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

FORM 10-Q

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from ______ to

Commission file number: 001-39085

HBT Financial, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**37-1117216**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
401 North Hershey Rd Bloomington, Illinois 61704	**(309) 662-4444**
(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 ☒ No ☐

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☒		

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

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

As of July 24, 2024, there were 31,559,366 shares outstanding of the registrant's common stock, $0.01 par value.

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HBT Financial, Inc.

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

- the strength of the local, state, national, and international economies (including effects of inflationary pressures and supply chain constraints);
- the economic impact of any future terrorist threats and attacks, widespread disease or pandemics, acts of war or other threats thereof (including the Israeli-Palestinian conflict and the Russian invasion of Ukraine), or other adverse external events that could cause economic deterioration or instability in credit markets, and the response of the local, state and national governments to any such adverse external events;
- changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies, the Financial Accounting Standards Board or the Public Company Accounting Oversight Board;
- changes in state and federal laws, regulations and governmental policies concerning the Company’s general business and any changes in response to the failures of other banks or as a result of the upcoming 2024 presidential election;
- changes in interest rates and prepayment rates of the Company’s assets (including the effects of sustained, elevated interest rates);
- 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 (including commercial real estate loans), large loans to certain borrowers, and large deposits from certain clients above current FDIC limits who 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 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;
- 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;
- 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, 2023, filed with the Securities and Exchange ("SEC") Commission on March 6, 2024.

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) June 30, 2024	December 31, 2023
ASSETS		
Cash and due from banks	$ 22,604	$ 26,256
Interest-bearing deposits with banks	172,636	114,996
Cash and cash equivalents	195,240	141,252
Interest-bearing time deposits with banks	520	509
Debt securities available-for-sale, at fair value	669,055	759,461
Debt securities held-to-maturity (fair value of $453,753 at 2024 and $466,496 at 2023)	512,549	521,439
Equity securities with readily determinable fair value	3,228	3,360
Equity securities with no readily determinable fair value	2,613	2,505
Restricted stock, at cost	5,086	7,160
Loans held for sale	858	2,318
Loans, before allowance for credit losses	3,385,483	3,404,417
Allowance for credit losses	(40,806)	(40,048)
Loans, net of allowance for credit losses	3,344,677	3,364,369
Bank owned life insurance	24,235	23,905
Bank premises and equipment, net	65,711	65,150
Bank premises held for sale	317	—
Foreclosed assets	320	852
Goodwill	59,820	59,820
Intangible assets, net	19,262	20,682
Mortgage servicing rights, at fair value	18,984	19,001
Investments in unconsolidated subsidiaries	1,614	1,614
Accrued interest receivable	22,425	24,534
Other assets	59,685	55,239
Total assets	$ 5,006,199	$ 5,073,170
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest-bearing	$ 1,045,697	$ 1,072,407
Interest-bearing	3,272,996	3,329,030
Total deposits	4,318,693	4,401,437
Securities sold under agreements to repurchase	29,330	42,442
Federal Home Loan Bank advances	13,734	12,623
Subordinated notes	39,514	39,474
Junior subordinated debentures issued to capital trusts	52,819	52,789
Other liabilities	42,640	34,909
Total liabilities	4,496,730	4,583,674
COMMITMENTS AND CONTINGENCIES (Note 14)		
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 32,827,039 at 2024 and 32,730,698 at 2023; shares outstanding of 31,559,366 at 2024 and 31,695,828 at 2023	328	327
Surplus	296,430	295,877
Retained earnings	290,386	269,051
Accumulated other comprehensive income (loss)	(54,656)	(57,163)
Treasury stock at cost, 1,267,673 shares at 2024 and 1,034,870 at 2023	(23,019)	(18,596)
Total stockholders' equity	509,469	489,496
Total liabilities and stockholders' equity	$ 5,006,199	$ 5,073,170

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 June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
INTEREST AND DIVIDEND INCOME				
Loans, including fees:				
Taxable	$ 52,177	$ 47,149	$ 104,103	$ 89,308
Federally tax exempt	1,097	1,040	2,191	1,992
Securities:				
Taxable	6,386	6,518	12,636	13,134
Federally tax exempt	521	1,162	1,118	2,359
Interest-bearing deposits in bank	2,570	781	4,522	1,520
Other interest and dividend income	73	118	215	234
Total interest and dividend income	62,824	56,768	124,785	108,547
INTEREST EXPENSE				
Deposits	14,133	4,323	27,726	6,697
Securities sold under agreements to repurchase	129	34	281	72
Borrowings	121	2,189	246	3,486
Subordinated notes	469	469	939	939
Junior subordinated debentures issued to capital trusts	944	881	1,877	1,644
Total interest expense	15,796	7,896	31,069	12,838
Net interest income	47,028	48,872	93,716	95,709
PROVISION FOR CREDIT LOSSES	1,176	(230)	1,703	5,980
Net interest income after provision for credit losses	45,852	49,102	92,013	89,729
NONINTEREST INCOME				
Card income	2,885	2,905	5,501	5,563
Wealth management fees	2,623	2,279	5,170	4,617
Service charges on deposit accounts	1,902	1,919	3,771	3,790
Mortgage servicing	1,111	1,254	2,166	2,353
Mortgage servicing rights fair value adjustment	(97)	141	(17)	(483)
Gains on sale of mortgage loans	443	373	741	649
Realized gains (losses) on sales of securities	—	—	(3,382)	(1,007)
Unrealized gains (losses) on equity securities	(96)	7	(112)	(15)
Gains (losses) on foreclosed assets	(28)	(97)	59	(107)
Gains (losses) on other assets	—	109	(635)	109
Income on bank owned life insurance	166	147	330	262
Other noninterest income	701	877	1,644	1,620
Total noninterest income	9,610	9,914	15,236	17,351
NONINTEREST EXPENSE				
Salaries	16,364	16,660	33,021	36,071
Employee benefits	2,860	2,707	5,665	5,042
Occupancy of bank premises	2,243	2,785	4,825	4,887
Furniture and equipment	548	809	1,098	1,468
Data processing	2,606	2,883	5,531	7,206
Marketing and customer relations	996	1,359	1,992	2,195
Amortization of intangible assets	710	720	1,420	1,230
FDIC insurance	565	630	1,125	1,193
Loan collection and servicing	475	348	927	626
Foreclosed assets	10	97	59	158
Other noninterest expense	3,132	4,975	6,114	9,830
Total noninterest expense	30,509	33,973	61,777	69,906
INCOME BEFORE INCOME TAX EXPENSE	24,953	25,043	45,472	37,174
INCOME TAX EXPENSE	6,883	6,570	12,144	9,493
NET INCOME	$ 18,070	$ 18,473	$ 33,328	$ 27,681
EARNINGS PER SHARE - BASIC	$ 0.57	$ 0.58	$ 1.05	$ 0.88
EARNINGS PER SHARE - DILUTED	$ 0.57	$ 0.58	$ 1.05	$ 0.88
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING	31,579,457	31,980,133	31,621,205	31,481,439

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

(dollars in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
NET INCOME	$ 18,070	$ 18,473	$ 33,328	$ 27,681
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gains (losses) on debt securities available-for-sale	1,524	(12,638)	(731)	(1,195)
Reclassification adjustment for losses on sale of debt securities available-for-sale realized in income	—	200	3,382	1,807
Reclassification adjustment for amortization of net unrealized losses on debt securities transferred to held-to-maturity	488	475	989	965
Unrealized gains on derivative instruments	14	201	78	161
Reclassification adjustment for net settlements on derivative instruments	(118)	(109)	(250)	(203)
Total other comprehensive income (loss), before tax	1,908	(11,871)	3,468	1,535
Income tax expense (benefit)	516	(3,384)	961	438
Total other comprehensive income (loss)	1,392	(8,487)	2,507	1,097
TOTAL COMPREHENSIVE INCOME	$ 19,462	$ 9,986	$ 35,835	$ 28,778

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, March 31, 2024	31,612,888	$ 328	$ 296,054	$ 278,353	$ (56,048)	$ (22,006)	$ 496,681
Net income	—	—	—	18,070	—	—	18,070
Other comprehensive income	—	—	—	—	1,392	—	1,392
Stock-based compensation	—	—	376	—	—	—	376
Repurchase of common stock	(53,522)	—	—	—	—	(1,013)	(1,013)
Cash dividends and dividend equivalents ($0.19 per share)	—	—	—	(6,037)	—	—	(6,037)
Balance, June 30, 2024	31,559,366	$ 328	$ 296,430	$ 290,386	$ (54,656)	$ (23,019)	$ 509,469
Balance, March 31, 2023	32,095,370	$ 327	$ 294,441	$ 228,782	$ (62,175)	$ (11,277)	$ 450,098
Net income	—	—	—	18,473	—	—	18,473
Other comprehensive loss	—	—	—	—	(8,487)	—	(8,487)
Stock-based compensation	—	—	434	—	—	—	434
Repurchase of common stock	(229,502)	—	—	—	—	(4,188)	(4,188)
Cash dividends and dividend equivalents ($0.17 per share)	—	—	—	(5,478)	—	—	(5,478)
Balance, June 30, 2023	31,865,868	$ 327	$ 294,875	$ 241,777	$ (70,662)	$ (15,465)	$ 450,852

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, 2023	31,695,828	$ 327	$ 295,877	$ 269,051	$ (57,163)	$ (18,596)	$ 489,496
Cumulative effect of change in accounting principle (ASU 2023-02)	—	—	—	116	—	—	116
Net income	—	—	—	33,328	—	—	33,328
Other comprehensive income	—	—	—	—	2,507	—	2,507
Stock-based compensation	—	—	885	—	—	—	885
Issuance of common stock upon vesting of restricted stock units, net of tax withholdings	96,341	1	(332)	—	—	—	(331)
Repurchase of common stock	(232,803)	—	—	—	—	(4,423)	(4,423)
Cash dividends and dividend equivalents ($0.38 per share)	—	—	—	(12,109)	—	—	(12,109)
Balance, June 30, 2024	31,559,366	$ 328	$ 296,430	$ 290,386	$ (54,656)	$ (23,019)	$ 509,469
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	—	—	—	27,681	—	—	27,681
Other comprehensive income	—	—	—	—	1,097	—	1,097
Stock-based compensation	—	—	951	—	—	—	951
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	(308,965)	—	—	—	—	(5,776)	(5,776)
Cash dividends and dividend equivalents ($0.34 per share)	—	—	—	(10,986)	—	—	(10,986)
Balance, June 30, 2023	31,865,868	$ 327	$ 294,875	$ 241,777	$ (70,662)	$ (15,465)	$ 450,852

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

(dollars in thousands)	Six Months Ended June 30, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 33,328	$ 27,681
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	1,462	1,609
Provision for credit losses	1,703	5,980
Net amortization of debt securities	1,998	2,999
Deferred income tax expense	722	802
Stock-based compensation	885	951
Net accretion of discount and deferred loan fees on loans	(3,572)	(3,378)
Net realized loss on sales of securities	3,382	1,007
Net unrealized loss on equity securities	112	15
Net loss (gain) on disposals of bank premises and equipment	55	(32)
Net gain on sales of bank premises held for sale	—	(75)
Impairment losses on bank premises held for sale	580	—
Net gain on sales of foreclosed assets	(95)	(68)
Write-down of foreclosed assets	36	175
Amortization of intangibles	1,420	1,230
Decrease in mortgage servicing rights	17	483
Amortization of discount and issuance costs on subordinated notes and debentures	70	71
Amortization of discount on Federal Home Loan Bank advances	204	172
Amortization of premium on time deposits	(57)	(239)
Mortgage loans originated for sale	(28,101)	(35,682)
Proceeds from sale of mortgage loans	30,302	29,729
Net gain on sale of mortgage loans	(741)	(649)
Increase in cash surrender value of bank owned life insurance	(330)	(255)
Decrease in accrued interest receivable	2,109	2,719
Decrease (increase) in other assets	(4,937)	4,864
Increase (decrease) in other liabilities	6,017	(3,978)
Net cash provided by operating activities	46,569	36,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of interest-bearing time deposits with banks	—	249
Purchase of interest-bearing time deposits with banks	(11)	—
Proceeds from sales of debt securities	66,812	145,844
Proceeds from sales and redemptions of equity securities	58	—
Proceeds from paydowns, maturities, and calls of debt securities	58,497	50,540
Purchase of debt securities	(27,753)	(2,640)
Purchase of equity securities	(146)	(345)
Purchase of loans	(4,448)	(36,964)
Net decrease in loans	26,101	51,609
Purchase of restricted stock	—	(11,622)
Proceeds from redemption of restricted stock	2,074	11,064
Purchases of bank premises and equipment	(2,975)	(1,495)
Proceeds from sales of bank premises and equipment	—	151
Proceeds from sales of bank premises held for sale	—	310
Proceeds from sales of foreclosed assets	965	284
Net cash paid for acquisition of Town and Country	—	(14,454)
Net cash provided by investing activities	119,174	192,531

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

(dollars in thousands)	Six Months Ended June 30, 2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in deposits	(82,687)	(142,679)
Net decrease in repurchase agreements	(13,112)	(4,352)
Net increase (decrease) in Federal Home Loan Bank advances	907	(69,039)
Taxes paid related to the vesting of restricted stock units	(331)	(181)
Repurchase of common stock	(4,423)	(5,776)
Cash dividends and dividend equivalents paid	(12,109)	(10,986)
Net cash used in financing activities	(111,755)	(233,013)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	53,988	(4,351)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	141,252	114,159
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 195,240	$ 109,808
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 31,206	$ 11,815
Net cash paid for income taxes	$ 9,801	$ 8,997
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES		
Transfers of loans to foreclosed assets	$ 374	$ 170
Transfers of bank premises and equipment to bank premises held for sale	$ 317	$ 35

See accompanying 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 financial products and services to consumers, 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, 2023, filed with the SEC on March 6, 2024.

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.

Low Income Housing Tax Credits

The Company holds an ownership interest in a limited liability company, as a limited partner, that invests in affordable housing projects. This investment is designed to generate a return primarily through the realization of federal tax credits and deductions, which may be subject to recapture by taxing authorities if compliance requirements are not met. The Company accounts for its low income housing investments using the proportional amortization method.

The Company’s investment in the qualified affordable housing project meets the definition of a variable interest entity ("VIE") as the entity is structured such that the limited partner investors lack substantive voting rights. The managing member has both the power to direct the activities that most significantly impact the economic performance of the entity and the obligation to absorb losses or the right to receive benefits that could be significant to the entity. Accordingly, the Company is not the primary beneficiary and is not required to consolidate this entity. The Company's maximum exposure to loss is limited to the carrying amount of the investment, which was $7.3 million as of June 30, 2024.

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, 2024, the Company adopted 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. The Company adopted ASU 2023-02 using the modified retrospective method. The Company recorded a $0.1 million increase to retained earnings and decrease to deferred tax liability, as well as a $7.2 million increase to other assets and other liabilities, as a result of the adoption.

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 did not have an 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 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 did not have an impact on the Company's consolidated results of operations or financial position.

Recent Accounting Pronouncements

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

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

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. No expenses were incurred related to the acquisition of Town and Country for the three and six months ended June 30, 2024. During the three and six months ended June 30, 2023, HBT Financial incurred the following expenses related to the acquisition of Town and Country:

(dollars in thousands)	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
PROVISION FOR CREDIT LOSSES	$ —	$ 5,924
NONINTEREST EXPENSE		
Salaries	66	3,584
Furniture and equipment	39	39
Data processing	176	2,031
Marketing and customer relations	10	24
Loan collection and servicing	125	125
Legal fees and other noninterest expense	211	1,964
Total noninterest expense	627	7,767
Total Town and Country acquisition-related expenses	$ 627	$ 13,691

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

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

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

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

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

The following table provides the pro forma information for the results of operations for the three and six months ended June 30, 2023 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	
(dollars in thousands, except per share data)	**Three Months Ended June 30, 2023**	**Six Months Ended June 30, 2023**
Total revenues (net interest income and noninterest income)	$ 58,786	$ 116,556
Net income	18,185	28,200
Earnings per share - basic	0.57	0.89
Earnings per share - diluted	0.57	0.88

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:

	June 30, 2024				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-sale:					
U.S. Treasury	$ 139,693	$ —	$ (10,918)	$ —	$ 128,775
U.S. government agency	57,308	—	(3,319)	—	53,989
Municipal	155,980	—	(21,852)	—	134,128
Mortgage-backed:					
Agency residential	191,521	147	(14,946)	—	176,722
Agency commercial	136,367	2	(14,153)	—	122,216
Corporate	57,698	—	(4,473)	—	53,225
Total available-for-sale	$ 738,567	$ 149	$ (69,661)	$ —	$ 669,055

	June 30, 2024				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held-to-maturity:					
U.S. government agency	$ 88,460	$ —	$ (9,223)	$ 79,237	$ —
Municipal	36,950	38	(601)	36,387	—
Mortgage-backed:					
Agency residential	90,992	—	(6,689)	84,303	—
Agency commercial	296,147	—	(42,321)	253,826	—
Total held-to-maturity	$ 512,549	$ 38	$ (58,834)	$ 453,753	$ —

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

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

As of June 30, 2024 and December 31, 2023, the Bank had debt securities with a carrying value of $558.4 million and $419.4 million, respectively, which were pledged to secure public deposits, securities sold under agreements to repurchase, available borrowing capacity, and for other purposes required or permitted by law.

The amortized cost and fair value of debt securities by contractual maturity, as of June 30, 2024, 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.

(dollars in thousands)	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	$ 49,567	$ 48,554	$ 5,095	$ 5,048
Due after 1 year through 5 years	184,436	170,465	49,612	46,628
Due after 5 years through 10 years	154,676	132,777	65,354	59,096
Due after 10 years	22,000	18,321	5,349	4,852
Mortgage-backed:				
Agency residential	191,521	176,722	90,992	84,303
Agency commercial	136,367	122,216	296,147	253,826
Total	$ 738,567	$ 669,055	$ 512,549	$ 453,753

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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 June 30, 2024 and December 31, 2023, aggregated by category and length of time that individual debt securities have been in a continuous unrealized loss position:

	June 30, 2024					
	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	$ —	$ —	$ (10,918)	$ 128,775	$ (10,918)	$ 128,775
U.S. government agency	(9)	4,728	(3,310)	49,254	(3,319)	53,982
Municipal	(26)	2,627	(21,826)	130,726	(21,852)	133,353
Mortgage-backed:						
Agency residential	(98)	11,311	(14,848)	146,244	(14,946)	157,555
Agency commercial	(4)	389	(14,149)	120,730	(14,153)	121,119
Corporate	—	—	(4,473)	51,231	(4,473)	51,231
Total available-for-sale	$ (137)	$ 19,055	$ (69,524)	$ 626,960	$ (69,661)	$ 646,015

	December 31, 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	$ —	$ —	$ (11,093)	$ 148,622	$ (11,093)	$ 148,622
U.S. government agency	(2)	168	(3,260)	51,910	(3,262)	52,078
Municipal	(26)	4,749	(23,473)	194,287	(23,499)	199,036
Mortgage-backed:						
Agency residential	(163)	9,354	(14,555)	156,785	(14,718)	166,139
Agency commercial	(26)	3,016	(14,179)	123,404	(14,205)	126,420
Corporate	(414)	4,361	(5,071)	45,826	(5,485)	50,187
Total available-for-sale	$ (631)	$ 21,648	$ (71,631)	$ 720,834	$ (72,262)	$ 742,482

As of June 30, 2024, there were 686 debt securities in an unrealized loss position for a period of twelve months or more, and 70 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.

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Municipal securities include approximately 73% general obligation bonds as of June 30, 2024, which have a very low historical default rate due to issuers generally having taxing authority to service the debt. The remainder of the municipal securities are also of high credit quality with ratings of A1/A+ or better. The Company evaluates credit risk through monitoring credit ratings and reviews of available financial data. The changes in fair value in these portfolios are considered to be primarily driven by changes in market interest rates and other non-credit risks, such as call and liquidity risks. The estimated allowance for credit losses for the municipal debt securities held-to-maturity was deemed insignificant.

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. During 2024, the changes in fair value in corporate securities were considered to be primarily driven by changes in market interest rates and other non-credit risks, such as call and liquidity risks. An $0.8 million allowance for credit losses was recorded as of June 30, 2023, related to one bank subordinated debt security and reflected heightened potential credit risk following the failures of other banks in early 2023. The related provision for credit losses were $0.2 million and $0.8 million during the three and six months ended June 30, 2023, respectively. This allowance for credit losses was later reversed during the third quarter of 2023 after a merger announcement by the issuer of the bank subordinated debt security.

As of June 30, 2024, the Company did not intend to sell the debt securities that are in an unrealized loss position, and it was more likely than not that the Company would recover the amortized cost prior to being required to sell the debt securities.

Accrued interest on debt securities is excluded from the estimate of credit losses and totaled $5.3 million and $6.0 million as of June 30, 2024 and December 31, 2023, respectively.

Sales of debt securities were as follows during the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Proceeds from sales	$ —	$ —	$ 66,812	$ 145,844
Gross realized gains	—	—	—	—
Gross realized losses	—	—	(3,382)	(1,007)

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 were as follows:

	June 30, 2024	
(dollars in thousands)	Readily Determinable Fair Value	No Readily Determinable Fair Value
Initial cost	$ 3,124	$ 2,948
Cumulative net unrealized gains (losses)	104	(335)
Carrying value	$ 3,228	$ 2,613

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

As of June 30, 2024 and December 31, 2023, the cumulative net unrealized losses on equity securities with no readily determinable fair value reflect impairments of $0.2 million and downward adjustments based on observable price changes of an identical investment of $0.2 million. There have been no upward adjustments based on observable price changes to equity securities with no readily determinable fair value.

Unrealized gains (losses) on equity securities were as follows during the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Readily determinable fair value	$ (96)	$ 7	$ (112)	$ 123
No readily determinable fair value	—	—	—	(138)
Unrealized gains (losses) on equity securities	$ (96)	$ 7	$ (112)	$ (15)

NOTE 4 – LOANS AND RELATED ALLOWANCE FOR CREDIT LOSSES

Major categories of loans are summarized as follows:

(dollars in thousands)	June 30, 2024	December 31, 2023
Commercial and industrial	$ 400,276	$ 427,800
Commercial real estate - owner occupied	289,992	295,842
Commercial real estate - non-owner occupied	889,193	880,681
Construction and land development	365,371	363,983
Multi-family	429,951	417,923
One-to-four family residential	484,335	491,508
Agricultural and farmland	285,822	287,294
Municipal, consumer, and other	240,543	239,386
Loans, before allowance for credit losses	3,385,483	3,404,417
Allowance for credit losses	(40,806)	(40,048)
Loans, net of allowance for credit losses	$ 3,344,677	$ 3,364,369

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 June 30, 2024, the economic forecast used by management anticipates an economic slowdown, but not a recession, over the next 4 quarters considered in the forecast period, with the unemployment rate increasing slightly and GDP growth slowing and then increasing modestly. After the forecast period, the Company reverts to long-term averages over a 4-quarter reversion period. Additionally, management has made qualitative adjustments to the loss estimates to reflect other factors that influence credit losses.

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

	Three Months Ended June 30, 2024								
(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	$ 5,230	$ 2,157	$ 10,058	$ 5,545	$ 3,845	$ 4,846	$ 1,014	$ 8,120	$ 40,815
Provision for credit losses	—	32	(257)	609	55	(75)	44	269	677
Charge-offs	(493)	—	—	—	(188)	(54)	—	(135)	(870)
Recoveries	24	2	15	1	—	68	1	73	184
Ending balance	$ 4,761	$ 2,191	$ 9,816	$ 6,155	$ 3,712	$ 4,785	$ 1,059	$ 8,327	$ 40,806

	Three Months Ended June 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	$ 2,932	$ 2,535	$ 7,840	$ 7,574	$ 2,151	$ 4,165	$ 2,674	$ 8,905	$ 38,776
Provision for credit losses	791	(175)	(466)	(1,745)	452	(121)	(68)	252	(1,080)
Charge-offs	—	—	—	—	—	(4)	—	(175)	(179)
Recoveries	12	2	164	5	—	37	1	76	297
Ending balance	$ 3,735	$ 2,362	$ 7,538	$ 5,834	$ 2,603	$ 4,077	$ 2,607	$ 9,058	$ 37,814

	Six Months Ended June 30, 2024								
(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	$ 4,980	$ 2,272	$ 7,714	$ 5,998	$ 3,837	$ 5,204	$ 975	$ 9,068	$ 40,048
Provision for credit losses	$ 239	$ (85)	$ 1,845	$ 155	$ 63	$ (496)	$ 76	$ (560)	$ 1,237
Charge-offs	$ (508)	$ —	$ —	$ —	$ (188)	$ (75)	$ —	$ (326)	$ (1,097)
Recoveries	50	4	257	2	—	152	8	145	618
Ending balance	$ 4,761	$ 2,191	$ 9,816	$ 6,155	$ 3,712	$ 4,785	$ 1,059	$ 8,327	$ 40,806

	Six Months Ended June 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	$ 1,178	$ 444	$ (161)	$ (606)	$ 978	$ 960	$ 237	$ 991	$ 4,021
Charge-offs	$ —	$ (3)	$ —	$ —	$ —	$ (26)	$ —	$ (292)	$ (321)
Recoveries	31	14	238	8	—	95	2	163	551
Ending balance	$ 3,735	$ 2,362	$ 7,538	$ 5,834	$ 2,603	$ 4,077	$ 2,607	$ 9,058	$ 37,814

Gross charge-offs, further sorted by origination year, were as follows during the three months ended June 30, 2024 and 2023.

	Gross Charge-Offs for the Three Months Ended June 30, 2024								
	Term Loans by Origination Year								
(dollars in thousands)	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans**	**Revolving Loans Converted to Term**	**Total**
Commercial and industrial	$ —	$ 326	$ 75	$ —	$ —	$ —	$ 92	$ —	$ 493
Commercial real estate - owner occupied	—	—	—	—	—	—	—	—	—
Commercial real estate - non-owner occupied	—	—	—	—	—	—	—	—	—
Construction and land development	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	188	—	—	—	—	188
One-to-four family residential	—	—	4	13	4	1	32	—	54
Agricultural and farmland	—	—	—	—	—	—	—	—	—
Municipal, consumer, and other	84	—	—	—	—	—	51	—	135
Total	$ 84	$ 326	$ 79	$ 201	$ 4	$ 1	$ 175	$ —	$ 870

	Gross Charge-Offs for the Three Months Ended June 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	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial real estate - owner occupied	—	—	—	—	—	—	—	—	—
Commercial real estate - non-owner occupied	—	—	—	—	—	—	—	—	—
Construction and land development	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—	—	—
One-to-four family residential	—	—	—	—	—	4	—	—	4
Agricultural and farmland	—	—	—	—	—	—	—	—	—
Municipal, consumer, and other	100	21	—	—	—	—	54	—	175
Total	$ 100	$ 21	$ —	$ —	$ —	$ 4	$ 54	$ —	$ 179

HBT FINANCIAL, INC. AND SUBSIDIARIES
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Gross charge-offs, further sorted by origination year, were as follows during the six months ended June 30, 2024 and 2023.

	Gross Charge-Offs for the Six Months Ended June 30, 2024								
	Term Loans by Origination Year								
(dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Commercial and industrial	$ —	$ 329	$ 75	$ —	$ —	$ 11	$ 93	$ —	$ 508
Commercial real estate - owner occupied	—	—	—	—	—	—	—	—	—
Commercial real estate - non-owner occupied	—	—	—	—	—	—	—	—	—
Construction and land development	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	188	—	—	—	—	188
One-to-four family residential	—	—	7	13	4	7	44	—	75
Agricultural and farmland	—	—	—	—	—	—	—	—	—
Municipal, consumer, and other	128	56	6	—	—	—	136	—	326
Total	$ 128	$ 385	$ 88	$ 201	$ 4	$ 18	$ 273	$ —	$ 1,097

	Gross Charge-Offs for the Six Months Ended June 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	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial real estate - owner occupied	—	3	—	—	—	—	—	—	3
Commercial real estate - non-owner occupied	—	—	—	—	—	—	—	—	—
Construction and land development	—	—	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—	—	—
One-to-four family residential	—	—	—	—	1	25	—	—	26
Agricultural and farmland	—	—	—	—	—	—	—	—	—
Municipal, consumer, and other	135	74	—	9	—	—	74	—	292
Total	$ 135	$ 77	$ —	$ 9	$ 1	$ 25	$ 74	$ —	$ 321

HBT FINANCIAL, INC. AND SUBSIDIARIES
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The following tables present loans and the related allowance for credit losses by category:

	June 30, 2024								
(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	$ 399,214	$ 289,992	$ 874,256	$ 365,155	$ 429,951	$ 479,256	$ 285,678	$ 230,024	$ 3,353,526
Individually evaluated for impairment	1,062	—	14,937	216	—	5,079	144	10,519	31,957
Total	$ 400,276	$ 289,992	$ 889,193	$ 365,371	$ 429,951	$ 484,335	$ 285,822	$ 240,543	$ 3,385,483
Allowance for credit losses:									
Collectively evaluated for impairment	$ 4,657	$ 2,191	$ 9,127	$ 6,155	$ 3,712	$ 4,724	$ 1,059	$ 5,741	$ 37,366
Individually evaluated for impairment	104	—	689	—	—	61	—	2,586	3,440
Total	$ 4,761	$ 2,191	$ 9,816	$ 6,155	$ 3,712	$ 4,785	$ 1,059	$ 8,327	$ 40,806

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

HBT FINANCIAL, INC. AND SUBSIDIARIES
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The following tables present 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:

	June 30, 2024				
	Amortized Cost				
	Primary Collateral Type				Allowance for Credit Losses
(dollars in thousands)	Real Estate	Vehicles	Other	Total	
Commercial and industrial	$ —	$ 1,011	$ 51	$ 1,062	$ 104
Commercial real estate - owner occupied	—	—	—	—	—
Commercial real estate - non-owner occupied	14,937	—	—	14,937	689
Construction and land development	216	—	—	216	—
Multi-family	—	—	—	—	—
One-to-four family residential	5,079	—	—	5,079	61
Agricultural and farmland	144	—	—	144	—
Municipal, consumer, and other	10,438	43	38	10,519	2,586
Total	$ 30,814	$ 1,054	$ 89	$ 31,957	$ 3,440

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

Accrued interest on loans is excluded from the estimate of credit losses and totaled $17.0 million and $18.4 million as of June 30, 2024 and December 31, 2023, respectively.

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:

	June 30, 2024				
	Accruing Interest				
(dollars in thousands)	Current	30 - 89 Days Past Due	90+ Days Past Due	Nonaccrual	Total Loans
Commercial and industrial	$ 397,982	$ 1,232	$ —	$ 1,062	$ 400,276
Commercial real estate - owner occupied	289,663	329	—	—	289,992
Commercial real estate - non-owner occupied	887,226	124	—	1,843	889,193
Construction and land development	365,155	—	—	216	365,371
Multi-family	429,951	—	—	—	429,951
One-to-four family residential	477,267	1,989	—	5,079	484,335
Agricultural and farmland	283,988	1,690	—	144	285,822
Municipal, consumer, and other	240,327	128	7	81	240,543
Total	$ 3,371,559	$ 5,492	$ 7	$ 8,425	$ 3,385,483

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

The following tables present nonaccrual loans with and without a related allowance for credit losses:

	June 30, 2024		
(dollars in thousands)	Nonaccrual With Allowance for Credit Losses	Nonaccrual With No Allowance for Credit Losses	Total Nonaccrual
Commercial and industrial	$ 313	$ 749	$ 1,062
Commercial real estate - owner occupied	—	—	—
Commercial real estate - non-owner occupied	—	1,843	1,843
Construction and land development	216	—	216
Multi-family	—	—	—
One-to-four family residential	352	4,727	5,079
Agricultural and farmland	—	144	144
Municipal, consumer, and other	59	22	81
Total	$ 940	$ 7,485	$ 8,425

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

Credit Quality Indicators

In June 2024, the Company updated its risk rating categories to add a special mention category to provide another level of granularity in distinguishing risk levels of loans. As of June 30, 2024, $19.5 million of the special mention loans would have been considered pass-watch and $10.6 million would have been considered substandard under the previous risk rating categories.

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 thousand 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 the following major categories:

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 a special mention, substandard, or doubtful classification.

Special Mention – a special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the assets or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse 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. There were no loans classified as Doubtful as of June 30, 2024 and December 31, 2023.

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

	June 30, 2024				
(dollars in thousands)	Pass	Pass-Watch	Special Mention	Substandard	Total
Commercial and industrial	$ 389,429	$ 4,044	$ 1,647	$ 5,156	$ 400,276
Commercial real estate - owner occupied	271,725	8,762	3,459	6,046	289,992
Commercial real estate - non-owner occupied	833,470	22,077	203	33,443	889,193
Construction and land development	340,960	23,665	—	746	365,371
Multi-family	410,272	3,892	15,787	—	429,951
One-to-four family residential	464,960	6,680	3,065	9,630	484,335
Agricultural and farmland	263,070	17,388	1,678	3,686	285,822
Municipal, consumer, and other	223,994	1,696	4,243	10,610	240,543
Total	$ 3,197,880	$ 88,204	$ 30,082	$ 69,317	$ 3,385,483

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

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Risk ratings of loans, further sorted by origination year, are as follows as of June 30, 2024:

	Term Loans by Origination Year							Revolving Loans Converted	
(dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Commercial and industrial									
Pass	$ 23,459	$ 61,841	$ 52,970	$ 15,494	$ 22,508	$ 33,263	$ 177,985	$ 1,909	$ 389,429
Pass-Watch	29	1,330	558	229	104	1,102	486	206	4,044
Special Mention	—	—	282	73	—	—	710	582	1,647
Substandard	—	2,897	487	823	—	—	668	281	5,156
Total	$ 23,488	$ 66,068	$ 54,297	$ 16,619	$ 22,612	$ 34,365	$ 179,849	$ 2,978	$ 400,276
Commercial real estate - owner occupied									
Pass	$ 16,517	$ 26,064	$ 64,465	$ 50,365	$ 50,035	$ 52,299	$ 11,914	$ 66	$ 271,725
Pass-Watch	293	3,167	746	2,394	713	1,449	—	—	8,762
Special Mention	1,984	—	—	—	—	—	1,475	—	3,459
Substandard	—	634	82	3,624	1,075	631	—	—	6,046
Total	$ 18,794	$ 29,865	$ 65,293	$ 56,383	$ 51,823	$ 54,379	$ 13,389	$ 66	$ 289,992
Commercial real estate - non-owner occupied									
Pass	$ 39,574	$ 119,976	$ 243,744	$ 232,353	$ 93,139	$ 93,059	$ 10,009	$ 1,616	$ 833,470
Pass-Watch	3,229	766	—	3,918	343	463	13,315	43	22,077
Special Mention	—	—	—	—	—	58	145	—	203
Substandard	—	13,496	6,784	—	—	13,163	—	—	33,443
Total	$ 42,803	$ 134,238	$ 250,528	$ 236,271	$ 93,482	$ 106,743	$ 23,469	$ 1,659	$ 889,193
Construction and land development									
Pass	$ 91,952	$ 125,269	$ 88,490	$ 21,357	$ 876	$ 3,006	$ 9,749	$ 261	$ 340,960
Pass-Watch	—	937	8,630	12,549	—	19	693	837	23,665
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	475	—	216	—	—	55	—	—	746
Total	$ 92,427	$ 126,206	$ 97,336	$ 33,906	$ 876	$ 3,080	$ 10,442	$ 1,098	$ 365,371
Multi-family									
Pass	$ 17,383	$ 83,543	$ 95,243	$ 112,008	$ 52,031	$ 44,854	$ 4,417	$ 793	$ 410,272
Pass-Watch	2,807	—	572	—	—	507	—	6	3,892
Special Mention	6,976	—	—	—	8,811	—	—	—	15,787
Substandard	—	—	—	—	—	—	—	—	—
Total	$ 27,166	$ 83,543	$ 95,815	$ 112,008	$ 60,842	$ 45,361	$ 4,417	$ 799	$ 429,951
One-to-four family residential									
Pass	$ 25,775	$ 94,809	$ 87,957	$ 76,529	$ 61,139	$ 53,340	$ 60,417	$ 4,994	$ 464,960
Pass-Watch	908	2,074	333	316	466	2,111	192	280	6,680
Special Mention	—	—	—	604	125	—	—	2,336	3,065
Substandard	79	739	1,508	638	513	5,666	—	487	9,630
Total	$ 26,762	$ 97,622	$ 89,798	$ 78,087	$ 62,243	$ 61,117	$ 60,609	$ 8,097	$ 484,335
Agricultural and farmland									
Pass	$ 28,788	$ 38,360	$ 33,420	$ 29,642	$ 29,779	$ 10,312	$ 90,557	$ 2,212	$ 263,070
Pass-Watch	137	2,745	1,902	1,472	24	688	10,170	250	17,388
Special Mention	—	472	106	—	1,100	—	—	—	1,678
Substandard	331	—	—	12	3,199	144	—	—	3,686
Total	$ 29,256	$ 41,577	$ 35,428	$ 31,126	$ 34,102	$ 11,144	$ 100,727	$ 2,462	$ 285,822

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	Term Loans by Origination Year								
(dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Municipal, Consumer, and other									
Pass	$ 63,682	$ 37,853	$ 23,308	$ 24,288	$ 13,259	$ 40,382	$ 21,222	$ —	$ 223,994
Pass-Watch	—	—	27	10	—	1,659	—	—	1,696
Special Mention	—	—	—	—	—	4,217	26	—	4,243
Substandard	51	55	63	—	—	10,441	—	—	10,610
Total	$ 63,733	$ 37,908	$ 23,398	$ 24,298	$ 13,259	$ 56,699	$ 21,248	$ —	$ 240,543
Total by Risk Rating									
Pass	$ 307,130	$ 587,715	$ 689,597	$ 562,036	$ 322,766	$ 330,515	$ 386,270	$ 11,851	$ 3,197,880
Pass-Watch	7,403	11,019	12,768	20,888	1,650	7,998	24,856	1,622	88,204
Special Mention	8,960	472	388	677	10,036	4,275	2,356	2,918	30,082
Substandard	936	17,821	9,140	5,097	4,787	30,100	668	768	69,317
Total	$ 324,429	$ 617,027	$ 711,893	$ 588,698	$ 339,239	$ 372,888	$ 414,150	$ 17,159	$ 3,385,483

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

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

Modifications

There were no loan modifications to borrowers in financial distress during the three and six months ended June 30, 2024 and 2023. There were no modified loans to borrowers in financial distress outstanding as of June 30, 2024 and December 31, 2023.

Pledged Loans

As of June 30, 2024 and December 31, 2023, the Company pledged loans totaling $1.88 billion and $1.20 billion, 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 $1.61 billion and $1.66 billion as of June 30, 2024 and December 31, 2023, respectively. Activity in mortgage servicing rights was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Beginning balance	$ 19,081	$ 19,992	$ 19,001	$ 10,147
Acquired	—	—	—	10,469
Capitalized servicing rights	210	170	340	299
Fair value adjustments attributable to payments and principal reductions	(542)	(559)	(971)	(990)
Fair value adjustments attributable to changes in valuation inputs and assumptions	235	530	614	208
Ending balance	$ 18,984	$ 20,133	$ 18,984	$ 20,133

NOTE 6 – FORECLOSED ASSETS

Foreclosed assets activity was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Beginning balance	$ 277	$ 3,356	$ 852	$ 3,030
Acquired	—	—	—	271
Transfers from loans	171	65	374	170
Proceeds from sales	(100)	(244)	(965)	(284)
Net gain (loss) on sales	(18)	48	95	68
Direct write-downs	(10)	(145)	(36)	(175)
Ending balance	$ 320	$ 3,080	$ 320	$ 3,080

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Gains (losses) on foreclosed assets included the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Direct write-downs	$ (10)	$ (145)	$ (36)	$ (175)
Net gain (loss) on sales	(18)	48	95	68
Gains (losses) on foreclosed assets	$ (28)	$ (97)	$ 59	$ (107)

As of June 30, 2024, there were no foreclosed one-to-four family residential real estate properties held. As of December 31, 2023, the carrying value of foreclosed one-to-four family residential real estate properties was $0.1 million.

As of June 30, 2024, there were 20 one-to-four family residential real estate loans in the process of foreclosure totaling $1.7 million. As of December 31, 2023, there were 16 one-to-four family residential real estate loans in the process of foreclosure totaling $1.2 million.

NOTE 7 – DEPOSITS

The Company's deposits are summarized below:

(dollars in thousands)	June 30, 2024	December 31, 2023
Noninterest-bearing deposits	$ 1,045,697	$ 1,072,407
Interest-bearing deposits:		
Interest-bearing demand	1,094,797	1,145,092
Money market	769,386	803,381
Savings	582,752	608,424
Time	796,069	627,253
Brokered	29,992	144,880
Total interest-bearing deposits	3,272,996	3,329,030
Total deposits	$ 4,318,693	$ 4,401,437

Reciprocal deposits included in interest-bearing demand deposits, money market deposits, and time deposits totaled $227.0 million and $236.8 million as of June 30, 2024 and December 31, 2023, respectively. The aggregate amounts of time deposits in denominations of $250 thousand or more amounted to $217.4 million and $130.2 million as of June 30, 2024 and December 31, 2023, respectively. The aggregate amounts of time deposits in denominations of $100 thousand or more amounted to $474.0 million and $342.8 million as of June 30, 2024 and December 31, 2023, respectively.

The components of interest expense on deposits were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Interest-bearing demand	$ 1,429	$ 683	$ 2,740	$ 1,141
Money market	4,670	1,506	9,467	2,441
Savings	393	189	836	367
Time	7,117	1,933	13,042	2,736
Brokered	524	12	1,641	12
Total interest expense on deposits	$ 14,133	$ 4,323	$ 27,726	$ 6,697

NOTE 8 – 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 were as follows:

	June 30, 2024		December 31, 2023	
(dollars in thousands)	Notional Amount	Fair Value	Notional Amount	Fair Value
Fair value recorded in other assets	$ 7,000	$ 150	$ 17,000	$ 322

As of June 30, 2024, the interest rate swap agreement designated as a cash flow hedge matures in April 2025. As of June 30, 2024 and December 31, 2023, counterparties had cash pledged and held on deposit by the Company of $0.4 million and $0.6 million, respectively.

The effect of interest rate swap agreements designated as cash flow hedges on the consolidated statements of income was 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)		Amounts of gross gain (loss) reclassified from accumulated other comprehensive income (loss)	
	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Designated as cash flow hedges:				
Junior subordinated debentures interest expense	$ 118	$ 109	$ 250	$ 203

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 were as follows:

	June 30, 2024		December 31, 2023	
(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	91,895	7,475	94,497	6,227
Total fair value recorded in other assets	$ 91,895	$ 7,475	$ 94,497	$ 6,227
Fair value recorded in other liabilities:				
Interest rate swaps with a commercial borrower counterparty	$ 91,895	$ (7,475)	$ 94,497	$ (6,227)
Interest rate swaps with a financial institution counterparty	—	—	—	—
Total fair value recorded in other liabilities	$ 91,895	$ (7,475)	$ 94,497	$ (6,227)

As of June 30, 2024, the interest rate swap agreements not designated as hedging instruments had contractual maturities between 2027 and 2035.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Not designated as hedging instruments:				
Gross gains	$ 783	$ 1,703	$ 2,821	$ 4,440
Gross losses	(783)	(1,703)	(2,821)	(4,440)
Net gains (losses)	$ —	$ —	$ —	$ —

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NOTE 9 – 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 June 30, 2024				
Balance, March 31, 2024	$ (47,774)	$ (8,191)	$ (83)	$ (56,048)
Other comprehensive income before reclassifications	1,524	—	14	1,538
Reclassifications	—	488	(118)	370
Other comprehensive income (loss), before tax	1,524	488	(104)	1,908
Income tax expense (benefit)	408	138	(30)	516
Other comprehensive income (loss), after tax	1,116	350	(74)	1,392
Balance, June 30, 2024	$ (46,658)	$ (7,841)	$ (157)	$ (54,656)
Three Months Ended June 30, 2023				
Balance, March 31, 2023	$ (52,668)	$ (9,596)	$ 89	$ (62,175)
Other comprehensive income (loss) before reclassifications	(12,638)	—	201	(12,437)
Reclassifications	200	475	(109)	566
Other comprehensive income (loss), before tax	(12,438)	475	92	(11,871)
Income tax expense (benefit)	(3,546)	135	27	(3,384)
Other comprehensive income (loss), after tax	(8,892)	340	65	(8,487)
Balance, June 30, 2023	$ (61,560)	$ (9,256)	$ 154	$ (70,662)

(dollars in thousands)	Unrealized Gains (Losses) on Debt Securities		Derivatives	Total
	Available-for-Sale	Held-to-Maturity		
Six Months Ended June 30, 2024				
Balance, December 31, 2023	$ (48,579)	$ (8,549)	$ (35)	$ (57,163)
Other comprehensive income (loss) before reclassifications	(731)	—	78	(653)
Reclassifications	3,382	989	(250)	4,121
Other comprehensive income (loss), before tax	2,651	989	(172)	3,468
Income tax expense (benefit)	730	281	(50)	961
Other comprehensive income (loss), after tax	1,921	708	(122)	2,507
Balance, June 30, 2024	$ (46,658)	$ (7,841)	$ (157)	$ (54,656)
Six Months Ended June 30, 2023				
Balance, December 31, 2022	$ (61,998)	$ (9,946)	$ 185	$ (71,759)
Other comprehensive income (loss) before reclassifications	(1,195)	—	161	(1,034)
Reclassifications	1,807	965	(203)	2,569
Other comprehensive income (loss), before tax	612	965	(42)	1,535
Income tax expense (benefit)	174	275	(11)	438
Other comprehensive income (loss), after tax	438	690	(31)	1,097
Balance, June 30, 2023	$ (61,560)	$ (9,256)	$ 154	$ (70,662)

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 8 for additional information.

NOTE 10 – EARNINGS PER SHARE

The Company previously granted restricted stock units that contained non-forfeitable rights to dividend equivalents which were considered participating securities. Prior to 2024, these restricted stock units were included in the calculation of 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 June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Numerator:				
Net income	$ 18,070	$ 18,473	$ 33,328	$ 27,681
Earnings allocated to participating securities	—	(11)	—	(16)
Numerator for earnings per share - basic and diluted	$ 18,070	$ 18,462	$ 33,328	$ 27,665
Denominator:				
Weighted average common shares outstanding	31,579,457	31,980,133	31,621,205	31,481,439
Dilutive effect of outstanding restricted stock units	87,354	99,850	113,794	84,981
Weighted average common shares outstanding, including all dilutive potential shares	31,666,811	32,079,983	31,734,999	31,566,420
Earnings per share - Basic	$ 0.57	$ 0.58	$ 1.05	$ 0.88
Earnings per share - Diluted	$ 0.57	$ 0.58	$ 1.05	$ 0.88

NOTE 11 – STOCK-BASED COMPENSATION PLANS

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Restricted stock units	$ 262	$ 317	$ 535	$ 594
Performance restricted stock units	114	117	350	357
Total awards classified as equity	376	434	885	951
Stock appreciation rights	70	(47)	(59)	(46)
Total stock-based compensation expense	$ 446	$ 387	$ 826	$ 905

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Restricted Stock Units

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

During the six months ended June 30, 2024 and 2023, the total grant date fair value of the restricted stock units granted was $1.0 million and $1.0 million, respectively, based on the grant date closing prices. The total intrinsic value of restricted stock units that vested during the six months ended June 30, 2024 and 2023 was $1.4 million and $1.1 million, respectively.

The following is a summary of restricted stock unit activity:

	Three Months Ended June 30,			
	2024		2023	
	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Beginning balance	108,865	$ 19.71	129,422	$ 19.58
Granted	—	—	—	—
Vested	—	—	—	—
Forfeited	—	—	—	—
Ending balance	108,865	$ 19.71	129,422	$ 19.58

	Six Months Ended June 30,			
	2024		2023	
	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Beginning balance	128,159	$ 19.56	139,986	$ 18.01
Granted	51,246	19.06	41,847	22.72
Vested	(70,540)	18.96	(51,693)	17.91
Forfeited	—	—	(718)	16.58
Ending balance	108,865	$ 19.71	129,422	$ 19.58

As of June 30, 2024, unrecognized compensation cost related to the non-vested restricted stock units was $1.4 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 six months ended June 30, 2024 and 2023, the total fair value of the performance restricted stock units granted was $0.4 million and $0.4 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 total intrinsic value of performance restricted stock units that vested during the six months ended June 30, 2024 was $0.8 million.

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

	Three Months Ended June 30,			
	2024		2023	
	Performance Restricted Stock Units	Weighted Average Grant Date Fair Value	Performance Restricted Stock Units	Weighted Average Grant Date Fair Value
Beginning balance	70,333	$ 19.59	79,097	$ 18.25
Granted	—	—	—	—
Adjustment for performance condition	—	—	—	—
Vested	—	—	—	—
Forfeited	—	—	—	—
Ending balance	70,333	$ 19.59	79,097	$ 18.25

	Six Months Ended June 30,			
	2024		2023	
	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	19,933	19.06	17,030	22.72
Adjustment for performance condition	14,349	15.53	—	—
Vested	(43,046)	15.53	—	—
Forfeited	—	—	—	—
Ending balance	70,333	$ 19.59	79,097	$ 18.25

As of June 30, 2024, unrecognized compensation cost related to non-vested performance restricted stock units was $0.5 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 following is a summary of stock appreciation rights activity:

	Three Months Ended June 30,			
	2024		2023	
	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	73,440	$ 16.32
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Forfeited	—	—	—	—
Ending balance	73,440	$ 16.32	73,440	$ 16.32

	Six Months Ended June 30,			
	2024		2023	
	Stock Appreciation Rights	Weighted Average Grant Date Assigned Value	Stock Appreciation Rights	Weighted Average Grant Date Assigned Value
Beginning balance	73,440	$ 16.32	73,440	$ 16.32
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Forfeited	—	—	—	—
Ending balance	73,440	$ 16.32	73,440	$ 16.32

As of June 30, 2024, all stock appreciation rights were exercisable and had a weighted average remaining term of 4.8 years. There was no unrecognized compensation cost for stock appreciation rights as of June 30, 2024.

As of June 30, 2024 and December 31, 2023, the liability recorded for outstanding stock appreciation rights was $0.5 million and $0.6 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.

	June 30, 2024	December 31, 2023
Risk-free interest rate	4.33 %	3.85 %
Expected volatility	36.94 %	37.37 %
Expected life (in years)	5.2	5.7
Expected dividend yield	3.72 %	3.22 %

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

NOTE 12 – 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. The capital conservation buffer is 2.5% of risk-weighted assets.

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As of June 30, 2024 and December 31, 2023, the Company and the Bank each met all capital adequacy requirements to which they were subject. The actual and required capital amounts and ratios of the Company (on a consolidated basis) and the Bank were as follows:

	June 30, 2024					
	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)	$ 624,067	16.01 %	$ 311,789	8.00 %	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	544,803	13.98	233,841	6.00	N/A	N/A
Common Equity Tier 1 Capital (to Risk Weighted Assets)	493,598	12.66	175,381	4.50	N/A	N/A
Tier 1 Capital (to Average Assets)	544,803	10.83	201,293	4.00	N/A	N/A
Heartland Bank and Trust Company						
Total Capital (to Risk Weighted Assets)	$ 608,823	15.63 %	$ 311,525	8.00 %	$ 389,406	10.00 %
Tier 1 Capital (to Risk Weighted Assets)	569,073	14.61	233,643	6.00	311,525	8.00
Common Equity Tier 1 Capital (to Risk Weighted Assets)	569,073	14.61	175,233	4.50	253,114	6.50
Tier 1 Capital (to Average Assets)	569,073	11.32	201,165	4.00	251,457	5.00

	December 31, 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)	$ 603,234	15.33 %	$ 314,814	8.00 %	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	527,964	13.42	236,110	6.00	N/A	N/A
Common Equity Tier 1 Capital (to Risk Weighted Assets)	476,789	12.12	177,083	4.50	N/A	N/A
Tier 1 Capital (to Average Assets)	527,964	10.49	201,231	4.00	N/A	N/A
Heartland Bank and Trust Company						
Total Capital (to Risk Weighted Assets)	$ 586,604	14.92 %	$ 314,496	8.00 %	$ 393,119	10.00 %
Tier 1 Capital (to Risk Weighted Assets)	550,808	14.01	235,872	6.00	314,496	8.00
Common Equity Tier 1 Capital (to Risk Weighted Assets)	550,808	14.01	176,904	4.50	255,528	6.50
Tier 1 Capital (to Average Assets)	550,808	10.96	201,063	4.00	251,329	5.00

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The Company uses fair value to measure certain assets and liabilities on a recurring basis, such as investment securities, mortgage servicing rights, and derivatives. For assets measured at the lower of cost or fair value, the fair value measurement criteria may or may not be met during a reporting period, and such measurements are therefore considered "nonrecurring" for purposes of disclosing the Company's fair value measurements. Fair value is used on a nonrecurring basis to adjust carrying values for loans held for sale, collateral-dependent loans, bank premises held for sale, and foreclosed assets.

Recurring Basis

The following is a description of the methods and significant assumptions used to measure the fair value of assets and liabilities on a recurring basis.

Investment Securities

When available, the Company uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Company's securities where quoted prices are not available for identical securities in an active market, the Company determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2; however, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3. The change in fair value of debt securities available-for-sale is recorded through an adjustment to the consolidated statement of comprehensive income. The change in fair value of equity securities with readily determinable fair values is recorded through an adjustment to the consolidated statement of income.

Mortgage Servicing Rights

The Company has elected to record its mortgage servicing rights at fair value. Mortgage servicing rights do not trade in an active market with readily observable prices. Accordingly, the Company determines the fair value of mortgage servicing rights by estimating the fair value of the future cash flows associated with the mortgage loans being serviced as calculated by an independent third party. Key economic assumptions used in measuring the fair value of mortgage servicing rights include, but are not limited to, prepayment speeds and discount rates. Due to the nature of the valuation inputs, mortgage servicing rights are classified as Level 3. The change in fair value is recorded through an adjustment to the consolidated statement of income.

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. 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.

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

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023 by level within the fair value hierarchy:

	June 30, 2024			
(dollars in thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Debt securities available-for-sale:				
U.S. Treasury	$ 128,775	$ —	$ —	$ 128,775
U.S. government agency	—	53,989	—	53,989
Municipal	—	134,128	—	134,128
Mortgage-backed:				
Agency residential	—	176,722	—	176,722
Agency commercial	—	122,216	—	122,216
Corporate	—	53,225	—	53,225
Equity securities with readily determinable fair values	3,228	—	—	3,228
Mortgage servicing rights	—	—	18,984	18,984
Derivative financial assets	—	7,625	—	7,625
Derivative financial liabilities	—	7,475	—	7,475

	December 31, 2023			
(dollars in thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Debt securities available-for-sale:				
U.S. Treasury	$ 148,622	$ —	$ —	$ 148,622
U.S. government agency	—	52,097	—	52,097
Municipal	—	205,557	—	205,557
Mortgage-backed:				
Agency residential	—	173,984	—	173,984
Agency commercial	—	127,012	—	127,012
Corporate	—	52,189	—	52,189
Equity securities with readily determinable fair values	3,360	—	—	3,360
Mortgage servicing rights	—	—	19,001	19,001
Derivative financial assets	—	6,549	—	6,549
Derivative financial liabilities	—	6,227	—	6,227

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

June 30, 2024	Fair Value		Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mortgage servicing rights	$	18,984	Discounted cash flows	Constant pre-payment rates (CPR)	2.0% to 59.7% (8.2%)
				Discount rate	9.0% to 19.9% (9.9%)

December 31, 2023	Fair Value		Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mortgage servicing rights	$	19,001	Discounted cash flows	Constant pre-payment rates (CPR)	6.2% to 49.4% (8.4%)
				Discount rate	9.0% to 37.3% (9.6%)

Nonrecurring Basis

The following is a description of the methods and significant assumptions used to measure the fair value of assets and liabilities on a nonrecurring basis.

Loans Held for Sale

Mortgage loans originated and held for sale are carried at the lower of cost or estimated fair value. The Company obtains quotes or bids on these loans directly from purchasing financial institutions. Typically, these quotes include a premium on the sale and thus these quotes generally indicate fair value of the held for sale loans is greater than cost. Loans held for sale have been classified as Level 2.

Collateral-Dependent Loans

Periodically, a collateral-dependent loan is evaluated individually and is reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. If the collateral value is not sufficient, a specific reserve is recorded. Collateral values are estimated using recent appraisals and customized discounting criteria. Due to the significance of unobservable inputs, fair values of collateral-dependent loans have been classified as Level 3.

Bank Premises Held for Sale

Bank premises held for sale are recorded at the lower of cost or fair value, less estimated selling costs, at the date classified as held for sale. Values are estimated using recent appraisals and customized discounting criteria. Due to the significance of unobservable inputs, fair values of collateral-dependent loans have been classified as Level 3.

Foreclosed Assets

Foreclosed assets are recorded at fair value based on property appraisals, less estimated selling costs, at the date of the transfer. Subsequent to the transfer, foreclosed assets are carried at the lower of cost or fair value, less estimated selling costs. Values are estimated using recent appraisals and customized discounting criteria. Due to the significance of unobservable inputs, fair values of collateral-dependent loans have been classified as Level 3.

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

The following tables summarize assets measured at fair value on a nonrecurring basis as of June 30, 2024 and December 31, 2023 by level within the fair value hierarchy:

	June 30, 2024			
(dollars in thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Loans held for sale	$ —	$ 858	$ —	$ 858
Collateral-dependent loans	—	—	28,517	28,517
Bank premises held for sale	—	—	317	317
Foreclosed assets	—	—	320	320

	December 31, 2023			
(dollars in thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Loans held for sale	$ —	$ 2,318	$ —	$ 2,318
Collateral-dependent loans	—	—	32,685	32,685
Foreclosed assets	—	—	852	852

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

June 30, 2024	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral-dependent loans	$ 28,517	Appraisal of collateral	Appraisal adjustments	Not meaningful
Bank premises held for sale	317	Appraisal	Appraisal adjustments	7% (7%)
Foreclosed assets	320	Appraisal	Appraisal adjustments	7% (7%)

December 31, 2023	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral-dependent loans	$ 32,685	Appraisal of collateral	Appraisal adjustments	Not meaningful
Foreclosed assets	852	Appraisal	Appraisal adjustments	7% (7%)

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 and Brokered Time Deposits

Fair values of certificates of deposit with stated maturities have been estimated using the present value of estimated future cash flows discounted at rates currently offered for similar instruments. Time deposits also include public funds time deposits.

Securities Sold Under Agreements to Repurchase

The fair values of repurchase agreements with variable interest rates are presumed to approximate their recorded carrying amounts.

FHLB Advances

The fair values of FHLB advances are estimated using discounted cash flow analyses based on current rates offered for borrowings with similar remaining maturities and characteristics.

Subordinated Notes

The fair values of subordinated notes are estimated using discounted cash flow analyses based on rates observed on recent debt issuances by other financial institutions.

Junior Subordinated Debentures

The fair values of subordinated debentures are estimated using discounted cash flow analyses based on rates observed on recent debt issuances by other financial institutions.

Accrued Interest

The carrying amounts of accrued interest approximate fair value.

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

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	June 30, 2024		December 31, 2023	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	Level 1	$ 195,240	$ 195,240	$ 141,252	$ 141,252
Debt securities held-to-maturity	Level 2	512,549	453,753	521,439	466,496
Restricted stock	Level 3	5,086	5,086	7,160	7,160
Loans, net	Level 3	3,344,677	3,310,985	3,364,369	3,349,540
Investments in unconsolidated subsidiaries	Level 3	1,614	1,614	1,614	1,614
Accrued interest receivable	Level 2	22,425	22,425	24,534	24,534
Financial liabilities:					
Time deposits	Level 3	796,069	787,391	627,253	619,682
Brokered time deposits	Level 3	29,992	29,984	144,880	144,944
Securities sold under agreements to repurchase	Level 2	29,330	29,330	42,442	42,442
FHLB advances	Level 3	13,734	13,590	12,623	12,621
Subordinated notes	Level 3	39,514	37,386	39,474	36,993
Junior subordinated debentures	Level 3	52,819	48,787	52,789	48,529
Accrued interest payable	Level 2	6,832	6,832	6,969	6,969

The Company estimated the fair value of lending related commitments as described in Note 14 to be immaterial based on limited interest rate exposure due to their variable nature, short-term commitment periods, and termination clauses provided in the agreements.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair values have been estimated using data which management considered the best available and estimation methodologies deemed suitable for the pertinent category of financial instrument.

NOTE 14 – 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)	**June 30, 2024**	**December 31, 2023**
Commitments to extend credit	$ 892,241	$ 869,013
Standby letters of credit	24,399	23,732

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, by the Bank upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies, but may include real estate, accounts receivable, inventory, property, plant, and equipment, and income-producing properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those standby letters of credit are primarily issued to support extensions of credit. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. The Bank secures the standby letters of credit with the same collateral used to secure the related loan.

Allowance for Credit Losses on Unfunded Lending-related Commitments

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancelable by the Company. The allowance for credit losses on unfunded commitments is included in other liabilities on the consolidated balance sheets and is adjusted through a charge to provision for credit loss expense on the consolidated statements of income. The allowance for credit losses on unfunded commitments estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The allowance for credit losses on unfunded commitments was $4.3 million and $3.8 million as of June 30, 2024 and December 31, 2023, respectively.

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.

DeBaere, et al v. Heartland Bank and Trust Company

The Bank was a defendant in a purported class action lawsuit filed in June 2020, in the Circuit Court of Cook County, Illinois. The plaintiff, a customer of the Bank, alleges that the Bank breached its contract with the plaintiff by (1) charging multiple insufficient funds fees or overdraft fees on a single customer-initiated transaction, and (2) charging overdraft fees for transactions that were authorized on a positive account balance, but when settled, settled into a negative balance.

Miller, et al v. State Bank of Lincoln and Heartland Bank and Trust Company

The Bank was a defendant in a purported class action lawsuit filed in May 2020, in the Circuit Court of Logan County, Illinois. The plaintiff, a customer of State Bank of Lincoln, which previously merged with the Bank, alleges that the Bank breached its contract with the plaintiff by charging multiple insufficient funds fees or overdraft fees on a single customer-initiated transaction.

On May 15, 2023, the Bank reached an agreement in principle to settle both the *DeBaere, et al* and *Miller, et al* cases in which the Bank would make one-time cash payments totaling $3.4 million, without admitting fault, to release the Bank from further liability and claims in both the cases.

Definitive settlement agreements reflecting the terms of the agreement in principle were approved by the Court on December 15, 2023 in the *DeBaere, et al* case and on February 16, 2024 in the *Miller, et al* case. The Bank made the one-time cash payments totaling $3.4 million during the fourth quarter of 2023. The settlements do not include any admission of liability or wrongdoing by the Bank, and the Bank expressly denies any liability or wrongdoing with respect to any matter alleged in the Class Action and Receiver’s Action. The Bank agreed in principle to the settlements to avoid the cost, risks and distraction of continued litigation. The Company believes the settlements are in the best interests of the Company and its shareholders.

An initial $2.6 million accrual was recognized in other noninterest expense during the fourth quarter of 2022, reflecting management’s best estimate at that time, and an additional $0.8 million accrual was recognized in other noninterest expense during the second quarter of 2023, following the agreement in principle to settle both the *DeBaere, et al* and *Miller, et al* cases.

John Pickett v. Town and Country Bank

The Bank is a defendant in a purported class action lawsuit filed in October 2023, in the Circuit Court of Sangamon County, Illinois. The plaintiff, a customer of Town and Country Bank, which previously merged with the Bank, alleges that the Bank breached its contract with the plaintiff by charging overdraft fees for transactions that were authorized on a positive account balance, but when settled, settled into a negative balance.

On March 29, 2024, the Bank reached an agreement in principle to settle this case in which the Bank would make a one-time cash payment of $0.3 million, without admitting fault, to release the Bank from further liability and claims in the case. If the proposed settlement agreement is approved by the Court and is not subject to appeal, the Bank will make a one-time cash payment of $0.3 million.

The proposed settlement does 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 case. The Bank has agreed in principle to the settlement to avoid the cost, risks, and distraction of continued litigation. The Company believes the proposed settlement is in the best interests of the Company and its shareholders.

An initial accrual of $0.2 million was recorded during the fourth quarter of 2023, reflecting management's best estimate at that time, and an additional $0.1 million accrual was recorded during the first quarter of 2024. As of June 30, 2024 and December 31, 2023, the Company had $0.3 million and $0.2 million accrued related to this matter, respectively.

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 June 30, 2024 (unaudited), as compared with December 31, 2023, and the results of operations for the three and six months ended June 30, 2024 and 2023 (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, 2023, filed with the SEC on March 6, 2024. Results of operations for the three and six months ended June 30, 2024 and 2023 are not necessarily indicative of results to be attained for the year ended December 31, 2024, 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 financial products and services to consumers, businesses, and municipal entities throughout Illinois and eastern Iowa. As of June 30, 2024, the Company had total assets of $5.0 billion, loans held for investment of $3.4 billion, and total deposits of $4.3 billion.

Market Area

As of June 30, 2024, our branch network included 66 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:

	June 30, 2024		December 31, 2023	
(dollars in thousands)	**Loans**	**Deposits**	**Loans**	**Deposits**
Central	$ 1,681,530	$ 3,012,316	$ 1,693,794	$ 3,094,305
Chicago MSA	1,382,711	1,193,793	1,406,348	1,197,865
Illinois	3,064,241	4,206,109	3,100,142	4,292,170
Iowa	321,242	112,584	304,275	109,267
Total	$ 3,385,483	$ 4,318,693	$ 3,404,417	$ 4,401,437

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 and six months ended June 30, 2024. Acquisition-related expenses totaled $0.6 million during the three months ended June 30, 2023 and $13.7 million during the six months ended June 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.

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), 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; however, this depends upon the timing and extent of interest rate fluctuations and may not always be the case.

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 regional and national 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. Additionally, widespread adoption of faster payment and instant payment technologies could require us to substantially increase our expenditures on technology and cybersecurity 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 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 June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Total interest and dividend income	$ 62,824	$ 56,768	$ 124,785	$ 108,547
Total interest expense	15,796	7,896	31,069	12,838
Net interest income	47,028	48,872	93,716	95,709
Provision for credit losses	1,176	(230)	1,703	5,980
Net interest income after provision for credit losses	45,852	49,102	92,013	89,729
Total noninterest income	9,610	9,914	15,236	17,351
Total noninterest expense	30,509	33,973	61,777	69,906
Income before income tax expense	24,953	25,043	45,472	37,174
Income tax expense	6,883	6,570	12,144	9,493
Net income	$ 18,070	$ 18,473	$ 33,328	$ 27,681
Adjusted net income (1)	$ 18,139	$ 18,772	$ 36,212	$ 38,631
Net interest income (tax-equivalent basis) (1) (2)	$ 47,581	$ 49,587	$ 94,844	$ 97,126
Share and Per Share Information				
Earnings per share - Diluted	$ 0.57	$ 0.58	$ 1.05	$ 0.88
Adjusted earnings per share - Diluted (1)	0.57	0.58	1.14	1.22
Weighted average shares of common stock outstanding	31,579,457	31,980,133	31,621,205	31,481,439
Summary Ratios				
Net interest margin *	3.95 %	4.16 %	3.95 %	4.18 %
Net interest margin (tax-equivalent basis) * (1) (2)	4.00	4.22	3.99	4.24
Yield on loans *	6.35	5.97	6.34	5.89
Yield on interest-earning assets *	5.28	4.83	5.25	4.74
Cost of interest-bearing liabilities *	1.85	0.95	1.82	0.80
Cost of total deposits *	1.31	0.41	1.28	0.33
Cost of funds *	1.42	0.71	1.39	0.59
Efficiency ratio	52.61 %	56.57 %	55.40 %	60.74 %
Efficiency ratio (tax-equivalent basis) (1) (2)	52.10	55.89	54.83	59.99
Return on average assets *	1.45 %	1.49 %	1.34 %	1.15 %
Return on average stockholders' equity *	14.48	16.30	13.46	12.73
Return on average tangible common equity * (1)	17.21	19.91	16.03	15.31
Adjusted return on average assets * (1)	1.45 %	1.51 %	1.45 %	1.60 %
Adjusted return on average stockholders' equity * (1)	14.54	16.57	14.63	17.77
Adjusted return on average tangible common equity * (1)	17.27	20.23	17.42	21.36

* Annualized measure.
(1) See "Non-GAAP Financial Information" for reconciliation of non-GAAP measures to their most closely comparable GAAP measures.
(2) On a tax-equivalent basis assuming a federal income tax rate of 21% and a state income tax rate of 9.5%.

Comparison of the Three Months Ended June 30, 2024 to the Three Months Ended June 30, 2023

For the three months ended June 30, 2024, net income was $18.1 million, decreasing by $0.4 million, or 2.2%, when compared to net income for the three months ended June 30, 2023. Notable changes include the following:

- Noninterest expense decreased by $3.5 million, primarily reflecting the absence of $0.8 million of legal fees and $0.8 million of accruals related to legal matters previously disclosed, the absence of $0.6 million of Town and Country acquisition-related expenses, and the realization of planned cost reductions following the Town and Country core system conversion completed in April 2023;
- Net interest income decreased $1.8 million, primarily attributable to higher funding costs which were partially offset by higher asset yields and an increase in interest-earning assets;
- A provision for credit losses of $1.2 million was recognized during the three months ended June 30, 2024, compared to a negative provision for credit losses of $0.2 million during the three months ended June 30, 2023; and
- An additional $0.5 million of tax expense was recognized during the second quarter of 2024 for a deferred tax expense write-down, primarily as a result of an Illinois tax change. This increased our effective tax rate to 27.6% during the second quarter of 2024 compared to 26.2% during the second quarter of 2023. We expect this write-down to be earned back over several years through reduced tax expense.

Comparison of the Six Months Ended June 30, 2024 to the Six Months Ended June 30, 2023

For the six months ended June 30, 2024, net income was $33.3 million, increasing by $5.6 million, or 20.4%, when compared to net income for the six months ended June 30, 2023. Notable changes include the following:

- There were no Town and Country acquisition-related expenses during the six months ended June 30, 2024, compared to $13.7 million of acquisition-related expenses incurred during the six months ended June 30, 2023;
- Net losses of $3.4 million were realized on the sale of debt securities during the six months ended June 30, 2024, compared to net losses of $1.0 million realized during the six months ended June 30, 2023;
- A $2.0 million decrease in net interest income, primarily attributable to higher funding costs which were partially offset by higher asset yields and an increase in interest-earning assets;
- Impairment losses on bank premises of $0.6 million related to the closure of two branch premises, now held for sale, were recognized during 2024 which were not present in the 2023 results; and
- A $2.7 million increase in tax expense primarily reflects higher pre-tax income resulting from the above items as well as an additional $0.5 million for a deferred tax expense write-down, primarily as a result of an Illinois tax change. This increased our effective tax rate to 26.7% during the six months ended June 30, 2024, compared to 25.5% during the six months ended June 30, 2023. We expect this write-down to be earned back over several years through reduced tax expense.

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

(dollars in thousands)	Three Months Ended June 30, 2024 Average Balance	Interest	Yield/Cost *	June 30, 2023 Average Balance	Interest	Yield/Cost *
ASSETS						
Loans	$ 3,374,058	$ 53,274	6.35 %	$ 3,238,774	$ 48,189	5.97 %
Securities	1,195,287	6,907	2.32	1,384,180	7,680	2.23
Deposits with banks	211,117	2,570	4.90	84,366	781	3.71
Other	5,096	73	5.80	8,577	118	5.52
Total interest-earning assets	4,785,558	$ 62,824	5.28 %	4,715,897	$ 56,768	4.83 %
Allowance for credit losses	(40,814)			(39,484)		
Noninterest-earning assets	283,103			299,622		
Total assets	$ 5,027,847			$ 4,976,035		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest-bearing deposits:						
Interest-bearing demand	$ 1,123,592	$ 1,429	0.51 %	$ 1,224,285	$ 683	0.22 %
Money market	788,744	4,670	2.38	674,200	1,506	0.90
Savings	592,312	393	0.27	687,014	189	0.11
Time	763,507	7,117	3.75	447,025	1,933	1.73
Brokered	38,213	524	5.51	1,451	12	3.44
Total interest-bearing deposits	3,306,368	14,133	1.72	3,033,975	4,323	0.57
Securities sold under agreements to repurchase	30,440	129	1.70	34,170	34	0.40
Borrowings	13,466	121	3.60	173,040	2,189	5.07
Subordinated notes	39,504	469	4.78	39,424	469	4.78
Junior subordinated debentures issued to capital trusts	52,812	944	7.18	52,752	881	6.70
Total interest-bearing liabilities	3,442,590	$ 15,796	1.85 %	3,333,361	$ 7,896	0.95 %
Noninterest-bearing deposits	1,043,614			1,145,089		
Noninterest-bearing liabilities	39,806			43,080		
Total liabilities	4,526,010			4,521,530		
Stockholders' Equity	501,837			454,505		
Total liabilities and stockholders' equity	$ 5,027,847			$ 4,976,035		
Net interest income/Net interest margin (1)		$ 47,028	3.95 %		$ 48,872	4.16 %
Tax-equivalent adjustment (2)		553	0.05		715	0.06
Net interest income (tax-equivalent basis)/ Net interest margin (tax-equivalent basis) (2) (3)		$ 47,581	4.00 %		$ 49,587	4.22 %
Net interest rate spread (4)			3.43 %			3.88 %
Net interest-earning assets (5)	$ 1,342,968			$ 1,382,536		
Ratio of interest-earning assets to interest-bearing liabilities	1.39			1.41		
Cost of total deposits			1.31 %			0.41 %
Cost of funds			1.42			0.71

* 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.

(dollars in thousands)	Six Months Ended June 30, 2024 Average Balance	Interest	Yield/Cost *	June 30, 2023 Average Balance	Interest	Yield/Cost *
ASSETS						
Loans	$ 3,372,640	$ 106,294	6.34 %	$ 3,126,173	$ 91,300	5.89 %
Securities	1,208,367	13,754	2.29	1,397,821	15,493	2.24
Deposits with banks	189,207	4,522	4.81	88,343	1,520	3.47
Other	5,291	215	8.18	8,004	234	5.89
Total interest-earning assets	4,775,505	$ 124,785	5.25 %	4,620,341	$ 108,547	4.74 %
Allowance for credit losses	(40,526)			(36,410)		
Noninterest-earning assets	280,676			287,314		
Total assets	$ 5,015,655			$ 4,871,245		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest-bearing deposits:						
Interest-bearing demand	$ 1,125,638	$ 2,740	0.49 %	$ 1,227,447	$ 1,141	0.19 %
Money market	800,714	9,467	2.38	654,514	2,441	0.75
Savings	601,768	836	0.28	698,375	367	0.11
Time	714,003	13,042	3.67	402,151	2,736	1.37
Brokered	60,181	1,641	5.48	729	12	3.44
Total interest-bearing deposits	3,302,304	27,726	1.69	2,983,216	6,697	0.45
Securities sold under agreements to repurchase	31,448	281	1.80	36,879	72	0.39
Borrowings	13,235	246	3.73	143,632	3,486	4.89
Subordinated notes	39,494	939	4.78	39,414	939	4.81
Junior subordinated debentures issued to capital trusts	52,804	1,877	7.15	50,183	1,644	6.61
Total interest-bearing liabilities	3,439,285	$ 31,069	1.82 %	3,253,324	$ 12,838	0.80 %
Noninterest-bearing deposits	1,040,007			1,133,292		
Noninterest-bearing liabilities	38,457			46,181		
Total liabilities	4,517,749			4,432,797		
Stockholders' Equity	497,906			438,448		
Total liabilities and stockholders' equity	$ 5,015,655			4,871,245		
Net interest income/Net interest margin (1)		$ 93,716	3.95 %		$ 95,709	4.18 %
Tax-equivalent adjustment (2)		1,128	0.04		1,417	0.06
Net interest income (tax-equivalent basis)/ Net interest margin (tax-equivalent basis) (2) (3)		$ 94,844	3.99 %		$ 97,126	4.24 %
Net interest rate spread (4)			3.43 %			3.94 %
Net interest-earning assets (5)	$ 1,336,220			$ 1,367,017		
Ratio of interest-earning assets to interest-bearing liabilities	1.39			1.42		
Cost of total deposits			1.28 %			0.33 %
Cost of funds			1.39			0.59

* 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 June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
(dollars in thousands)	**Interest**	**Yield Contribution ***	**Interest**	**Yield Contribution ***	**Interest**	**Yield Contribution ***	**Interest**	**Yield Contribution ***
Contractual interest	$ 50,991	6.08 %	$ 45,897	5.69 %	$ 101,508	6.05 %	$ 86,873	5.60 %
Loan fees (excluding PPP loans)	1,110	0.13	1,184	0.15	2,151	0.13	2,290	0.15
PPP loan fees	—	—	—	—	—	—	1	—
Accretion of acquired loan discounts	982	0.12	1,008	0.12	2,177	0.13	1,821	0.12
Nonaccrual interest recoveries	191	0.02	100	0.01	458	0.03	315	0.02
Total loan interest income	$ 53,274	6.35 %	$ 48,189	5.97 %	$ 106,294	6.34 %	$ 91,300	5.89 %

* Annualized measure.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
(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	$ 50,991	4.29 %	$ 45,897	3.90 %	$ 101,508	4.27 %	$ 86,873	3.79 %
Loan fees (excluding PPP loans)	1,110	0.09	1,184	0.10	2,151	0.09	2,290	0.10
PPP loan fees	—	—	—	—	—	—	1	—
Accretion of acquired loan discounts	982	0.08	1,008	0.09	2,177	0.09	1,821	0.08
Nonaccrual interest recoveries	191	0.02	100	0.01	458	0.02	315	0.01
Securities	6,907	0.58	7,680	0.65	13,754	0.58	15,493	0.68
Interest-bearing deposits in bank	2,570	0.21	781	0.07	4,522	0.19	1,520	0.07
Other	73	0.01	118	0.01	215	0.01	234	0.01
Total interest income	62,824	5.28	56,768	4.83	124,785	5.25	108,547	4.74
Interest expense:								
Deposits	14,133	1.19	4,323	0.37	27,726	1.16	6,697	0.29
Other interest-bearing liabilities	1,663	0.14	3,573	0.30	3,343	0.14	6,141	0.27
Total interest expense	15,796	1.33	7,896	0.67	31,069	1.30	12,838	0.56
Net interest income	47,028	3.95	48,872	4.16	93,716	3.95	95,709	4.18
Tax-equivalent adjustment (1)	553	0.05	715	0.06	1,128	0.04	1,417	0.06
Net interest income (tax-equivalent) (1) (2)	$ 47,581	4.00 %	$ 49,587	4.22 %	$ 94,844	3.99 %	$ 97,126	4.24 %

* 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.

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 June 30, 2024 vs. Three Months Ended June 30, 2023			Six Months Ended June 30, 2024 vs. Six Months Ended June 30, 2023		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
(dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Loans	$ 2,063	$ 3,022	$ 5,085	$ 7,482	$ 7,512	$ 14,994
Securities	(1,081)	308	(773)	(2,147)	408	(1,739)
Deposits with banks	1,479	310	1,789	2,239	763	3,002
Other	(50)	5	(45)	(94)	75	(19)
Total interest-earning assets	2,411	3,645	6,056	7,480	8,758	16,238
Interest-bearing liabilities:						
Interest-bearing deposits:						
Interest-bearing demand	(60)	806	746	(102)	1,701	1,599
Money market	295	2,869	3,164	656	6,370	7,026
Savings	(29)	233	204	(57)	526	469
Time	1,969	3,215	5,184	3,248	7,058	10,306
Brokered	500	12	512	1,617	12	1,629
Total interest-bearing deposits	2,675	7,135	9,810	5,362	15,667	21,029
Securities sold under agreements to repurchase	(4)	99	95	(12)	221	209
Borrowings	(1,569)	(499)	(2,068)	(2,573)	(667)	(3,240)
Subordinated notes	1	(1)	—	2	(2)	—
Junior subordinated debentures issued to capital trusts	1	62	63	89	144	233
Total interest-bearing liabilities	1,104	6,796	7,900	2,868	15,363	18,231
Change in net interest income	$ 1,307	$ (3,151)	$ (1,844)	$ 4,612	$ (6,605)	$ (1,993)

Comparison of the Three Months Ended June 30, 2024 to the Three Months Ended June 30, 2023

Net interest income for the three months ended June 30, 2024 was $47.0 million, decreasing $1.8 million, or 3.8%, when compared to the three months ended June 30, 2023. The decrease is primarily attributable to an increase in funding costs which were mostly offset by higher yields on interest-earning assets and an increase in interest-earning assets.

Net interest margin decreased to 3.95% for the three months ended June 30, 2024, compared to 4.16% for the three months ended June 30, 2023. The decrease was primarily attributable to increases in funding costs outpacing increases in interest-earning asset yields. Additionally, the contribution of acquired loan discount accretion to net interest margin decreased to 8 basis points during the three months ended June 30, 2024, from 9 basis points during the three months ended June 30, 2023.

Comparison of the Six Months Ended June 30, 2024 to the Six Months Ended June 30, 2023

Net interest income for the six months ended June 30, 2024 was $93.7 million, decreasing $2.0 million, or 2.1%, when compared to the six months ended June 30, 2023. The decrease is primarily attributable to an increase in funding costs which were mostly offset by higher yields on interest-earning assets and higher interest-earning asset balances following the Town and Country merger.

Net interest margin decreased to 3.95% for the six months ended June 30, 2024, compared to 4.18% for the six months ended June 30, 2023. The decrease was primarily attributable to increases in funding costs outpacing increases in interest-earning asset yields. Additionally, the contribution of acquired loan discount accretion to net interest margin increased to 9 basis points during the six months ended June 30, 2024, compared to 8 basis points during the six months ended June 30, 2023.

The quarterly net interest margins were as follows:

	2024	2023
Three months ended:		
March 31	3.94 %	4.20 %
June 30	3.95	4.16
September 30	—	4.07
December 31	—	3.93

Our net interest margin decreased modestly beginning in the second quarter of 2023 as increased competition for deposits drove an increase in our funding costs. This continued during the remainder of 2023 with increases in funding costs outpacing increases in interest-earning asset yields. Our deposit balances and funding costs began to stabilize during the first quarter of 2024, but increases in market interest rates could lead to further increases in funding costs or decreases in core deposit balances which may 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:

(dollars in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
PROVISION FOR CREDIT LOSSES				
Loans	$ 677	$ (1,080)	$ 1,237	$ 4,021
Unfunded lending-related commitments	499	650	466	1,159
Debt securities	—	200	—	800
Total provision for credit losses	$ 1,176	$ (230)	$ 1,703	$ 5,980

Comparison of the Three Months Ended June 30, 2024 to the Three Months Ended June 30, 2023

The Company recorded a provision for credit losses of $1.2 million for the second quarter of 2024, compared to a $0.2 million negative provision during the second quarter of 2023. The second quarter of 2024 provision for credit losses primarily reflects a $0.9 million increase in required reserves resulting from changes in economic forecasts and a $0.9 million increase in required reserves driven by increased loan balances and changes within the loan portfolio which were mostly offset by a $0.7 million decrease in specific reserves.

Comparison of the Six Months Ended June 30, 2024 to the Six Months Ended June 30, 2023

The Company recorded a provision for credit losses of $1.7 million for the six months ended June 30, 2024. The 2024 provision for credit losses primarily reflects a $3.7 million increase in required reserves resulting from changes in qualitative factors; a $1.2 million decrease in required reserves resulting from changes in economic forecasts; a $0.8 million decrease in specific reserves on individually evaluated loans; and a $0.1 million decrease in required reserves driven by changes within the loan portfolio.

The 2023 results included 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 which were related to the Town and Country acquisition.

Additionally, the 2023 results included the establishment of an allowance for credit losses of $0.8 million on debt securities available-for-sale, related to one bank subordinated debt security, which was later reversed during the third quarter of 2023 after a merger announcement by the issuer of the bank subordinated debt security.

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

Noninterest Income

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(dollars in thousands)	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Card income	$ 2,885	$ 2,905	$ (20)	(0.7)%	$ 5,501	$ 5,563	$ (62)	(1.1)%
Wealth management fees	2,623	2,279	344	15.1	5,170	4,617	553	12.0
Service charges on deposit accounts	1,902	1,919	(17)	(0.9)	3,771	3,790	(19)	(0.5)
Mortgage servicing	1,111	1,254	(143)	(11.4)	2,166	2,353	(187)	(7.9)
Mortgage servicing rights fair value adjustment	(97)	141	(238)	NM	(17)	(483)	466	NM
Gains on sale of mortgage loans	443	373	70	18.8	741	649	92	14.2
Realized gains (losses) on sales of securities	—	—	—	—	(3,382)	(1,007)	(2,375)	NM
Unrealized gains (losses) on equity securities	(96)	7	(103)	NM	(112)	(15)	(97)	NM
Gains (losses) on foreclosed assets	(28)	(97)	69	NM	59	(107)	166	NM
Gains (losses) on other assets	—	109	(109)	NM	(635)	109	(744)	NM
Income on bank owned life insurance	166	147	19	12.9	330	262	68	26.0
Other noninterest income	701	877	(176)	(20.1)	1,644	1,620	24	1.5
Total	$ 9,610	$ 9,914	$ (304)	(3.1)%	$ 15,236	$ 17,351	$ (2,115)	(12.2)%

NM Not meaningful.

Comparison of the Three Months Ended June 30, 2024 to the Three Months Ended June 30, 2023

Total noninterest income for the three months ended June 30, 2024, was $9.6 million, a decrease of $0.3 million, or 3.1%, from the three months ended June 30, 2023. Notable changes in noninterest income include the following:

- A $0.3 million increase in wealth management fees, driven by higher values of assets under management; and
- A $0.2 million decrease in the mortgage servicing rights fair value adjustment, primarily due to changes in prepayment assumptions utilized in the valuations.

Comparison of the Six Months Ended June 30, 2024 to the Six Months Ended June 30, 2023

Total noninterest income for the six months ended June 30, 2024, was $15.2 million, a decrease of $2.1 million, or 12.2%, from the six months ended June 30, 2023. Notable changes in noninterest income include the following:

- Net losses of $3.4 million were realized on the sale of debt securities during the six months ended June 30, 2024, compared to net losses of $1.0 million realized during the six months ended June 30, 2023;
- Impairment losses on bank premises of $0.6 million related to the closure of two branch premises, now held for sale, were recognized during 2024 which were not present in the 2023 results;
- A $0.6 million increase in wealth management fees, driven by higher values of assets under management; and
- A $0.5 million increase in the mortgage servicing rights fair value adjustment, primarily due to changes in prepayment assumptions utilized in the valuations.

Noninterest Expense

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(dollars in thousands)	**2024**	**2023**	**$ Change**	**% Change**	**2024**	**2023**	**$ Change**	**% Change**
Salaries	$ 16,364	$ 16,660	$ (296)	(1.8)%	$ 33,021	$ 36,071	$ (3,050)	(8.5)%
Employee benefits	2,860	2,707	153	5.7	5,665	5,042	623	12.4
Occupancy of bank premises	2,243	2,785	(542)	(19.5)	4,825	4,887	(62)	(1.3)
Furniture and equipment	548	809	(261)	(32.3)	1,098	1,468	(370)	(25.2)
Data processing	2,606	2,883	(277)	(9.6)	5,531	7,206	(1,675)	(23.2)
Marketing and customer relations	996	1,359	(363)	(26.7)	1,992	2,195	(203)	(9.2)
Amortization of intangible assets	710	720	(10)	(1.4)	1,420	1,230	190	15.4
FDIC insurance	565	630	(65)	(10.3)	1,125	1,193	(68)	(5.7)
Loan collection and servicing	475	348	127	36.5	927	626	301	48.1
Foreclosed assets	10	97	(87)	(89.7)	59	158	(99)	(62.7)
Other noninterest expense	3,132	4,975	(1,843)	(37.0)	6,114	9,830	(3,716)	(37.8)
Total	$ 30,509	$ 33,973	$ (3,464)	(10.2)%	$ 61,777	$ 69,906	$ (8,129)	(11.6)%

Comparison of the Three Months Ended June 30, 2024 to the Three Months Ended June 30, 2023

Total noninterest expense for the three months ended June 30, 2024, was $30.5 million, a decrease of $3.5 million, or 10.2%, from the three months ended June 30, 2023. Notable changes in noninterest expense include the following:

- There were no Town and Country acquisition-related noninterest expenses for the three months ended June 30, 2024, but acquisition-related noninterest expenses totaled $0.6 million for the three months ended June 30, 2023;
- Excluding Town and Country acquisition-related expenses, the $1.6 million decrease in other noninterest expense primarily reflects the absence of $0.8 million of legal fees and $0.8 million of accruals related to legal matters previously disclosed; and
- Additionally, the second quarter of 2024 results reflect the realization of planned cost reductions following the Town and Country core system conversion completed in April 2023.

Comparison of the Six Months Ended June 30, 2024 to the Six Months Ended June 30, 2023

Total noninterest expense for the six months ended June 30, 2024, was $61.8 million, a decrease of $8.1 million, or 11.6%, from the six months ended June 30, 2023. Notable changes in noninterest expense include the following:

- There were no Town and Country acquisition-related noninterest expenses for the six months ended June 30, 2024, but acquisition-related noninterest expenses totaled $7.8 million for the six months ended June 30, 2023;
- Excluding Town and Country acquisition-related expenses, the $0.5 million increase in salaries expense was primarily driven by annual merit increases;
- Excluding Town and Country acquisition-related expenses, the $0.6 million increase in benefits expense was primarily attributable to higher medical benefits expenses;
- Excluding Town and Country acquisition-related expenses, the $1.8 million decrease in other noninterest expense primarily reflects the absence of $0.8 million of legal fees and $0.8 million of accruals related to legal matters previously disclosed; and
- Additionally, the 2024 results reflect the realization of planned cost reductions following the Town and Country core system conversion completed in April 2023.

Income Taxes

During the three and six months ended June 30, 2024, we recognized an additional $0.5 million of tax expense for a deferred tax asset write-down, primarily as a result of an Illinois tax change. This was the primary driver of the increase in our effective tax rate to 27.6% during the three months ended June 30, 2024 from 26.2% during the three months ended June 30, 2023, and to 26.7% during the six months ended June 30, 2024 from 25.5% during the six months ended June 30, 2023.

FINANCIAL CONDITION

(dollars in thousands, except per share data)

Consolidated Balance Sheet Information	June 30, 2024	December 31, 2023	$ Change	% Change
Cash and cash equivalents	$ 195,240	$ 141,252	$ 53,988	38.2 %
Debt securities available-for-sale, at fair value	669,055	759,461	(90,406)	(11.9)
Debt securities held-to-maturity	512,549	521,439	(8,890)	(1.7)
Loans held for sale	858	2,318	(1,460)	(63.0)
Loans, before allowance for credit losses	3,385,483	3,404,417	(18,934)	(0.6)
Less: allowance for credit losses	40,806	40,048	758	1.9
Loans, net of allowance for credit losses	3,344,677	3,364,369	(19,692)	(0.6)
Goodwill	59,820	59,820	—	—
Intangible assets, net	19,262	20,682	(1,420)	(6.9)
Other assets	204,738	203,829	909	0.4
Total assets	$ 5,006,199	$ 5,073,170	$ (66,971)	(1.3)%
Total deposits	$ 4,318,693	$ 4,401,437	$ (82,744)	(1.9)%
Securities sold under agreements to repurchase	29,330	42,442	(13,112)	(30.9)
Borrowings	13,734	12,623	1,111	8.8
Subordinated notes	39,514	39,474	40	0.1
Junior subordinated debentures	52,819	52,789	30	0.1
Other liabilities	42,640	34,909	7,731	22.1
Total liabilities	4,496,730	4,583,674	(86,944)	(1.9)
Total stockholders' equity	509,469	489,496	19,973	4.1
Total liabilities and stockholders' equity	$ 5,006,199	$ 5,073,170	$ (66,971)	(1.3)%
Tangible assets [(1)]	$ 4,927,117	$ 4,992,668	$ (65,551)	(1.3)%
Tangible common equity [(1)]	430,387	408,994	21,393	5.2
Core deposits [(1)]	$ 4,071,259	$ 4,126,374	$ (55,115)	(1.3)%
Share and Per Share Information				
Book value per share	$ 16.14	$ 15.44		
Tangible book value per share [(1)]	13.64	12.90		
Shares of common stock outstanding	31,559,366	31,695,828		
Balance Sheet Ratios				
Loan to deposit ratio	78.39 %	77.35 %		
Core deposits to total deposits [(1)]	94.27	93.75		
Stockholders' equity to total assets	10.18	9.65		
Tangible common equity to tangible assets [(1)]	8.74	8.19		

(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:

- Debt securities decreased $99.3 million, largely due to the sale of $66.8 million of municipal securities with sales proceeds used to reduce wholesale funding. Additionally, paydowns, maturities, and calls of debt securities generated another $58.5 million of cash proceeds with a portion reinvested into securities at currently higher yields;
- Loans decreased by $18.9 million, driven by lower line of credit utilization and early payoffs of loans; and
- The $82.7 million decrease in total deposits was primarily attributable to a $114.9 million decrease in brokered deposits and a $18.8 million decrease in higher cost reciprocal wealth management customer deposits included with money market deposits, partially offset by the addition of $65.0 million of time deposits from a State of Illinois loan matching program which are a lower cost source of funding.

Loan Portfolio

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

	June 30, 2024		December 31, 2023	
(dollars in thousands)	Balance	Percent	Balance	Percent
Commercial and industrial	$ 400,276	11.8 %	$ 427,800	12.6 %
Commercial real estate - owner occupied	289,992	8.6	295,842	8.7
Commercial real estate - non-owner occupied	889,193	26.3	880,681	25.9
Construction and land development	365,371	10.8	363,983	10.7
Multi-family	429,951	12.7	417,923	12.3
One-to-four family residential	484,335	14.3	491,508	14.4
Agricultural and farmland	285,822	8.4	287,294	8.4
Municipal, consumer, and other	240,543	7.1	239,386	7.0
Loans, before allowance for credit losses	3,385,483	100.0 %	3,404,417	100.0 %
Allowance for credit losses	(40,806)		(40,048)	
Loans, net of allowance for credit losses	$ 3,344,677		$ 3,364,369	

Loans, before allowance for credit losses were $3.39 billion at June 30, 2024, a decrease of $18.9 million, or 0.6%, from December 31, 2023. Notable changes include the following:

- A $16.3 million decrease in line utilization on existing lines of credit, including $13.2 million drawn on two customers' lines of credit in late December 2023 that paid off in early January 2024;
- A $12.0 million increase in multi-family loans and a $8.5 million increase in commercial real estate – non-owner occupied loans primarily attributable to completed construction projects transferred from the construction and land development category, partially offset by early payoffs; and
- A $1.4 million increase in construction loans primarily attributable to draws on existing construction projects and new construction loans to existing customers, mostly offset by transfers of completed projects into other categories.

Commercial Real Estate Portfolios

Commercial real estate – owner occupied loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The commercial real estate – owner occupied portfolio composition, segmented by the owner's business classification, as of June 30, 2024 was as follows:

	June 30, 2024	
(dollars in thousands)	Balance	Substandard Risk Rating
Health care and social assistance	$ 39,605	$ 341
Auto repair and dealers	34,901	—
Retail trade	31,891	—
Accommodation and food services	26,799	3,463
Manufacturing	24,911	—
Real estate, rental, and leasing	19,812	—
Construction	18,389	690
Grain elevators	16,968	—
Other services (except public administration)	14,143	—
Administrative and support services	12,340	—
Professional, scientific, and technical services	9,056	—
Arts, entertainment, and recreation	9,018	82
Wholesale trade	8,969	—
Agriculture, forestry, fishing, and hunting	7,383	—
Education services	6,775	1,470
Finance and insurance	5,759	—
Other	3,273	—
Total	$ 289,992	$ 6,046

Commercial real estate – non-owner occupied loans are primarily made based on projected cash flows from the rental or sale of the underlying collateral. The commercial real estate – non-owner occupied portfolio composition, segmented by the property type, as of June 30, 2024 was as follows:

	June 30, 2024		
(dollars in thousands)	Balance	Substandard Risk Rating	Weighted Average LTV[(1)]
Warehouse and manufacturing	$ 197,339	$ 124	58 %
Retail	181,663	9,270	59
Office	152,130	35	58
Senior Living	90,991	13,094	52
Hotel	89,114	10,920	56
Mixed use (commercial and residential)	67,395	—	64
Medical office	34,631	—	59
Gas station	28,387	—	63
Auto repair and dealers	17,679	—	52
Restaurant and bar	12,356	—	58
Other	17,508	—	53
Total	$ 889,193	$ 33,443	58 %

(1) Weighted average LTV is based on the most recent appraisals available, which are generally obtained at the time of origination.

Multi-family loans totaled $430.0 million as of June 30, 2024 and are primarily made based on projected cash flows from the rental or sale of the underlying collateral. As of June 30, 2024, multi-family loans had a weighted average LTV of 57%, based on the most recent appraisals available, which are generally obtained at the time of origination.

Management's disciplined approach to credit risk management is exercised through portfolio diversification, robust underwriting policies, and routine loan monitoring practices in order to identify and mitigate any credit weakness as early as possible. Management continually monitors and evaluates commercial real estate concentrations by property class, industry, and relative to the Bank's regulatory capital to remain in line with board established limits and adapt to changing industry conditions. A centralized credit underwriting group, independent of the originating lender, evaluates all exposures over $750 thousand annually, if not more frequently, through a standardized credit review process to ensure uniform application of policies and procedures as well as analyze credit performance. All loans require appropriate internal approval, with a centralized credit approval group reviewing all exposures over $500 thousand. A sampling of the loan portfolio is also reviewed by the Bank's internal loan review function annually, in addition to an annual third-party review of the portfolio.

In response to the rapid increase in interest rates, we have prepared quarterly cash flow stress tests for our commercial real estate – non-owner occupied and multi-family loans since the fourth quarter of 2022. For commercial real estate – non-owner occupied and multi-family loans over $1 million, we evaluate the impact of current interest rates on the underlying cash flows of the properties securing these loans, based on the most recent cash flow data available. This testing is completed in addition to the various sensitivity testing completed at the initial extension of credit. Individual credits with a maturity scheduled within the next five quarters that are presenting stress under current renewal terms are identified, so that ample time is available to develop solutions to manage credit risk.

Loan Portfolio Maturities

The following table summarizes the scheduled maturities of the loan portfolio as of June 30, 2024. 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	$ 200,046	$ 171,065	$ 29,165	$ —	$ 400,276
Commercial real estate - owner occupied	41,840	150,623	90,310	7,219	289,992
Commercial real estate - non-owner occupied	187,717	517,440	178,540	5,496	889,193
Construction and land development	185,847	168,103	7,342	4,079	365,371
Multi-family	89,185	286,118	53,303	1,345	429,951
One-to-four family residential	51,297	195,387	108,730	128,921	484,335
Agricultural and farmland	127,183	116,693	37,533	4,413	285,822
Municipal, consumer, and other	96,193	44,517	70,262	29,571	240,543
Total	$ 979,308	$ 1,649,946	$ 575,185	$ 181,044	$ 3,385,483

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	$ 50,431	$ 7,438	$ 57,869	$ 142,361	$ 200,230
Commercial real estate - owner occupied	39,367	39,406	78,773	169,379	248,152
Commercial real estate - non-owner occupied	84,752	22,479	107,231	594,245	701,476
Construction and land development	51,425	5,052	56,477	123,047	179,524
Multi-family	39,830	35,486	75,316	265,450	340,766
One-to-four family residential	88,441	61,782	150,223	282,815	433,038
Agricultural and farmland	4,428	9,618	14,046	144,593	158,639
Municipal, consumer, and other	13,357	21,326	34,683	109,667	144,350
Total	$ 372,031	$ 202,587	$ 574,618	$ 1,831,557	$ 2,406,175

Nonperforming Assets

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

(dollars in thousands)	June 30, 2024	December 31, 2023
NONPERFORMING ASSETS		
Nonaccrual	$ 8,425	$ 7,820
Past due 90 days or more, still accruing	7	37
Total nonperforming loans	8,432	7,857
Foreclosed assets	320	852
Total nonperforming assets	$ 8,752	$ 8,709
Nonperforming loans that are wholly or partially guaranteed by the U.S. Government	$ 2,132	$ 2,641
Allowance for credit losses	$ 40,806	$ 40,048
Loans, before allowance for credit losses	3,385,483	3,404,417
CREDIT QUALITY RATIOS		
Allowance for credit losses to loans, before allowance for credit losses	1.21 %	1.18 %
Allowance for credit losses to nonaccrual loans	484.34	512.12
Allowance for credit losses to nonperforming loans	483.94	509.71
Nonaccrual loans to loans, before allowance for credit losses	0.25	0.23
Nonperforming loans to loans, before allowance for credit losses	0.25	0.23
Nonperforming assets to total assets	0.17	0.17
Nonperforming assets to loans, before allowance for credit losses, and foreclosed assets	0.26	0.26

Total nonperforming assets were $8.8 million at June 30, 2024, remaining relatively stable from December 31, 2023. Additionally, of the $8.4 million of nonperforming loans held as of June 30, 2024, $2.1 million are either wholly or partially guaranteed by the U.S. Government.

Risk Classification of Loans

Our risk classifications of loans were as follows:

(dollars in thousands)	June 30, 2024	December 31, 2023
Pass	$ 3,197,880	$ 3,241,889
Pass-watch	88,204	98,206
Special mention [(1)]	30,082	—
Substandard	69,317	64,322
Total	$ 3,385,483	$ 3,404,417

(1) In June 2024, the Company updated its risk rating categories to add the special mention category to provide another level of granularity in distinguishing risk levels of loans. As of June 30, 2024, $19.5 million of the special mention loans would have been considered pass-watch and $10.6 million would have been considered substandard under the previous risk rating categories.

Loans rated pass-watch or worse increased $25.1 million, or 15.4%, from December 31, 2023 to June 30, 2024, primarily attributable to the downgrade of one construction and land development credit and two farmland-secured credits to the pass-watch risk classification.

Net Charge-offs (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 June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net charge-offs (recoveries)				
Commercial and industrial	$ 469	$ (12)	$ 458	$ (31)
Commercial real estate - owner occupied	(2)	(2)	(4)	(11)
Commercial real estate - non-owner occupied	(15)	(164)	(257)	(238)
Construction and land development	(1)	(5)	(2)	(8)
Multi-family	188	—	188	—
One-to-four family residential	(14)	(33)	(77)	(69)
Agricultural and farmland	(1)	(1)	(8)	(2)
Municipal, consumer, and other	62	99	181	129
Total	$ 686	$ (118)	$ 479	$ (230)
Average loans				
Commercial and industrial	$ 401,687	$ 361,312	$ 406,536	$ 343,461
Commercial real estate - owner occupied	294,729	301,707	296,036	289,036
Commercial real estate - non-owner occupied	886,825	890,857	884,765	852,990
Construction and land development	353,568	359,332	360,240	369,449
Multi-family	429,688	362,038	422,002	351,727
One-to-four family residential	487,872	486,759	489,821	461,007
Agricultural and farmland	285,465	251,050	281,452	239,206
Municipal, consumer, and other	234,224	225,719	231,788	219,297
Total	$ 3,374,058	$ 3,238,774	$ 3,372,640	$ 3,126,173
Charge-offs (recoveries) to average loans *				
Commercial and industrial	0.47 %	(0.01)%	0.23 %	(0.02)%
Commercial real estate - owner occupied	—	—	—	(0.01)
Commercial real estate - non-owner occupied	(0.01)	(0.07)	(0.06)	(0.06)
Construction and land development	—	(0.01)	—	—
Multi-family	0.18	—	0.09	—
One-to-four family residential	(0.01)	(0.03)	(0.03)	(0.03)
Agricultural and farmland	—	—	(0.01)	—
Municipal, consumer, and other	0.11	0.18	0.16	0.12
Total	0.08 %	(0.01)%	0.03 %	(0.01)%

* Annualized measure.

The net charge-offs (recoveries) to average total loans ratio has remained low for several years. While we believe our continuous credit monitoring and collection efforts have resulted in lower levels of credit losses, we also recognize that substantial federal economic stimulus following the COVID-19 pandemic and the relatively stable economic conditions after the pandemic have also contributed to reduced credit 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 June 30, 2024, 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.

	June 30, 2024					
	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	$ 40,177	1.44 %	$ —	— %	$ 40,177	1.44 %
U.S. government agency	6,290	2.87	—	—	6,290	2.87
Municipal	3,100	2.97	5,095	2.91	8,195	2.93
Mortgage-backed:						
Agency residential	76	2.26	—	—	76	2.26
Agency commercial	5,051	3.42	—	—	5,051	3.42
Total	$ 54,694	1.88 %	$ 5,095	2.91 %	$ 59,789	1.97 %
Due after 1 year through 5 years						
U.S. Treasury	$ 79,891	1.22 %	$ —	— %	$ 79,891	1.22 %
U.S. government agency	37,372	2.53	32,218	2.20	69,590	2.38
Municipal	42,236	1.70	17,394	3.18	59,630	2.13
Mortgage-backed:						
Agency residential	11,333	2.78	11,433	2.16	22,766	2.46
Agency commercial	67,266	1.79	44,556	2.63	111,822	2.13
Corporate	24,937	5.36	—	—	24,937	5.36
Total	$ 263,035	2.09 %	$ 105,601	2.54 %	$ 368,636	2.22 %
Due after 5 years through 10 years						
U.S. Treasury	$ 19,625	1.62 %	$ —	— %	$ 19,625	1.62 %
U.S. government agency	13,646	3.19	53,153	2.63	66,799	2.74
Municipal	90,644	1.74	12,201	3.56	102,845	1.95
Mortgage-backed:						
Agency residential	61,801	2.15	—	—	61,801	2.15
Agency commercial	27,019	1.58	211,322	1.86	238,341	1.83
Corporate	30,761	4.02	—	—	30,761	4.02
Total	$ 243,496	2.19 %	$ 276,676	2.09 %	$ 520,172	2.13 %
Due after 10 years						
U.S. government agency	$ —	— %	$ 3,089	2.83 %	$ 3,089	2.83 %
Municipal	20,000	1.65	2,260	3.43	22,260	1.83
Mortgage-backed:						
Agency residential	118,311	3.32	79,559	3.64	197,870	3.45
Agency commercial	37,031	2.29	40,269	1.88	77,300	2.08
Corporate	2,000	4.50	—	—	2,000	4.50
Total	$ 177,342	2.93 %	$ 125,177	3.05 %	$ 302,519	2.98 %
Total						
U.S. Treasury	$ 139,693	1.34 %	$ —	— %	$ 139,693	1.34 %
U.S. government agency	57,308	2.72	88,460	2.48	145,768	2.57
Municipal	155,980	1.74	36,950	3.28	192,930	2.04
Mortgage-backed:						
Agency residential	191,521	2.91	90,992	3.46	282,513	3.09
Agency commercial	136,367	1.95	296,147	1.98	432,514	1.97
Corporate	57,698	4.62	—	—	57,698	4.62
Total	$ 738,567	2.31 %	$ 512,549	2.42 %	$ 1,251,116	2.36 %

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 June 30,						
	2024			2023			
(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	$ 1,043,614	24.0 %	— %	$ 1,145,089	27.4 %	— %	(8.9)%
Interest-bearing demand	1,123,592	25.8	0.51	1,224,285	29.3	0.22	(8.2)
Money market	788,744	18.1	2.38	674,200	16.1	0.90	17.0
Savings	592,312	13.6	0.27	687,014	16.4	0.11	(13.8)
Time	763,507	17.6	3.75	447,025	10.7	1.73	70.8
Brokered	38,213	0.9	5.51	1,451	0.1	3.44	2533.6
Total deposits	$ 4,349,982	100.0 %	1.31 %	$ 4,179,064	100.0 %	0.41 %	4.1 %

	Six Months Ended June 30,						
	2024			2023			
(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	$ 1,040,007	24.0 %	— %	$ 1,133,292	27.5 %	— %	(8.2)%
Interest-bearing demand	1,125,638	25.9	0.49	1,227,447	29.8	0.19	(8.3)
Money market	800,714	18.4	2.38	654,514	15.9	0.75	22.3
Savings	601,768	13.9	0.28	698,375	17.0	0.11	(13.8)
Time	714,003	16.4	3.67	402,151	9.8	1.37	77.5
Brokered	60,181	1.4	5.48	729	—	3.44	8155.3
Total deposits	$ 4,342,311	100.0 %	1.28 %	$ 4,116,508	100.0 %	0.33 %	5.5 %

* Annualized measure.

The increase in average deposits balances in 2024 compared to 2023 is primarily attributable to wealth management customer reciprocal deposits brought on balance sheet in December 2023, which increased average money market deposits by $132.7 million during the three months ended June 30, 2024 and by $137.5 million during the six months ended June 30, 2024. Additionally, the Town and Country merger added $720.4 million of deposits on February 1, 2023.

As of June 30, 2024, the Company had $30.0 million of wholesale brokered deposits outstanding. Brokered deposits are generally considered to be deposits that have been received from a third party who is engaged in the business of placing deposits on behalf of others. A traditional deposit broker will direct deposits to the banking institution offering the highest interest rate available. Federal banking laws and regulations place restrictions on depository institutions regarding brokered deposits because of the general concern that these deposits are not relationship based and are at a greater risk of being withdrawn and placed on deposit at another institution offering a higher interest rate, thus posing liquidity risk for institutions that gather brokered deposits in significant amounts.

The following table sets forth time deposits by remaining maturity as of June 30, 2024:

(dollars in thousands)	3 Months or Less	Over 3 through 6 Months	Over 6 through 12 Months	Over 12 Months	Total
Time and brokered time deposits:					
Amounts less than $100,000	$ 102,424	$ 124,797	$ 90,093	$ 34,746	$ 352,060
Amounts of $100,000 or more but less than $250,000	97,407	80,821	64,095	14,236	256,559
Amounts of $250,000 or more	49,738	50,918	112,298	4,488	217,442
Total time and brokered time deposits	$ 249,569	$ 256,536	$ 266,486	$ 53,470	$ 826,061

As of June 30, 2024 and December 31, 2023, the Bank's uninsured deposits were estimated to be $917.8 million and $867.7 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.

Our on-balance sheet sources of liquidity included cash and cash equivalents as well as unpledged securities which may be sold or pledged as collateral to meet liquidity needs. As of June 30, 2024 and December 31, 2023, our on-balance sheet sources of liquidity included the following:

(dollars in thousands)	June 30, 2024	December 31, 2023
Cash and cash equivalents	$ 195,240	$ 141,252
Fair value of unpledged securities	602,180	827,760
Total cash and unpledged securities	$ 797,420	$ 969,012

Additional sources of liquidity include borrowings from the FHLB, the Federal Reserve discount window, and federal fund lines of credit. Interest is charged on outstanding borrowings at the prevailing market rate. As of June 30, 2024, our current borrowings and additional available borrowing capacity were as follows:

	June 30, 2024	
(dollars in thousands)	**Current Balance**	**Additional Available Capacity**
FHLB	$ 13,734	$ 1,013,764
Federal Reserve	—	101,118
Federal funds lines of credit	—	80,000
Total	$ 13,734	$ 1,194,882

Further, the Bank could utilize brokered deposits as an additional source of liquidity, as needed.

As of June 30, 2024, 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 June 30, 2024, 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 June 30, 2024, the Holding Company had cash and cash equivalents of $16.4 million.

The Holding Company's main source of funding is dividends declared and paid to it by the Bank. 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 such limitations will not impact the Holding Company's ability to meet its ongoing short-term or intermediate-term cash obligations. During the three months ended June 30, 2024 and 2023, the Bank paid $10.0 million and $15.0 million in dividends to the Holding Company, respectively. During the six months ended June 30, 2024 and 2023, the Bank paid $18.0 million and $40.0 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 June 30, 2024 and 2023, holding company operating expenses consisted of interest expense of $1.4 million and $1.4 million, respectively, and other operating expenses of $1.0 million and $1.2 million, respectively. During the six months ended June 30, 2024 and 2023, holding company operating expenses consisted of interest expense of $2.8 million and $2.6 million, respectively, and other operating expenses of $2.1 million and $3.4 million, respectively.

Additionally, the Holding Company paid $6.0 million and $5.5 million of dividends to stockholders during the three months ended June 30, 2024 and 2023, respectively, and paid $12.1 million and $11.0 million of dividends to stockholders during the six months ended June 30, 2024 and 2023, 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 June 30, 2024, 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 June 30, 2024, 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 June 30, 2024, 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. The capital conservation buffer requirement is 2.5% of risk-weighted assets.

As of June 30, 2024 and December 31, 2023, 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.

	June 30, 2024	December 31, 2023	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)	16.01 %	15.33 %	10.50 %	N/A
Tier 1 Capital (to Risk Weighted Assets)	13.98	13.42	8.50	N/A
Common Equity Tier 1 Capital (to Risk Weighted Assets)	12.66	12.12	7.00	N/A
Tier 1 Capital (to Average Assets)	10.83	10.49	4.00	N/A
Heartland Bank and Trust Company				
Total Capital (to Risk Weighted Assets)	15.63 %	14.92 %	10.50 %	10.00 %
Tier 1 Capital (to Risk Weighted Assets)	14.61	14.01	8.50	8.00
Common Equity Tier 1 Capital (to Risk Weighted Assets)	14.61	14.01	7.00	6.50
Tier 1 Capital (to Average Assets)	11.32	10.96	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 June 30, 2024, 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 2023, the Company paid quarterly cash dividends of $0.17 per share. On January 23, 2024, the Company announced an increase of $0.02 and paid a $0.19 per share dividend during the first and second quarters of 2024.

Stock Repurchase Program

Under the Company’s stock repurchase program, the Company repurchased 53,522 shares of its common stock at a weighted average price of $18.74 during the three months ended June 30, 2024. 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, 2025. As of June 30, 2024, the Company had $10.6 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 14 – 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 estimate 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.

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, including the day 2 provision for credit losses on non-PCD loans and unfunded commitments, - excludes branch closure expenses, - excludes net earnings (losses) from closed or sold operations, - excludes gains (losses) on 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
Ratio of 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 varying 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**

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Net income	$ 18,070	$ 18,473	$ 33,328	$ 27,681
Adjustments:				
Acquisition expenses [1]	—	(627)	—	(13,691)
Gains (losses) on closed branch premises	—	75	(635)	75
Realized gains (losses) on sales of securities	—	—	(3,382)	(1,007)
Mortgage servicing rights fair value adjustment	(97)	141	(17)	(483)
Total adjustments	(97)	(411)	(4,034)	(15,106)
Tax effect of adjustments [2]	28	112	1,150	4,156
Total adjustments after tax effect	(69)	(299)	(2,884)	(10,950)
Adjusted net income	$ 18,139	$ 18,772	$ 36,212	$ 38,631
Average assets	$ 5,027,847	$ 4,976,035	$ 5,015,655	$ 4,871,245
Return on average assets *	1.45 %	1.49 %	1.34 %	1.15 %
Adjusted return on average assets *	1.45	1.51	1.45	1.60

* 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 in accordance with ASC 326 which was adopted on January 1, 2023.
(2) Assumes a federal income tax rate of 21% and a state tax rate of 9.5%.

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

(dollars in thousands, except per share amounts)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Numerator:				
Net income	$ 18,070	$ 18,473	$ 33,328	$ 27,681
Earnings allocated to participating securities [1]	—	(11)	—	(16)
Numerator for earnings per share - basic and diluted	$ 18,070	$ 18,462	$ 33,328	$ 27,665
Adjusted net income	$ 18,139	$ 18,772	$ 36,212	$ 38,631
Earnings allocated to participating securities [1]	—	(10)	—	(23)
Numerator for adjusted earnings per share - basic and diluted	$ 18,139	$ 18,762	$ 36,212	$ 38,608
Denominator:				
Weighted average common shares outstanding	31,579,457	31,980,133	31,621,205	31,481,439
Dilutive effect of outstanding restricted stock units	87,354	99,850	113,794	84,981
Weighted average common shares outstanding, including all dilutive potential shares	31,666,811	32,079,983	31,734,999	31,566,420
Earnings per share - Basic	$ 0.57	$ 0.58	$ 1.05	$ 0.88
Earnings per share - Diluted	$ 0.57	$ 0.58	$ 1.05	$ 0.88
Adjusted earnings per share - Basic	$ 0.57	$ 0.59	$ 1.15	$ 1.23
Adjusted earnings per share - Diluted	$ 0.57	$ 0.58	$ 1.14	$ 1.22

(1) The Company previously granted restricted stock units that contained non-forfeitable rights to dividend equivalents which were considered participating securities. Prior to 2024, these restricted stock units were included in the calculation of 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Net interest income (tax-equivalent basis)				
Net interest income	$ 47,028	$ 48,872	$ 93,716	$ 95,709
Tax-equivalent adjustment (1)	553	715	1,128	1,417
Net interest income (tax-equivalent basis) (1)	$ 47,581	$ 49,587	$ 94,844	$ 97,126
Net interest margin (tax-equivalent basis)				
Net interest margin *	3.95 %	4.16 %	3.95 %	4.18 %
Tax-equivalent adjustment * (1)	0.05	0.06	0.04	0.06
Net interest margin (tax-equivalent basis) * (1)	4.00 %	4.22 %	3.99 %	4.24 %
Average interest-earning assets	$ 4,785,558	$ 4,715,897	$ 4,775,505	$ 4,620,341

* 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Efficiency ratio (tax-equivalent basis)				
Total noninterest expense	$ 30,509	$ 33,973	$ 61,777	$ 69,906
Less: amortization of intangible assets	710	720	1,420	1,230
Noninterest expense excluding amortization of intangible assets	$ 29,799	$ 33,253	$ 60,357	$ 68,676
Net interest income	$ 47,028	$ 48,872	$ 93,716	$ 95,709
Total noninterest income	9,610	9,914	15,236	17,351
Operating revenue	56,638	58,786	108,952	113,060
Tax-equivalent adjustment (1)	553	715	1,128	1,417
Operating revenue (tax-equivalent basis) (1)	$ 57,191	$ 59,501	$ 110,080	$ 114,477
Efficiency ratio	52.61 %	56.57 %	55.40 %	60.74 %
Efficiency ratio (tax-equivalent basis) (1)	52.10	55.89	54.83	59.99

(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 —
Ratio of Tangible Common Equity to Tangible Assets and Tangible Book Value Per Share

(dollars in thousands, except per share data)	June 30, 2024	December 31, 2023
Tangible Common Equity		
Total stockholders' equity	$ 509,469	$ 489,496
Less: Goodwill	59,820	59,820
Less: Intangible assets, net	19,262	20,682
Tangible common equity	$ 430,387	$ 408,994
Tangible Assets		
Total assets	$ 5,006,199	$ 5,073,170
Less: Goodwill	59,820	59,820
Less: Intangible assets, net	19,262	20,682
Tangible assets	$ 4,927,117	$ 4,992,668
Total stockholders' equity to total assets	10.18 %	9.65 %
Tangible common equity to tangible assets	8.74	8.19
Shares of common stock outstanding	31,559,366	31,695,828
Book value per share	$ 16.14	$ 15.44
Tangible book value per share	13.64	12.90

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Average Tangible Common Equity				
Total stockholders' equity	$ 501,837	$ 454,505	$ 497,906	$ 438,448
Less: Goodwill	59,820	59,876	59,820	54,643
Less: Intangible assets, net	19,605	22,520	19,970	19,097
Average tangible common equity	$ 422,412	$ 372,109	$ 418,116	$ 364,708
Net income	$ 18,070	$ 18,473	$ 33,328	$ 27,681
Adjusted net income	18,139	18,772	36,212	38,631
Return on average stockholders' equity *	14.48 %	16.30 %	13.46 %	12.73 %
Return on average tangible common equity *	17.21	19.91	16.03	15.31
Adjusted return on average stockholders' equity *	14.54 %	16.57 %	14.63 %	17.77 %
Adjusted return on average tangible common equity *	17.27	20.23	17.42	21.36

* Annualized measure.

**Reconciliation of Non-GAAP Financial Measure —
Core Deposits**

(dollars in thousands)	June 30, 2024	December 31, 2023
Core Deposits		
Total deposits	$ 4,318,693	$ 4,401,437
Less: time deposits of $250,000 or more	217,442	130,183
Less: brokered deposits	29,992	144,880
Core deposits	$ 4,071,259	$ 4,126,374
Core deposits to total deposits	94.27 %	93.75 %

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 base and shock scenarios in the rate shock analysis assume a static balance sheet, static interest rates, no changes to product mix shift, and cash flow reinvestment at current market interest rates. We also make assumptions for our deposit betas and asset prepayments, based on historical experience.

Deposit Betas

Deposit pricing changes are primarily driven by changes in the Federal Funds rate, with the relationship between deposit rates and Federal Funds rate defined as deposit beta. We define cumulative deposit beta as the change in our quarterly cost of deposits divided by the change in the upper level of the stated Federal Funds rate range since the fourth quarter of 2021, the start of the current rising rate cycle. As of June 30, 2024, our cumulative deposit beta was 23.6%, an increase from 18.7% as of December 31, 2023. This increase primarily reflects the lag between changes in the Federal Funds rate and the repricing of our deposits as well as a mix shift toward higher rate products.

Asset Prepayments

We include prepayment assumptions for both our loan and securities portfolios, based on historical experience. Generally, mortgage portfolio prepayments increase in lower rate environments, while commercial and consumer portfolios have historically remained more consistent throughout rate cycles.

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
June 30, 2024			
+400	20.2 %	6.7 %	12.2 %
+300	16.8	4.8	9.2
+200	12.2	3.0	6.1
+100	6.6	1.0	2.7
-100	(8.8)	(4.6)	(6.0)
-200	(17.3)	(8.3)	(11.6)
-300	(14.3)	(10.9)	(16.8)
-400	(4.4)	(12.5)	(20.4)
December 31, 2023			
+400	10.7 %	7.5 %	13.0 %
+300	9.7	5.8	10.3
+200	7.1	3.4	6.4
+100	4.2	1.4	3.1
-100	(6.3)	(4.4)	(6.1)
-200	(13.2)	(7.1)	(11.2)
-300	(4.5)	(9.5)	(16.0)
-400	5.4	(10.2)	(17.3)

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 June 30, 2024, 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 June 30, 2024, 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, 2023, filed with the SEC on March 6, 2024.

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 19, 2023, 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, 2025, 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 second quarter of 2024:

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)
April 1 - 30, 2024	36,154	$ 18.65	36,154	$ 10,932
May 1 - 31, 2024	2,113	18.86	2,113	10,892
June 1 - 30, 2024	15,255	18.92	15,255	10,603
Total	53,522	$ 18.74	53,522	$ 10,603

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

During the fiscal quarter ended June 30, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

ITEM 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	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in 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.
August 1, 2024	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: August 1, 2024

/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: August 1, 2024

/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 June 30, 2024 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)
August 1, 2024

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 June 30, 2024 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)
August 1, 2024