects stronger asset quality and a more cautious approach to loan risk.

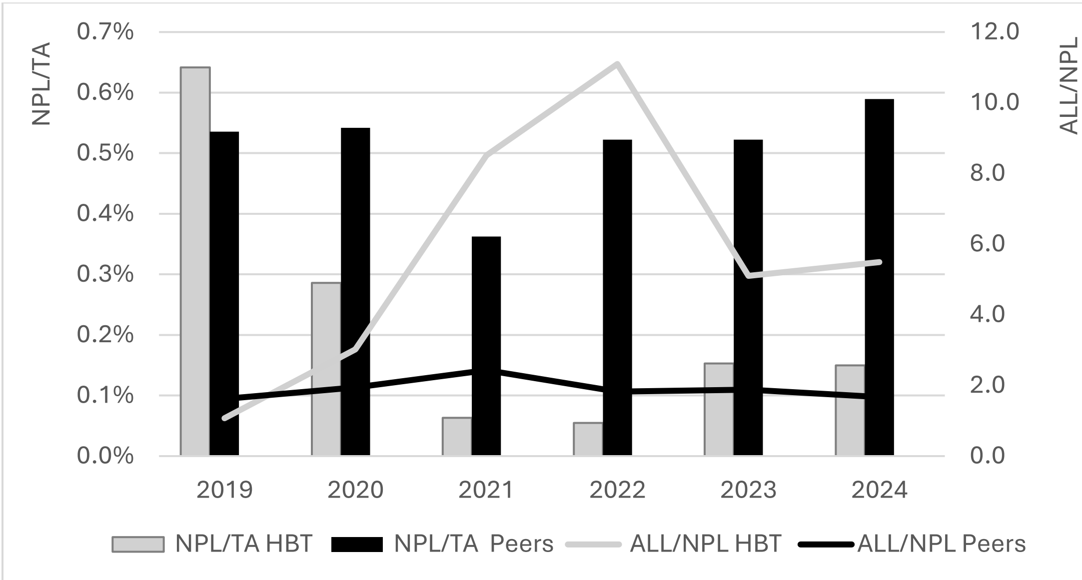

Figure 4 NPL to Assets and ALL to NPL Ratios

Asset Growth

Heartland Bank has increased its assets over the past five years, growing from $2.8 billion in 2019 to over $5 billion in 2024, roughly similar to an average peer bank (see *Figure 5*). This growth seems high, but much of it was achieved through acquisitions rather than aggressive lending. During this period, HBT acquired NXT Bank and Town & Country Bank, with over $1 billion assets combined. HBT's consistent asset growth, alongside its strong capital and earnings, highlights the bank's ability to expand while maintaining a stable and well-managed balance sheet.

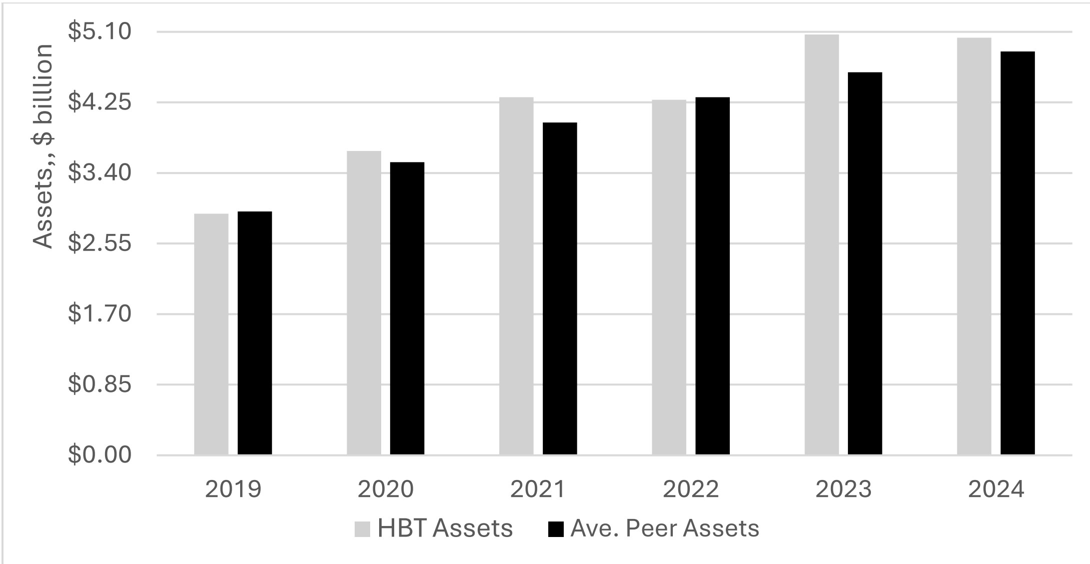

Figure 5 Assets Growth

Capital

HBT entered 2024 with a strong equity-to-assets ratio of 12.31%, up from 11.12% in 2023 and notably higher than the peer group average of 10.54%. This level of capitalization reflects the bank's conservative risk management and ability to reinvest earnings. The strength of HBT's capital position supports its ability to expand lending, absorb economic shocks, and maintain regulatory compliance, all without the need to raise additional external capital. This positions the bank well for sustainable long-term growth.

Liquidity and Funding

HBT's liquidity position reflects strategic balance sheet management. In 2024, cash assets were at 2.7%, a continuation of its efficient capital deployment strategy. Although this is lower than the peer group average of 6.6%, HBT offsets this by maintaining a large portfolio of liquid securities and a stable and diversified core deposit base. For emerging liquidity needs, it maintains a line of credit with FHLB. However, the bank continues to rely heavily on core deposits, with limited dependence on external borrowing. This funding model allowed HBT to keep its cost of funds lower. *Table 1* highlights major differences in the balance sheet composition of the bank vs. peers.

In sum, Heartland Bank and Trust remains well-positioned in terms of profitability, efficiency, credit quality, capital strength, and funding stability. Its consistent outperformance relative to peers—especially in ROA, efficiency, and interest expense—reflects a sound and disciplined operating strategy. With strong capital levels and a carefully managed loan portfolio, HBT is well-equipped to navigate future market shifts while maintaining shareholder value.

Table 1 HBT and Peer Balance Sheet Comparison, Q4:2024

Balance Sheet Category	**HBT**	**Peers**	**Diff.**
Cash & Due	2.7%	6.6%	-3.9%
Securities	23.9%	17.0%	6.9%
C&I Loans	8.6%	12.4%	-3.8%
Farm Loans	2.3%	0.9%	1.4%
Farmland Loans	3.5%	1.4%	2.1%
Residential RE Loans	9.3%	14.6%	-5.3%
Multifamily RE Loans	8.6%	5.8%	2.8%
Commercial RE Loans	24.3%	23.3%	1.0%
Const. & Devlpmt. Loans	7.5%	5.6%	1.9%
Consumer Loans	0.2%	4.4%	-4.2%
Core Deposits	82.3%	70.6%	11.7%
Noncore Deposits	3.9%	12.6%	-8.7%
Nondeposit Liabilities	1.5%	6.3%	-4.7%
Equity	12.3%	10.6%	1.8%

II. Interest Rate Environment and Inflation

Asset-liability Management

Asset-Liability Management (ALM) at HBT is overseen by the Asset-Liability Committee (ALCO), which manages interest rate risk and guides the bank's long-term financial positioning. While ALCO sets a broad policy on a quarterly basis, HBT's finance team actively manages rate exposure on a day-to-day basis. HBT is asset-sensitive, meaning that rising interest rates improve its net interest income, at least in the short term. Although individual loan decisions may not significantly shift the bank's overall interest rate profile, each is evaluated with attention toward rate structure and long-term positioning. Loan pricing decisions involve weighing the benefits of fixed versus floating interest rates, considering current trends and anticipated movements. These choices are guided by the bank's overall interest rate strategy. As market conditions change, the finance team continuously reassess rate expectations to ensure ongoing alignment with the bank's preferred interest rate risk posture.

HBT analyzes the maturity and repricing schedules of its loans, securities, and funding sources. Mismatches in the timing of cash flows—such as long-term loans funded by short-term deposits—create exposure to rising or falling interest rates. Not all funding sources are equally rate-sensitive, with core deposits being more stable than other liabilities. HBT stress tests various interest rate scenarios to evaluate its performance under a range of market conditions. While specific modeling thresholds have not been disclosed, these scenarios likely include both gradual and sudden shifts in interest rates, helping the bank measure how changes might affect its earnings and capital. In doing so, the bank can assess both short-term income effects and longer-term risks to balance sheet value. This ensures that interest rate exposure is managed proactively.

Interest Rate Environment and HBT Performance

A key factor in HBT's interest rate risk posture is its deposit base, which consists primarily of core, low-interest accounts. Over 80% of HBT's deposits are insured (Scheirer, 2025). These stable funding sources reduce the bank's sensitivity to rising rates and allow it to maintain a low cost of funds as market rates increase. As a result, HBT does not need to engage in aggressive rate offerings to attract deposits, which supports both margin stability and conservative growth. This approach reflects HBT's strategic emphasis on safety and consistency rather than rapid expansion, allowing it to avoid the volatility that often comes with chasing rate-sensitive funding. That same mindset is evident in the bank's physical footprint, where its large branch network supports deposit stability through accessibility and customer retention.

Despite lower interest income than its peers, Heartland Bank maintains a consistently superior net interest margin (NIM). NIM is the difference between interest income and interest expense as a percentage of earning assets, is a key measure of how HBT performs under different interest rate environments. While HBT had a somewhat lower NII in 2021, that position has reversed as interest rates went up, with HBT's margin exceeding the peers' by 0.5 percentage points in 2024 (see *Figure 6*). The recent inflationary environment and corresponding rise in interest helped HBT widen its NIM relative to peers. The bank's NII advantage in a rising rate environment is rooted in its low-cost funding strategy, which relies on stable core deposits and avoids heavy dependence on wholesale borrowing. Core deposits are less sensitive to changes in market interest rates. What helps attract core deposits is the bank's large network of branches, especially in Central Illinois. It helps attain the leading deposit market share in McLean County, IL and achieve a low overall cost of funds. The bank deploys some of the low-cost deposits raised in Central Illinois to make loans in other areas it serves, such as the Chicago MSA and Eastern Iowa. We discuss branching in Section III.

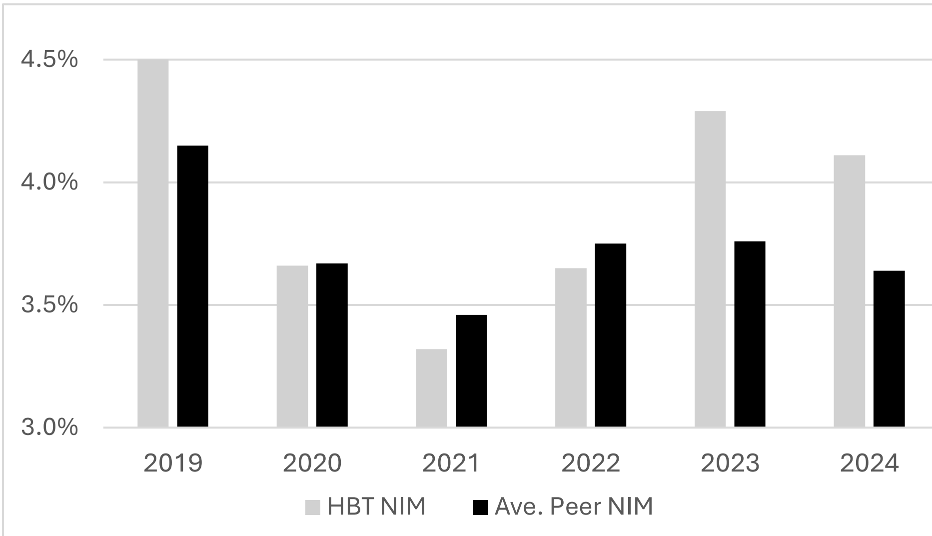

Figure 6 Net Interest Margin

Measures of Interest Rate Risk

Heartland's ratio of floating-to-fixed-rate loans varied little during the 2020-2025 period, remaining in the 0.29-0.35 range. It is likely determined by the composition of the loan portfolio and borrower preferences. Long-term assets (those maturing or repricing in over five years) have been slightly lower for the bank than the peers (*Figure 7*, left scale). While they increased in 2021, when interest rates were very low, it did not seem to hurt the bank's NII much. HBT cut long-term assets more aggressively than the peers after interest rates went up in 2023 and 2024.

Like most peer banks', HBT's duration of securities increased during Covid, likely in pursuit of higher yields in a historically low-rate environment (and also due to duration mechanically increasing when yields fall, all else equal). *Figure 7* plots the effective duration of HBT's securities in 2020-2025 (right scale). Although this exposure has gradually declined since its peak, as of March 2025, HBT had unrealized losses of $93 million across both AFS and HTM securities, or about 1.8% of assets. With the equity-to-assets of 12.3% and CET1 of 13.2%, the bank would still be well capitalized even if all these losses were realized.

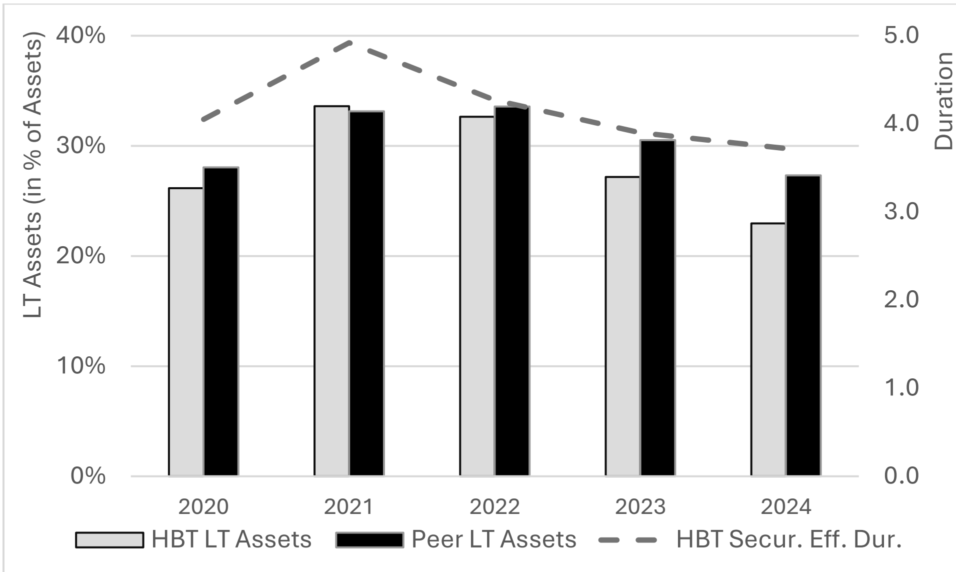

Figure 7 LT Assets and Securities Portfolio Duration (HBT only)

III. Branch Strategy

The analyses in this section draw on insights from Diane Lanier, HBT's Chief Retail Officer (Lanier, 2025), as well as the company's March 2025 quarterly report (Heartland Bank and Trust, 2025b).

Strategic Role of Branches

Heartland Bank and Trust has 66 full-service locations and two drive-up facilities in Central Illinois, Chicago MSA, and Eastern Iowa. It maintains a strong presence in both urban and rural markets. The bank's strategy has emphasized regional expansion, especially through acquisitions, rather than organic branch openings. This approach has been vital in ensuring both growth and stability in increasingly competitive markets. HBT has more branches than a typical peer of its size, reflected in HBT's lower assets-per-employee ratio.

Branches play an integral role in Heartland Bank's strategic plan. The bank views branches as central to its relationship-based business model. Unlike competitors who may focus heavily on digital banking or ATMs, Heartland emphasizes the importance of face-to-face relationships with customers. This strategy has been particularly effective in maintaining customer loyalty, especially in rural and suburban markets. As a result, HBT enjoys a much lower cost of deposits than its peers, as discussed in Section II. HBT raises more deposits than it makes loans in its Central Illinois locations. It has the leading deposit market share of 20.15% in McLean County, where it is headquartered (FDIC Summary of Deposits Database, June 2024). The $894 million in deposits across HBT's nine McLean County branches represented 20.6% of the bank's deposits. As shown in *Figure 8*, taken from HBT's Q1:2025 8-K report (HBT, 2025b), the bank makes more loans than it takes deposits in the Chicago MSA, where the deposit market is more competitive but the demand for loans is higher than in Central Illinois. In the four Iowa branches, HBT attracts only 3% of its deposits but makes 10% of its loans. Thus, the bank deploys some of its cheaper Central Illinois' deposits in other markets.

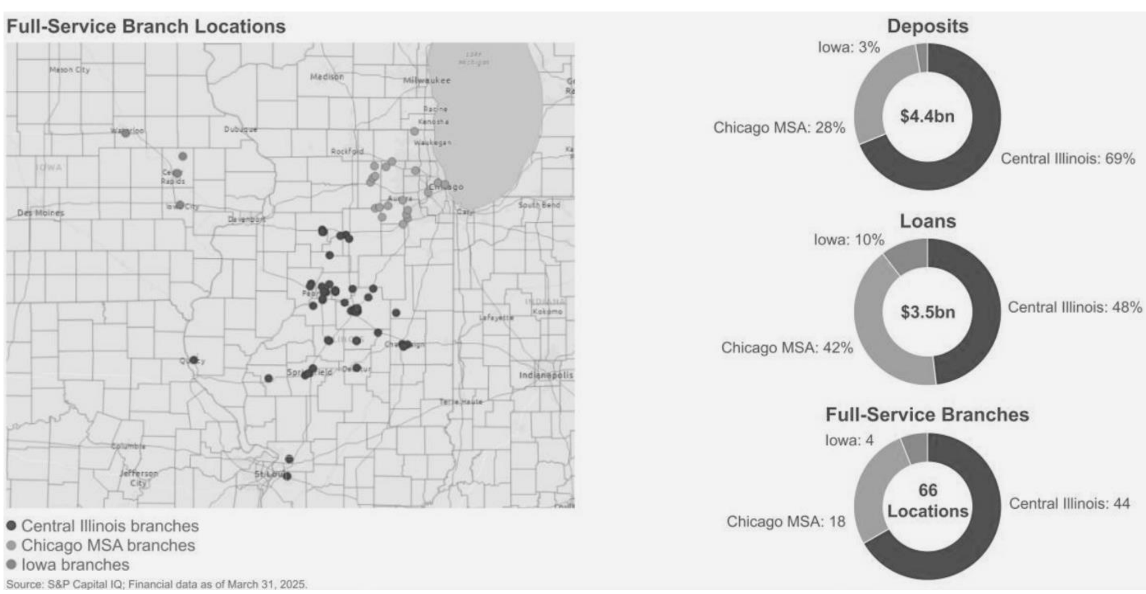

Figure 8 Geographical Distribution of HBT branches, Deposits, and Loans

Branch Openings and Closures

Over the last few years, the number of Heartland Bank's branches has changed primarily due to acquisitions. In 2021, the bank closed several underperforming branches, including locations in Lincoln, Illinois, and other branches in rural communities. These closures were driven by low transaction volumes and profitability concerns. Rather than open new branches, the bank has opted for acquisitions, targeting underperforming banks. These acquisitions allow Heartland to expand its reach while avoiding the costs associated with constructing new facilities from the ground up. HBT has absorbed ten community banks through acquisition since 2010. It views the Chicago MSA as a potential source of new acquisitions.

Increasing Branch Efficiency

Heartland Bank employs several strategies to increase branch efficiency. One approach involves consolidating two underperforming branches into a single remodeled location. It reduces operational costs and ensures that the bank meets the needs of the local community effectively. Additionally, Heartland Bank utilizes technology to improve branch efficiency. Tellers benefit from TCR (Teller Cash Recyclers), which streamlines cash handling, allowing fewer tellers to manage larger volumes of transactions more quickly. This system improves both service speed and employee satisfaction. The bank is considering (at this point, in internal discussions) using greeters equipped with iPads to help direct customers efficiently.

Demographics of Branch Customers

The customer demographics at Heartland Bank vary significantly across its branches. In more established locations, particularly in rural areas, the customer base tends to be older. In contrast, branches in suburban Chicago attract younger customers, reflecting the changing demographics of those regions. The bank also adheres to the Community Reinvestment Act, focusing on providing banking services to low- and moderate-income areas. This ensures that even in communities where branches may be less profitable, Heartland remains committed to serving those in need.

Shift in Branch Needs

Heartland Bank acknowledges that the demand for traditional branches is gradually declining, especially for teller-based transactions. However, the bank believes that branches will continue to be a vital component of its customer service strategy. Despite a decrease in branch activity of about 3-5% annually, many customers still prefer to conduct account openings and certain transactions in-person, particularly in smaller communities. As more customers adopt digital banking, Heartland plans to continue evolving its branch operations to meet these changing needs while maintaining strong relationships with its customer base.

Interactive Teller Machines (ITMs)

Heartland Bank has considered the implementation of interactive teller machines (ITMs) but has not yet made them a priority. While the bank acknowledges the potential efficiency gains of ITMs, particularly in terms of providing remote assistance to customers, management has expressed concerns about the need for staff to be adequately trained and the potential for increased costs associated with staffing these machines. As a result, while ITMs are a possibility for future expansions, they are not seen as an immediate need.

IV. Technology

The analyses in this section draw on insights from Bob Beverage, HBT's Chief Information Officer (Beverage, 2025). We examine how a large community bank integrates technology into its strategic framework, leveraging partnerships, risk management practices, and disruptive innovations such as generative AI.

Technology Partnerships and Selection

The bank recognizes that in-house development of all technological needs is not feasible. Therefore, it collaborates with key technology providers. Jack Henry serves as its core service provider and Alkami as a secondary partner. CDW also plays a significant role in the IT infrastructure. Technology partnerships are often identified through industry organizations such as the Community Bankers Association of Illinois (CBAI), American Bankers Association (ABA), and the Financial Services Information Sharing and Analysis Center (FS-ISAC). Additionally, referrals from other banks and banking consultants, like Cornerstone Advisors (also known as Gonzo Banker), help vet potential vendors.

The selection of Jack Henry dates to 2003, when HBT had outgrown its previous provider, CSI (Computer Services Incorporated). At that time, a consortium of banks owned by the Drake family, including Heartland, chose Jack Henry as a scalable solution that could support data processing across multiple institutions. This group purchasing arrangement helped establish Heartland Data Services, which managed data processing for affiliated banks until its dissolution in 2020 due to acquisitions consolidating operations under the bank.

Third-Party Risk Management

The bank employs a structured approach to evaluating technology partners. Due diligence begins with a risk assessment, where vendors handling sensitive data, like Jack Henry, are classified as high risk and subjected to rigorous oversight. The evaluation process includes reviewing SOC (Service Organization Control) reports, financial stability, and reference checks with peer institutions. Contracts are monitored through a dedicated system to ensure timely renewals and ongoing compliance with regulatory standards.

Benefits and Risks of Technology Partnerships

The primary advantage of leveraging external technology providers is access to expertise and resources that the bank cannot develop in-house. Large institutions, such as JPMorgan Chase, have R&D budgets that exceed the total assets of many community banks, making partnerships essential for innovation. The bank does employ in-house developers and cybersecurity professionals but acknowledges its limitations in covering all technological aspects independently.

Despite these benefits, outsourcing technology presents risks. Dependency on third-party vendors can lead to service disruptions, security vulnerabilities, and compliance challenges. To mitigate these risks, the bank maintains a diversified vendor base and conducts periodic reassessments of its partners.

Use of Generative AI

The bank has cautiously adopted generative AI, allowing limited internal usage while avoiding customer-facing implementations. Employees have access to AI models through Ollama and OpenWebUI for tasks such as editing and marketing but are restricted from entering sensitive data into public AI platforms like ChatGPT.

One major concern is accountability—if an employee relies on AI for decision-making and an error occurs, responsibility must remain clear. The bank views AI as a tool to enhance productivity rather than replace human judgment. It does not permit AI-driven credit analysis, as leadership believes entry-level analysts gain critical skills from manual evaluations that support long-term career progression. However, AI-assisted analysis for internal use is encouraged.

Emerging Technologies in Banking

The bank adopts a pragmatic approach to emerging technologies, favoring proven solutions over speculative innovations. While technologies like blockchain were once hailed as transformative, their practical applications in traditional banking remain limited. The bank focuses on technology that enhances core functions, such as deposit growth and loan management, rather than speculative ventures.

One significant challenge in technology adoption is ensuring consistency across departments. For example, Silverlake, a widely used banking platform, functions differently across teams due to variations in training and implementation. To enhance technological proficiency, the bank provides employees with opportunities to learn programming languages such as Python and PowerShell, which streamline data analysis and automation.

Security and Compliance Considerations

Security remains a top priority, particularly concerning ATM fraud prevention. Enhanced security measures include implementing TPM (Trusted Platform Module) encryption for devices, replacing universal ATM keys with unique access controls, and daily employee-led inspections to detect fraudulent modifications, such as unauthorized QR codes or RFID skimmers.

Regulatory scrutiny also affects the pace of technology adoption. Non-bank financial services providers, like Square, can introduce innovations faster since they are not subject to bank regulations. The bank must navigate compliance requirements while responding to evolving customer expectations.

In sum, technology plays a crucial role in the bank's strategy, enabling operational efficiencies and improved customer service. By maintaining strong partnerships, implementing robust risk management frameworks, and cautiously integrating new technologies like generative AI, the bank ensures sustainable innovation. Its approach reflects a balance between adopting technological advancements and preserving the foundational relationship-based banking model that distinguishes community banks from larger competitors.

V. Regulatory Burden

The analyses in this section draw on public information and the insights from Andrea Zurkamer, HBT's Chief Risk Officer (Zurkamer, 2025).

Recent Regulatory Changes

The 2023 regional bank crisis that featured failures of SVB and Signature Bank led regulators to consider more stringent capital and liquidity requirements for, and enhanced supervision of, banks with $100+ billion in assets. Regulators also generally discouraged banks from engaging with cryptocurrency clients, although no official guidance was provided. Another major regulatory action involved the proposed implementation of the Supplemental Final Rule to adjust the CRA, which could be particularly relevant for community banks such as HBT. Another development that could greatly affect community banks was the Section 1071 Small Business lending Data Collection Rule that would have required banks to report detailed data on business loan applications.

However, the Trump administration's general stance is towards deregulation. The aforementioned regulations were repealed or indefinitely postponed after the change in governmental administration. In March 2025, the FDIC issued a guidance letter that outlined a friendlier stance towards cryptocurrency clients and confirmed certain cryptocurrency endeavors financial institutions are allowed to partake in without receiving prior FDIC approval (FDIC, 2025b). While HBT does not engage in cryptocurrency-related activities, regulatory changes in this area may have downstream effects on broader financial stability.

Heartland's Approach to Regulation

Heartland Bank places a strong emphasis on regulatory compliance and has developed a structured approach to managing it. The bank maintains a dedicated compliance team of five people, led by the bank's Compliance Officer, and with executive oversight from the Chief Risk Officer, Andrea Zurkamer. This team collaborates closely with the bank's various departments to ensure regulatory expectations are met, with specific attention given to departments more prone to regulatory scrutiny, such as loan servicing. Additionally, Heartland has an in-house counsel who handles legal matters and supports compliance in areas where legal and regulatory requirements intersect. When a member of the compliance team identifies a potential regulatory shift, it is promptly communicated to the rest of the compliance team, business line leadership, and the executive team. This internal communication ensures that all areas of the bank's operations are considered when adapting to new or changing regulations.

The bank tracks regulatory changes closely. Many members of Heartland's compliance and executive teams participate in industry organizations such as the Illinois Bankers Association (IBA) and the American Bankers Association (ABA). These organizations keep the institution informed about upcoming changes and provide a platform for voicing concerns.

Heartland strives to adopt a relationship-based approach when working with its regulators. Ahead of regulatory examinations, the bank focuses on building trust and open communication with examiners. This approach is guided by the belief that personalized engagement leads to fairer oversight. Among the most burdensome areas of regulation for Heartland are consumer protection, fair lending, and fair banking laws. These regulations, initially targeting money-center banks, are applied uniformly to community banks, despite substantial differences in size, risk, and target clienteles.

While banks are allowed to take a risk-based approach when developing a fair lending program, determining how to do so most effectively can be challenging for community banks. Heartland primarily serves rural communities, but the bank's recent expansion into more urban areas such as greater Chicago and eastern St. Louis, exposes the bank to additional fair lending risk. As such, fair lending regulations influence Heartland's strategic planning, particularly in regard to market expansion.

Heartland's Regulatory Perspective

Heartland Bank believes that policymakers should consider the unique position and strong community focus of local banks when crafting regulatory policy. The bank advocates for a nuanced regulatory framework that differentiates more evidently between money-center and super-regional institutions and community banks. Heartland also supports the perspective that regulators should recognize qualitative measures of community bank strength, such as customer service, local reputation, and a proven track record of compliance. The bank believes that community institutions with little to no history of consumer protection violations and strong reputations should not be held to the same strict regulatory standards as large banks with different corporate cultures.

Conclusion

Heartland Bank and Trust exemplifies the strengths of community banking through stable performance, efficient operations, and customer-centric values. With strong capital, a disciplined lending approach, and a forward-looking yet cautious stance on technology and growth, HBT is well-positioned to navigate evolving financial landscapes while preserving its core mission of serving local communities.

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