

PUBLIC DISCLOSURE

November 13, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Heartland Bank and Trust Company
Certificate Number: 20369

401 North Hershey Road
Bloomington, Illinois 61704

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	-	-	-
High Satisfactory	-	X	X
Low Satisfactory	X	-	-
Needs to Improve	-	-	-
Substantial Noncompliance	-	-	-
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated Low Satisfactory.

- Lending levels reflect adequate responsiveness to assessment area (AA) credit needs.
- An adequate percentage of loans were originated in the institution’s AAs.
- The geographic distribution of loans reflects poor penetration throughout the AAs.
- The distribution of loans to borrowers reflects, given the product lines offered by the institution, adequate penetration among businesses and farms of different sizes and retail customers of different income levels.
- The institution uses innovative and flexible lending practices in order to serve credit needs in the AAs.
- The institution has made a relatively high level of community development loans.

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified community development investments and grants, particularly those that are not routinely provided by private investors.
- The institution exhibits good responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the institution's AAs.
- To the extent that changes were made, the institution's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies, and to low- and moderate-income individuals.
- Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and individuals.
- The institution is a leader in providing community development services.

DESCRIPTION OF INSTITUTION

Background

Heartland Bank and Trust Company (Heartland) is a \$5 billion full-service community bank. Heartland is wholly-owned by HBT Financial, Inc. a one-bank holding company headquartered in Bloomington, Illinois. The institution received a Satisfactory rating at its previous FDIC examination dated July 16, 2020, based on Interagency Large Bank Examination Procedures.

Operations

As of the evaluation date, Heartland operates 67 full-service banking offices and three limited-service banking offices in Illinois and Iowa. Heartland operates 66 banking locations in Illinois and four banking locations in Iowa. Additional details regarding opening and closing of banking offices since the prior evaluation are detailed within each Description of Operations in the individual AAs. In addition, the bank operates two loan production offices (LPOs) located in Chicago, IL.

Heartland completed three mergers since the prior evaluation date. The first merger occurred on December 31, 2020 when Heartland merged with its affiliate, State Bank of Lincoln, Lincoln, IL. This merger resulted in six new banking offices in central Illinois. The second acquisition occurred with the merger of NXT Bancorporation, Central City, IA and HBT Financial Inc., on December 6, 2021. This merger resulted in four new banking offices in east central Iowa. The third acquisition occurred with the merger of Town and County Bank, Quincy, IL on February 1, 2023. This merger resulted in 10 new banking offices in central and southern Illinois.

Heartland offers loan products including commercial, agricultural, home mortgage, and consumer loans with the lending focus primarily on home mortgage and commercial lending. The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative delivery channels to serve its customers includes bank-owned automated teller machines (ATMs), online banking, online bill payment, mobile banking, Visa debit cards, and telephone banking. The bank's website is www.hbtbank.com. Business services include remote deposit capture and mobile banking.

Ability and Capacity

According to the September 30, 2023 Consolidated Reports of Condition and Income, Heartland reported total assets of \$5 billion, total loans of \$3.3 billion, and total deposits of \$4.2 billion. As of September 30, 2023, the net loan-to-deposit ratio was 78.5 percent and net loan-to-asset ratio was 66.3 percent. Additionally, the bank's investment portfolio totaled \$1.3 billion, which represents 26.1 percent of total assets.

Primarily due to the previously discussed merger activity, Heartland experienced growth in both assets and loans since the previous CRA evaluation. Total assets increased by \$1.8 billion, or 36.9 percent, and total loans increased by \$1.2 billion, or 36.3 percent. Loan growth by dollar volume has been primarily in commercial, multi-family, and 1-4 family residential lending.

Loan Portfolio Distribution as of 09/30/2023		
Loan Category	\$(000s)	%
Construction and Land Development	371,158	11.1
Secured by Farmland	168,692	5.0
1-4 Family Residential	492,218	14.7
Multi-family (5 or more) Residential	388,742	11.6
Commercial Real Estate	1,199,171	35.8
Total Real Estate Loans	2,619,981	78.2
Commercial and Industrial	386,933	11.6
Agricultural	106,547	3.2
Consumer	13,006	0.4
Obligations of States and Political Subdivisions	123,637	3.7
Loans to Non-depository Financial Institutions	96,245	2.9
Other Loans	0	0.0
Total Loans	3,346,349	100.0
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0</i>		

As shown in the table above, the loan portfolio is mainly comprised of commercial and residential loans. Commercial loans, including commercial real estate loans, represents 47.4 percent of the loan portfolio, followed by residential loans, including multi-family loans, at 26.3 percent. The loan portfolio also includes smaller percentages of agriculture loans at 8.2 percent and consumer loans at 0.4 percent.

Examiners did not identify any financial or other legal impediments that hinder the bank's ability to provide credit within its AAs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. Heartland 14 designated AAs located throughout the states in which it operates that includes metropolitan statistical areas (MSA) in Illinois and Iowa, and metropolitan divisions (MD) and nonmetropolitan areas in Illinois. The AAs are summarized in the following table.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Bloomington, IL MSA 14010	McLean	47	9
Chicago-Naperville-Evanston, IL MD 16984	Cook, DuPage, Grundy, McHenry, Will	1,797	5
Elgin, IL MD 20994	DeKalb, Kane, Kendall	148	12
Lake County-Kenosha County, IL-WI (part) MD 29404	Lake	160	1
Ottawa, IL MSA* 36837	Bureau, LaSalle, Putnam	40	6
Peoria, IL MSA 37900	Marshall, Peoria, Tazewell, Woodford	93	14
Champaign-Urbana MSA 16580	Champaign, Piatt	52	3
Illinois Nonmetropolitan	Adams, DeWitt, Ford, Livingston, Logan, Morgan	57	10
Decatur, IL MSA 19500	Macon	37	1
Springfield, IL MSA 44100	Sangamon	54	3
St. Louis, MO-IL MSA 41180	Madison, St Clair	131	2
Cedar Rapids, IA MSA 16300	Linn, Jones	61	2
Iowa City, IA MSA 26980	Johnson	36	1
Waterloo-Cedar Falls, IA MSA 47940	Black Hawk	39	1
<i>Sources: Bank Data; * - represents Micropolitan Statistical Area</i>			

The AAs are consistent with the requirements of the CRA, as they are comprised of whole geographies; do not arbitrarily exclude any low- or moderate-income geographies; and include the census tracts in which the bank operates its main office, branches, and deposit-taking automated teller machines.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 16, 2020 to the current evaluation dated November 13, 2023. Examiners used the Interagency Large Institution Examination Procedures to evaluate Heartland’s CRA performance. The procedures include three tests: the Lending Test, Investment Test, and Service Test. The criteria for these procedures are listed in the Appendix. Banks must achieve at least a Low Satisfactory rating under the Lending Test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates. Examiners relied upon records provided by the bank, U.S. 2020 Census data, D&B data, community contact information, and loan information reported under the CRA and Home Mortgage Disclosure Act (HMDA). The lending, investment, and service test ratings are assigned for each state.

Heartland is considered an interstate bank because it operates banking offices in the State of Illinois and the State of Iowa. It is subject to the Interstate Banking and Branching Efficiency Act of 1994 (IBBEA). Examination procedures performed during the current evaluation reflected that Heartland is in compliance with all applicable requirements of IBBEA.

As previously stated, Heartland has designated 14 AAs in Illinois and Iowa. The Bloomington, IL MSA; Chicago-Naperville-Evanston, IL MD; Elgin, IL MD; Lake County-Kenosha County, IL-WI MD; Ottawa, IL MSA; and the Peoria, IL MSA were chosen for full-scope reviews as these areas are where the majority of the bank’s deposits are taken, loans originated, and branches are located. The Chicago MD, Elgin MD, Lake County MD, and the Ottawa MSA are part of the larger Chicago-Naperville, IL-IN-WI CSA #176. Performance was consistent in all areas so these four AAs are presented as the Chicago, IL CSA AA within the evaluation. In an effort to ensure that an institution’s performance in infrequently reviewed AAs are regularly evaluated, the Ottawa, IL MSA was selected for a full-scope review for this evaluation and included with the Chicago, IL CSA AA presentation. Limited-scope procedures were utilized for the Champaign-Urbana, IL MSA and the Illinois nonmetropolitan AAs.

Examiners did not review the bank’s lending performance in the Decatur, IL MSA, Springfield, IL MSA, and St. Louis, IL MSA AAs as these areas were recently added in February 2023. However, the bank’s community development activities will be included in the community development lending, investments, and services overall performance tables for year to date (YTD) 2023.

Examiners also analyzed the bank’s performance in the Cedar Rapids, IA MSA AA and the Iowa City, IA MSA AA for the first time using full-scope procedures. These two MSAs comprise the larger Cedar Rapids-Iowa City, IA CSA #168. Performance was consistent in both MSAs so these two AAs will be presented as the Cedar Rapids-Iowa City, IA CSA AA within the evaluation. Limited-scope procedures were utilized for the Waterloo-Cedar Falls, IA MSA AA.

Heartland’s performance in the State of Illinois carried the greatest weight in the overall rating. As of September 30, 2023, Heartland originated the largest percentage of its loans, attracted the largest percentage of dollar volume of deposits, and had the largest percentage of branches in Illinois. As such, Illinois received substantially more weight when drawing conclusions. The following table presents details regarding the State and AA weighting.

State and Assessment Area Weighting			
Assessment Area Name As Presented	Loans	Deposits	Branches
	% of \$	% of \$	% of #
Bloomington, IL MSA	17.9	17.4	12.9
Chicago, IL CSA	43.7	38.3	34.3
Peoria, IL MSA	3.4	14.4	20.0
Champaign-Urbana, IL MSA	6.9	3.2	4.3
Illinois Nonmetropolitan	4.3	15.3	14.3
State of Illinois Subtotal	76.2*	88.6*	85.8*
Cedar Rapids-Iowa City, IA CSA	8.2	1.9	4.3
Waterloo-Cedar Falls, IA MSA	1.1	0.7	1.4
State of Iowa Subtotal	9.3	2.6	5.7
<i>Source: Bank Data as of September 30, 2023; *-Subtotals do not include the three AAs in Illinois not included in the evaluation.</i>			

A more detailed discussion of each of these AAs is included in the corresponding rated area sections of this evaluation.

Activities Reviewed

Examiners determined that the bank's major product lines are small business, home mortgage, and small farm loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The number and dollar volume of originations for small business loans were the largest and received the greatest weight in the overall rating. Home mortgage loans and small farm loans received less weight in the overall rating due to the lower volume of originations when compared to small business loans.

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Examiners did not analyze any other loan types, such as consumer loans, because they do not represent major product lines and would not provide material support for conclusions or ratings.

This evaluation considered all home mortgage loans reported on the bank's 2020, 2021, and 2022 HMDA Loan Application Registers (LARs). In 2020, the bank reported 1,781 loans totaling \$355 million; in 2021, the bank reported 1,621 loans totaling \$293 million; and in 2022, the bank reported 682 loans totaling \$164 million.

Small business loan data for 2020, 2021, and 2022 collected pursuant to CRA data collection requirements was used to evaluate the bank's record of lending to businesses during the evaluation period. In 2020, Heartland originated 2,975 small business loans totaling \$834 million; in 2021, the bank originated 2,444 small business loans totaling \$268 million; and in 2022, the bank originated 933 small business loans totaling \$181 million.

Similarly, small farm loan data collected and reported by the bank for 2020, 2021, and 2022 was considered in this evaluation. Specifically, in 2020, the bank originated 669 small farm loans totaling \$177 million; in 2021, the bank originated 1,154 small farm loans totaling \$85 million; and in 2022, the bank originated 515 small farm loans totaling \$78 million.

Heartland also offers an affordable small dollar loan program. This program serves as an alternative to high cost credit, particularly to unbanked and underbanked individuals, throughout the AAs. Specifically, under the bank's program, loan amounts range from \$500 to \$1,500 with terms of 12 or 24 months and with annual percentage rates (APRs) below 36 percent. Additionally, there is streamlined underwriting and a mandatory financial education class that must be completed by each applicant. For the current evaluation period, Heartland originated 459 affordable small dollar loans totaling \$350,000 with a significant majority originated to low- and moderate-income borrowers. As such, 73.4 percent were originated to low-income borrowers and 12.8 percent were originated to moderate-income borrowers. These loans received positive consideration due to the qualitative impact on low- and moderate-income borrowers and strengthened the bank's performance under the Innovative and Flexible Lending criteria of the Lending Test and as a retail banking service under the Service Test.

For the Illinois AAs, the overall conclusions for the combined AAs presents and analyzes all three years of performance activity. However, examiners did not identify any significant trends between 2020 and 2022 loan data that materially affected conclusions in the individual assessment areas.

Therefore, this evaluation only presents HMDA-reportable loan information for 2022 for the individual AAs, as it is the most recent year that aggregate data is available as of the evaluation date. Further, this evaluation only presents 2021 small business and small farm information subject to CRA data collection requirements for the individual AAs, as it is the most recent year that aggregate data is available.

For the Iowa AAs, the bank's home mortgage lending performance is presented using HMDA-reportable loan information for 2022. Similar to the Illinois AAs' review, Heartland's home mortgage lending performance is compared to 2022 HMDA aggregate data as well. However, due to the opening of the Iowa branches in December 2021, the bank's performance is not compared to 2021 aggregate data. As such, the 2022 small business and small farm lending is analyzed and compared to AAs' demographics. Additionally, while the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses, individuals, and farms served.

Community development loans, qualified investments, and community development services initiated or maintained by the bank since the previous CRA performance evaluation dated July 16, 2020 were reviewed for this evaluation.

As part of the evaluation process, examiners contact third parties active in the assessment areas to assist in identifying the credit and community development needs and opportunities, and determine whether local financial institutions are responsive to those needs. Examiners also considered prior community contacts for this public evaluation. The prior community contacts were performed within the last 12 months of the current evaluation date. Comments from the community contacts are included in the appropriate sections of this evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

An overall Low Satisfactory rating is assigned under the Lending Test.

The Lending Test rating was determined by evaluating the bank's lending activity, AA concentration, geographic distribution, borrower profile, community development lending, and innovative and flexible lending practices. Examiners placed more weight on the geographic distribution, borrower profile, and community development lending criteria. Each criterion measures the bank's effectiveness at meeting the credit needs in low- and moderate-income neighborhoods and individuals, and small businesses, and small farms, which is the primary essence of CRA. In addition, as mentioned previously, more emphasis was placed on conclusions in the State of Illinois because this is where the significant majority of the institution's loans are originated, deposits are taken, and banking offices are located.

Lending Activity

Lending levels reflect adequate responsiveness to the AAs' credit needs. This conclusion is primarily supported by Heartland's lending activity in Illinois. Some highlights are noted below:

- In the Bloomington, IL MSA AA, Heartland ranked tenth in market share by number out of 253 lenders that reported HMDA data in the MSA in 2022. For small business loans, Heartland ranked first in market share by number of loans among 79 lenders that reported small business loan data and ranked first for small farm loans out of 20 lenders that reported these types of loans in 2021.
- In the Chicago, IL CSA AA, Heartland ranked 134th in market share by number of home mortgage loans among 914 lenders that reported HMDA data in 2022. For small business loans, Heartland ranked 35th in market share by number of loans among 914 lenders that reported small business loan data in 2021. In addition, the bank ranked first in market share among 47 lenders that reported this type of loan in 2021.
- In the Peoria, IL MSA AA, Heartland ranked 26th in market share by number of home mortgage loans among 303 lenders that reported HMDA data in 2022. For small business loans, the bank ranked fourth in market share by number of loans among 92 lenders that reported small business loan data and ranked second among 20 lenders that reported small farm loans in 2021.

Assessment Area Concentration

Heartland originated a high percentage of loans within its assessment areas. A majority of all three loan types, both by number and dollar volume, were originated within the overall AA.

Lending Inside and Outside of the Assessment Areas											
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)	
	Inside		Outside			Inside		Outside			
	#	%	#	%		\$	%	\$	%		
Small Business											
2020	2,772	93.2	203	6.8	2,975	761,460	91.3	72,200	8.7	833,660	
2021	2,269	92.8	175	7.2	2,444	241,339	90.0	26,894	10.0	268,233	
2022	851	91.2	82	8.8	933	162,371	89.5	19,106	10.5	181,477	
Total	5,892	92.8	460	7.2	6,352	1,165,170	90.8	118,200	9.2	1,283,370	
Home Mortgage											
2020	1,674	94.0	107	6.0	1,781	330,700	93.2	24,195	6.8	354,895	
2021	1,085	66.9	536	33.1	1,621	200,872	68.6	92,057	31.4	292,928	
2022	523	76.7	159	23.3	682	106,853	65.3	56,829	34.7	163,681	
Total	3,282	80.4	802	5.1	4,084	638,425	78.7	173,081	21.3	811,504	
Small Farm											
2020	620	92.7	49	7.3	669	150,391	85.0	26,575	15.0	176,966	
2021	984	93.4	70	6.6	1,054	79,895	93.8	5,286	6.2	85,181	
2022	486	94.4	29	5.6	515	73,238	93.3	5,225	6.7	78,463	
Total	2,090	93.4	148	6.6	2,238	303,524	89.1	37,086	10.9	340,610	

Source: Bank Data; Due to rounding, totals may not equal 100.0%

The percentage of loans made within the overall assessment area was generally consistent for each of the loan products reviewed. The following table reflects the distribution of the loans originated inside and outside the assessment areas by loan category.

During the review period, the bank participated in the Paycheck Protection Program (PPP), which was created and administered by the Small Business Administration. The PPP was designed to assist businesses impacted by the COVID-19 pandemic to maintain and compensate their workforce during the crisis. The substantial decrease in small business lending in 2022 is attributed to the bank's participation in the PPP in 2020 and 2021, which increased the small business lending in those years. During the evaluation period, Heartland originated 2,092 PPP loans totaling \$106.4 million within its overall AA. An average loan amount of \$50,838 indicates that the majority of the bank's PPP lending was targeted towards assisting smaller business operations.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the overall assessment area. This conclusion is primarily derived by the bank's poor geographic distribution of loans in the Chicago, IL CSA and Peoria, IL MSA AAs. However, the geographic distribution of loans remains adequate in the Bloomington, IL MSA AA. A complete discussion of the bank's performance for this criterion is located in the separate assessment area sections of this evaluation.

Borrower Profile

The distribution of loans to borrowers reflects, given the product lines offered by the institution, adequate penetration among home mortgage borrowers of different income levels and business and farm borrowers of different sizes. This conclusion is primarily derived by an adequate borrower distribution of loans in the Bloomington, IL MSA, Chicago, IL CSA, and Peoria, IL MSA AAs. Additionally, the bank's affordable small dollar loan program particularly benefits low- and moderate-income individuals. This program enhances performance under this criterion in all assessment areas. Please refer to the separate assessment area sections of this evaluation for further discussions of the bank's performance under this criterion.

Innovative or Flexible Lending Practices

Heartland uses innovative and/or flexible lending practices in order to serve assessment area credit needs by utilizing federally-sponsored loan programs, as well as, in-house developed loan programs. Heartland originated 820 loans totaling \$52.8 million since the prior evaluation. While the number of loans decreased from 1,131 at the prior evaluation, the dollar amount increased from \$44.2 million. This decrease in the number of flexible loans is attributed to the bank's affordable small dollar loan program when it was moved online due to the COVID-19 pandemic. This loan product is particularly responsive to the needs of low- and moderate-income borrowers. The following table provides a summary of the bank's flexible lending activity since the prior evaluation.

Innovative or Flexible Lending Programs – Overall Assessment Area										
Type of Program	7/16/2020-12/2020		2021		2022		YTD 11/13/2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Home Possible	23	2,309	35	3,476	60	6,853	51	5,107	139	17,745
IHDA	1	169	1	159	1	134	87	11,135	90	11,597
FHA	0	0	0	0	0	0	57	7,376	57	7,376
USDA	0	0	1	97	6	609	17	1,755	24	2,461
Home Matters	4	521	7	650	5	681	6	531	22	2,383
VA	0	NA	0	NA	0	NA	11	1,866	11	1,866
Home i-Matters	0	NA	0	NA	0	NA	1	280	1	280
Affordable Small Dollar Loans	66	60	113	95	113*	112	101	83	459	350
SBA	2	1,971	4	1,594	2	675	10	4,535	18	8,775
Totals	96	5,031	161	6,071	187	9,063	341	32,668	820	52,833

*Source: Bank Data; * - Includes five small dollar loans for the Affordable Housing Program collaboration with Phoenix Community Development Services. Small dollar loans up to \$4,000 were provided to eligible program participants for the purpose of home repairs to properties located in low- and moderate-income census tracts. This program was part of the FHLBC's AHP competitive grant program.*

A description of the bank's flexible lending programs are detailed below:

- **Home Possible:** Available through Freddie Mac, program allows a low down payment option with as little as three percent. The program is for borrowers not exceeding 80 percent of the area median income (AMI) where the property is located. The program has lower private mortgage insurance (PMI) than traditional conventional mortgage programs and is available for first-time and repeat homebuyers.
- **IHDA:** Illinois Housing Development Authority (IHDA) provides down payment assistance in the form of forgivable, repayable, or deferred assistance depending on the program utilized by the borrower. IHDA has higher income limits allowing more borrowers to take advantage of down payment assistance.
- **FHA:** Available through the Federal Housing Administration (FHA), program is a government guaranteed loan requiring 3.5 percent down payment. FHA loans are particularly helpful to potential homebuyers with lower credit scores and those with less than the typical down payment of 20 percent.
- **USDA:** Available through the U.S. Department of Agriculture (USDA) Rural Housing Service, program requires no down payment. Qualified borrowers may receive a loan amount equal to 100 percent of the property's appraised value. The property must be located in an eligible rural area and the program has income restrictions based on the location of the property.
- **Home Matters:** Heartland's portfolio loan program requiring three percent down payment and no PMI. The fixed rate mortgage program uses flexible underwriting standards with 15-year or 30-year loan maturities. Non-traditional credit sources are considered, which opens homeownership to those with little to no traditional credit. The program was designed to meet the mortgage needs of those who may not qualify for conventional mortgage loan products. Eligibility is determined by using either household income per U.S. Department of Housing and Urban Development (HUD) guidelines or property is located in an eligible area.

- **VA:** Guaranteed by the U.S. Department of Veteran Affairs (VA), VA loans help Veterans, active-duty members and military spouses purchase and refinance homes with competitive interest rates, flexible credit guidelines, and small or no down payment requirement.
- **Home i-Matters:** In 2023, Heartland created this 15- year and 30-year fixed rate mortgage program for borrowers with individual taxpayer identification number (ITIN) status after meeting with a number of community non-profits and realtor groups. Borrowers may use a combination of personal funds, gift funds, community second mortgages, or grant funds for the 20 percent down payment. Non-traditional credit sources are considered and at least one borrower must be a first time homebuyer. Eligibility is determined by either household income limits per HUD’s guidelines or the property is located in an eligible area.
- **Affordable Small Dollar Loans:** Heartland developed this program, Money Matters, to meet the credit needs of the unbanked and/or underserved residents in the assessment areas. The loan product was designed to assist in building or rebuilding consumer credit scores and reduce the dependence on high-cost payday lenders. Before a borrower can apply for one of these loan products, they must first take a Money Matters financial literacy class. Upon completion of the class, borrowers receive a certificate, which must be presented at the time of loan application. The program includes the Credit Builder and Credit Repair loan options. Credit scores are not a consideration for loan eligibility and are only used to determine the loan amount.
- **SBA:** Guaranteed by the U.S. Small Business Administration (SBA), an SBA loan is a small business loan that can help cover startup costs, working capital needs, expansions, and real estate purchases as examples. This program offers longer repayment periods with a very wide range of loan amounts.

Community Development Loans

Heartland made a relatively high level of community development loans within its AAs. For the current evaluation period, the bank originated 213 community development loans totaling \$394.8 million, which represents 15.5 percent of average total loans as of September 30, 2023. This record of lending has improved since the prior evaluation when the bank made 135 community development loans totaling \$222.5 million.

Heartland’s level of community development lending was compared to six other financial institutions that are headquartered and operate within the bank’s AAs and were evaluated under Large Bank CRA Examination procedures during the current review period. These six institutions had total assets ranging from \$2.7 billion to \$12.8 billion and community development loans to average total loans ratios ranging from 2.1 percent to 10.7 percent. Heartland’s ratio of 15.5 percent is the highest among the six similarly situated institutions.

The following table summarizes the bank’s community development lending activity by year and purpose since the prior evaluation.

Community Development Lending – Overall Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/16/20 – 12/31/20	11	26,464	0	0	10	24,288	0	0	21	50,752
2021	34	46,163	5	16,504	22	50,561	0	0	61	113,228
2022	57	60,890	3	8,787	20	49,882	0	0	80	119,559
YTD 2023	25	56,124	1	4,500	25	50,647	0	0	51	111,271
Total	127	189,641	9	29,791	77	175,378	0	0	213	394,810
<i>Source: Bank Data</i>										

The following table summarizes the bank’s community development lending activity by AA since the prior evaluation.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bloomington, IL MSA	2	2,656	0	0	9	9,503	0	0	11	12,158
Chicago, IL CSA	114	153,887	4	10,475	37	81,374	0	0	155	245,736
Peoria, IL MSA	3	893	0	0	7	23,225	0	0	10	24,117
Champaign, IL MSA	0	0	0	0	6	18,516	0	0	6	18,516
Illinois non-MSA	1	180	0	0	2	1,230	0	0	3	1,410
Decatur, IL MSA	0	0	0	0	0	0	0	0	0	0
Springfield, IL MSA	1	14,500	1	4,500	0	0	0	0	2	19,000
St. Louis, MO-IL MSA	1	108	0	0	1	1,261	0	0	2	1,369
Cedar Rapids-Iowa City, IA CSA	1	3,373	0	0	4	7,872	0	0	5	11,245
Waterloo-Cedar Falls, IA MSA	1	480	0	0	1	2,022	0	0	2	2,502
Broader Statewide or Regional Area	3	13,565	4	14,816	10	30,375	0	0	17	58,757
Total	127	189,641	9	29,791	77	175,378	0	0	213	394,810
<i>Source: Bank Data</i>										

Heartland originated 17 community development loans totaling \$58.7 million that benefited the broader statewide and regional areas that includes the bank’s AAs. Since Heartland has demonstrated adequate responsiveness to the needs of the individual AAs, Heartland receives credit for the lending activities in the broader statewide and regional areas. Thus, community development loans that benefit the broader statewide or regional areas receive positive consideration in this evaluation and enhance the bank’s overall performance under the Lending Test. A few examples of these loans are detailed below:

- Heartland extended a \$14.5 million loan to finance an affordable housing project located in a low-income tract in Springfield, IL. The project consists of 100 units of duplexes and single-family homes with income restrictions of 60 percent or less of the AMI. This loan

promotes affordable housing opportunities for low- and moderate-income individuals in the Springfield, IL MSA.

- Heartland extended a \$1.3 million loan to a business located in a moderate-income census tract by utilizing the Federal Home Loan Bank of Chicago (FHLBC) Small Business Community Advance program with the rate to the borrower capped at a lower than market interest rate. The purpose of this program is to encourage lending in low- and moderate-income areas. To qualify for the program, the borrower must be located in a low- and moderate-income census tract and qualify as a small business as defined by the SBA. This loan promotes economic development in a low- and moderate-income area in the St. Louis, MO-IL MSA.
- Heartland extended a \$2.2 million loan providing financing to a small business per SBA size standards in an area of St. Louis, MO designated as a Tax Increment Financing (TIF) district to drive economic development within the Midtown neighborhood. The project is comprised of a mix of retail, office, entertainment, and restaurant spaces, which provides permanent job opportunities to low- and moderate-income individuals. This loan provides economic development by creating permanent jobs for low- and moderate-income individuals in the greater regional area.

INVESTMENT TEST

An overall High Satisfactory rating is assigned under the Investment Test. This conclusion was determined by evaluating the bank's investment and grant activity, responsiveness to credit and community development needs, and use of innovative and complex investments to support community development initiatives.

Investment and Grant Activity

Heartland has a significant level of qualified community development investments and grants, although rarely in a leadership position. The bank made or held 603 qualified investments, grants, and donations totaling approximately \$272.4 million during the evaluation period. This level of qualified investments, by dollar volume, represents 22 percent of average total securities and 6.5 percent of average total assets as of September 30, 2023. This level of activity is a significant increase from the previous evaluation when Heartland made or held 392 qualified investments totaling \$59.7 million or 10.1 percent of total securities.

The financial institution's level of qualified investments, by dollar volume, exceeds the six similarly situated institutions previously mentioned. Specifically, these institutions had qualified investments to average total investment ratios ranging from 1.7 percent to 21.5 percent. Heartland's ratio of 22 percent was the highest among the six institutions. In addition, Heartland's qualified investments to average total assets ratio of 6.5 percent exceeds the ratios of the six similarly situated institutions, which had ratios ranging from a low of 0.9 percent to a high of 2.4 percent.

The following table illustrates Heartland’s qualified investment activity by year and purpose since the prior evaluation. Further discussion of the bank’s qualified investment activities is located in the separate AA sections of this evaluation.

Qualified Investments – Overall Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	24	44,170	20	12,152	24	19,926	0	0	68	76,248
7/16/20 – 12/31/20	11	10,593	13	16,453	6	2,646	0	0	30	29,674
2021	19	81,121	14	9,682	22	35,661	0	0	55	126,464
2022	27	27,055	0	0	2	6,775	0	0	29	33,830
YTD 2023	13	2,631	0	0	25	2,823	0	0	38	5,454
Subtotal	94	165,570	47	38,269	79	67,830	0	0	220	271,670
Qualified Grants & Donations	16	18	335	633	27	88	5	6	383	744
Total	110	165,588	382	38,902	106	67,918	5	6	603	272,414
<i>Source: Bank Data</i>										

The following table summarizes the bank’s community development investment activity by AA since the prior evaluation.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bloomington, IL MSA	2	3,839	1	595	2	3,208	0	0	5	7,643
Chicago, IL CSA	30	61,655	27	26,385	22	15,742	0	0	79	103,782
Peoria, IL MSA	6	7,028	0	0	1	318	0	0	7	7,346
Champaign, IL MSA	2	11,221	6	4,480	5	2,500	0	0	13	18,201
Illinois non-MSA	0	0	5	1,655	0	0	0	0	5	1,655
Decatur, IL MSA	0	0	0	0	0	0	0	0	0	0
Springfield, IL MSA	0	0	0	0	0	0	0	0	0	0
St. Louis, MO-IL MSA	1	116	0	0	0	0	0	0	1	116
Cedar Rapids-Iowa City, IA CSA	2	275	0	0	2	527	0	0	4	802
Waterloo-Cedar Falls MSA	2	530	0	0	0	0	0	0	2	530
Broader Statewide or Regional Area	49	80,906	8	5,154	47	45,535	0	0	104	131,596
Subtotal	94	165,570	47	38,269	79	67,830	0	0	220	271,670
Qualified Grants & Donations	16	18	335	633	27	88	5	6	383	744
Total	110	165,588	382	38,902	106	67,918	5	6	603	272,414
<i>Source: Bank Data</i>										

The bank made 104 investment community development loans totaling \$131.5 million that benefited the broader statewide and regional areas that includes the bank's AAs. Since Heartland has demonstrated adequate responsiveness to the needs of the individual AAs, it receives credit for the investment activities in the broader statewide and regional areas. Thus, community development investments that benefit the broader statewide or regional areas receive positive consideration in this evaluation and enhance the bank's overall performance under the Investment Test. A few examples of these investments are detailed below:

- Heartland continues to hold a government bond for \$2.1 million secured by a 124-unit Section 8 senior living facility. The property benefits from a Project-Based Section 8 Housing Assistance Payment (HAP) contract that covers 100percent of the units. The investment supports affordable housing in the broader statewide area.
- The bank purchased a \$570 thousand bond for a school district in a neighboring State that has over 50 percent of students that qualify for free or reduced lunches. The investment promotes community services in the broader regional area.
- Heartland continues to hold a government bond for \$4.1 million secured by a multi-family apartment complex with rental income restrictions targeted to low- and moderate-income families. The complex is located in a moderate-income census tract. The investment supports affordable housing in the broader statewide area.
- The bank invested \$8 million in a Low Income Housing Tax Credit (LIHTC) project, which rehabilitated a multi-family housing complex with rental income restrictions. All units have income restrictions for residents living at 60 percent or lower of the AMI. The investment targets low- and moderate-income families and supports affordable housing in the broader statewide area.

Responsiveness to Credit and Community Development Needs

Heartland exhibits good responsiveness to credit and community economic development needs. Investments were purchased and maintained with community development purposes pertinent to the needs of the AAs. The majority of qualified investments, by dollar volume, have promoted affordable housing which is a primary need identified by community contacts in the AAs.

Community Development Initiatives

Heartland rarely uses innovative or complex investments to support community development initiatives. The investments noted above are useful and help promote community development; however, they are generally not innovative or complex by nature.

SERVICE TEST

An overall High Satisfactory rating is assigned under the Service Test. This conclusion was determined by evaluating the accessibility of delivery systems, changes in branch locations,

reasonableness of business hours and services in meeting the AA needs, and community development services.

Accessibility of Delivery Systems

Heartland’s delivery systems are reasonably accessible to essentially all portions of the institution’s AAs. The bank operates nine branches and 15 ATMs in low- and moderate-income census tracts in the AAs. The branch and ATM distribution has increased since the prior evaluation when Heartland operated four branches and six ATMs in low- and moderate-income census tracts. The number of branches and ATMs in the low- and moderate-income census tracts is below the demographics in these tracts in the overall AA. The majority of the low- and moderate-income census tracts are located in the Chicago, IL CSA AA. However, the bank’s distribution of branches and ATMs trails the demographics of the Chicago, IL CSA and Peoria, IL MSA AAs. Since the prior evaluation, Heartland collaborated with a community group in Chicago to open a loan production office (LPO) in a moderate-income census tract to improve the availability of lending-related services in the area. Dedicated mortgage loan officers originate mortgage loans and conduct financial literacy classes, as well as, homebuyer education classes from this location.

Heartland also offers several alternative delivery channels for retail banking services, which provide access to all portions of the overall AA. These delivery systems utilize technology to provide 24-hour access to customer accounts. Heartland also offers automated telephone, text, and mobile banking, including digital bill pay and online account opening. For commercial banking services, the bank offers remote deposit, giving businesses the convenience of transmitting digital deposits to the bank directly from their offices. Additionally, for both retail and commercial customers, Heartland offers 24-hour online banking and bill paying services through its internet website located at www.hbtbank.com. Mobile banking, including mobile deposits service, is also available. The following table shows the breakdown of the branch and ATM locations by income level of census tract within the overall AA.

Branch and ATM Distribution by Geography Income Level								
Overall Assessment Area								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	305	11.1	918,444	8.2	1	1.4	4	4.5
Moderate	625	22.7	2,440,383	21.8	8	11.4	11	12.5
Middle	974	35.4	4,157,165	37.2	44	62.9	54	61.4
Upper	811	29.5	3,582,016	32.0	16	22.9	17	19.3
Not Available	37	1.3	88,140	0.8	1	1.4	2	2.3
Totals	2,752	100.0	11,186,148	100.0	70	100.0	88	100.0

Sources: 2020 U.S. Census; Bank Data; due to rounding, totals may not equal 100.0%

Changes in Branch Locations

To the extent changes were made, the institution's record of opening and closing branches has not adversely affected the accessibility of its delivery systems. Since the prior evaluation, Heartland opened 20 branches, closed seven branches, opened a LPO and relocated a LPO.

With the merger with the State Bank of Lincoln on December 31, 2020, six full service branches were added in DeWitt and Logan Counties, which are part of the nonmetropolitan areas of Illinois. With the purchase of NXT Bank on December 6, 2021, four full-service branches were added in Linn, Johnson, and Black Hawk Counties, which are part of MSAs located in east-central Iowa. The branch in Coralville, IA is located in a moderate-income census tract. With the purchase of Town and County Bank on February 2, 2023, 10 full-service branches were added in Macon, Madison, St. Clair, McLean, Morgan, Logan, Adams, and Sangamon Counties, which are located in MSAs and nonmetropolitan areas in central and southern Illinois.

On April 21, 2023, Heartland closed a full-service branch in McLean County that was recently purchased from Town and County Bank. On September 10, 2021, Heartland closed six full-service branches in Logan, Tazewell, Will, Lake, and DeKalb Counties, which are located in MSAs in central and northeastern Illinois. The branch in Sandwich, IL was located in a moderate-income census tract in DeKalb County.

On April 1, 2022, Heartland opened a LPO in a moderate-income census tract in Cook County. On March 15, 2022, Heartland relocated a LPO in Cook County.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income census tracts, and individuals. Operating hours and services at the full-service branches do not vary significantly from branch-to-branch, and the majority of branches offer extended hours through drive-up windows or weekend hours on Saturday. Business hours are considered convenient and comparable to other local financial institutions.

Community Development Services

Heartland provides a relatively high level of community development services within the overall assessment area.

During the current evaluation period, Heartland provided 1,159 instances of qualified community development services. Many of the services involve reoccurring activities with bank employees serving in positions on different qualifying organizations. This level of qualified services is higher than the previous evaluation when 555 qualified services were identified. Heartland's level of qualified services compares favorably to six similarly situated banks. These banks had qualified services at their most recent CRA evaluation ranging from a low of 81 services to a high of 866 services. With 1,159 instances of qualified services, Heartland's performance exceeds all six similarly situated banks operating in the AAs.

Heartland also utilizes down payment assistance grant funding through partnerships with statewide programs, municipalities, and the bank’s own grant program. Applications for the grants are completed by mortgage lenders and submitted to the appropriate agency on behalf of the borrower. The technical assistance provided by mortgage lenders in completing the applications qualifies as a community development service. The following table provides a summary of the bank’s down payment assistance grant activity since the prior evaluation.

Down Payment Assistance Grants – Overall Assessment Area										
Type of Program	7/16/2020-12/2020		2021		2022		YTD 11/13/2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
FHLBC DPP	20	120	32	189	21	126	76	737	149	1,172
Borrow Smart	22	27	34	54	52	89	13	14	121	184
Home Matters	6	11	9	15	8	13	21	42	44	81
IHDA	1	6	1	10	1	6	85	506	88	528
Town of Normal	0	0	0	0	1	5	0	0	1	5
Totals	49	164	76	268	83	239	195	1,299	403	1,970

Source: Bank Data

A description of the bank’s down payment assistance grant programs are detailed below:

- **FHLBC DPP:** Federal Home Loan Bank of Chicago (FHLBC) Down Payment Plus (DPP) grant is a program that provides down payment and closing cost assistance for income-eligible homebuyers. The assistance is provided in the form of a forgivable grant paid on behalf of the borrower at loan origination. The grant is forgiven on a monthly basis over a five-year retention period. Grant funding has varied in recent years from \$6,000 to \$10,000 per borrower.
- **Borrow Smart:** The Borrow Smart grant provides down payment assistance through Freddie Mac’s Home Possible Mortgage Loan Program. Borrowers meet eligibility based on low-income or very low-income criteria. The grant varies in awarded amounts based on Freddie Mac’s guidelines and may provide from \$1,000 to \$2,500 in assistance to eligible borrowers. The grant is fully forgivable at the time of loan closing.
- **Home Matters:** The Home Matters grant is a Heartland funded grant program that provides up to \$2,000 in closing cost assistance to borrowers who meet either income eligibility or property eligibility requirements. The grant is fully forgivable at the time of loan origination.
- **IHDA:** The Illinois Housing Development Authority (IHDA) Down Payment Assistance programs provides multiple down payment assistance options to potential homebuyers meeting income eligibility requirements. Depending on the IHDA access program chosen by the borrower, the amount of assistance and repayment varies. The programs provide important down payment assistance options to borrowers with less than 20 percent down payment. IHDA Opening Doors down payment assistance program provides income eligible borrowers with down payment assistance, which is forgiven monthly over a five-year period.
- **Town of Normal:** The Town of Normal grant is a program available for borrowers purchasing property within the Normal city limits and that meet income eligibility

requirements. This grant provides a maximum of \$5,000 in down payment assistance, which is forgiven monthly over a five-year period.

The following table summarizes the bank’s community development service activity by year and purpose since the prior evaluation. Refer to the separate AA sections of this evaluation for further details.

Community Development Services – Overall Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
7/16/20 – 12/31/20	0	101	16	0	117
2021	33	242	73	12	360
2022	40	245	69	12	366
YTD 2023	19	275	21	1	316
Total	92	863	179	25	1,159
<i>Source: Bank Data</i>					

The following table summarizes the bank’s community development service activity by AA since the prior evaluation.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Bloomington, IL MSA	4	230	2	25	261
Chicago, IL CSA	11	362	100	0	473
Peoria, IL MSA	0	67	39	0	106
Champaign, IL MSA	50	95	0	0	145
Illinois non-MSA	0	42	21	0	63
Decatur, IL MSA	0	0	0	0	0
Springfield, IL MSA	0	9	0	0	9
St. Louis MO-IL MSA	0	6	0	0	6
Cedar Rapids-Iowa City, IA CSA	27	3	0	0	30
Waterloo-Cedar Falls, IA MSA	0	12	0	0	12
Broader Statewide or Regional Area	0	37	17	0	54
Total	92	863	179	25	1,159
<i>Source: Bank Data</i>					

Heartland’s employees provided 54 instances of community development services that benefited areas adjacent to the bank’s AAs. Since Heartland has demonstrated adequate responsiveness to the needs of the individual AAs, Heartland receives credit for the community development services performed in the broader, statewide, and regional areas. Therefore, these services that benefit the

statewide or regional areas receive positive consideration in this evaluation and enhance the bank's overall performance under the Service Test. A few examples of these services are detailed below:

- A bank employee served as a Board and committee member for a food bank that provides resources to seven food pantries and meal programs in the area. The bank employee has provided over 40 hours of their expertise serving as a financial planning partner to the organization. This activity promotes community service in a broader regional area.
- A bank employee served as a Board and committee member for a qualified organization that offers emergency shelter and food. The bank employee provided over 30 hours to the organization as a member of the fundraising committee. The organization provides emergency family and individual shelter to those experiencing homelessness while also providing support services such as financial education, employment development, and life skills workshop to help individuals reach self-sufficiency. This activity promotes community service in a broader regional area.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

STATE OF ILLINOIS

CRA RATING FOR STATE OF ILLINIOS IS SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN STATE OF ILLINOIS

Heartland has designated eight AAs in the State of Illinois. As noted previously, the Decatur, IL MSA, Springfield, IL MSA, and the St. Louis, MO-IL MSA AAs is not included in the Lending Test for this evaluation. All AAs are comprised of entire counties. The following table provides the counties, branches, and ATMs that comprise each AA in Illinois.

Description of Assessment Areas in the State of Illinois					
Assessment Area	MSA/MD #	Counties	Census Tracts	Branches	ATMs
Bloomington, IL MSA	14010	McLean	47	9	14
Chicago-Naperville-Evanston, IL MD	16984	Cook, DuPage, Grundy, McHenry, Will	1,797	5	6
Elgin, IL MD	47940	DeKalb, Kane, Kendall	148	12	13
Lake County-Kenosha County, IL-WI MD	20994	Lake	160	1	1
Ottawa, IL MSA*	36837	Bureau, LaSalle, Putnam	40	6	6
Peoria, IL MSA	37900	Marshall, Peoria, Tazewell, Woodford	93	14	15
Champaign-Urbana, IL MSA	16580	Champaign, Piatt	52	3	3
Illinois Nonmetropolitan	-	Adams, DeWitt, Ford, Livingston, Logan, Morgan	57	10	14

*Source: Bank Records; *-represents Micropolitan Statistical Area*

SCOPE OF EVALUATION – STATE OF ILLINOIS

The rating for the State of Illinois is based upon full-scope evaluations of the bank’s performance in the Bloomington, IL MSA; Chicago-Naperville-Evanston, IL MD; Elgin, IL MD; Lake County-Kenosha County, IL-WI MD; Ottawa, IL MSA; and the Peoria, IL MSA AAs. The Chicago MD, Elgin MD, Lake County MD, and the Ottawa MSA are contiguous and comprise the greater Chicago-Naperville, IL-IN-WI CSA #176. Since lending performance was comparable in these four AAs, the bank’s performance will be presented at the CSA level. These six AAs were chosen for full-scope reviews as the AAs contain the majority of the bank’s branches, loans, deposits, and community development activities in Illinois. Examiner selected the Champaign-Urbana, IL MSA and the Illinois Nonmetropolitan AAs for limited scope reviews as these AAs contain overall lower percentage of branches, loans, deposits, and community development activities than the other AAs in Illinois. These eight AAs combined contain 76.2 percent of the loans and 88.6 percent of deposits resulting in the State of Illinois receiving the greatest weight in the overall evaluation.

Heartland’s lending performance was evaluated based upon a review of small business, home mortgage, and small farms loans originated in 2020, 2021, and 2022. Community development activities for loans, investments, and services were reviewed from July 16, 2020, through the current examination date of November 13, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ILLINOIS

LENDING TEST

Heartland demonstrated low satisfactory performance under the Lending Test in the State of Illinois’ AAs. This conclusion is mainly supported by the bank’s lending activity in the

Bloomington, IL MSA; Chicago, IL CSA; and the Peoria, IL MSA AAs. Examiners evaluated the bank's lending activity, geographic distribution of loans, borrowers' profile, responsiveness to credit needs, community development lending, and innovative or flexible lending practices to reach this conclusion.

Lending Activity

Lending levels reflect adequate responsiveness to Illinois' AAs credit needs. This conclusion is mainly supported by the bank's lending activity in the Bloomington, IL MSA; Chicago, IL CSA; and the Peoria, IL MSA AAs due to the higher loan volume. Refer to each Illinois AA for additional information regarding the bank's lending performance.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the AAs. This conclusion is mainly supported by the bank's lending activity in the Chicago, IL CSA and the Peoria, IL MSA AAs. Refer to this section for each AA for additional information.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among small business, home mortgage, and small farm customers of different sizes. This conclusion is mainly supported by the bank's lending activity in the Bloomington, IL MSA; Chicago, IL CSA; and the Peoria, IL MSA AAs. Refer to this section for each AA for additional information.

Innovative or Flexible Lending Practices

Heartland uses innovative and/or flexible lending practices in order to serve AA credit needs. The following table shows Heartland made 801 innovative or flexible loans totaling \$55.0 million in the State of Illinois during the current evaluation period. The majority of the loans by dollar amount were made through the Freddie Mac's Home Possible loan program, which offers low down payment and PMI requirements. The majority of the loans by number were originated through Heartland's affordable small dollar loan programs, which help meet the credit needs of low- and moderate-income borrowers in the AAs. The following table provides additional information.

Innovative or Flexible Lending Programs – State of Illinois										
Type of Program	7/16/2020-12/2020		2021		2022		YTD 11/13/2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Home Possible	20	2,066	35	3,476	60	6,853	52	5,175	167	17,570
IHDA	1	169	1	159	1	134	88	11,292	91	11,754
FHA	0	0	1	159	5	648	57	7,376	63	8,183
USDA	0	0	1	97	20	2,031	17	1,755	38	3,883
Home Matters	4	521	7	650	5	681	6	531	22	2,383
VA	0	NA	0	NA	0	NA	11	1,866	11	1,866
Home i-Matters	0	NA	0	NA	0	NA	1	280	1	280
Affordable Small Dollar Loans	66	60	113	96	113	112	98	80	390	348
SBA	2	1,971	4	1,594	2	675	10	4,535	18	8,775
Totals	93	4,787	162	6,231	206	11,134	340	32,890	801	55,042
<i>Source: Bank Data;</i>										

Community Development Loans

Heartland has a relatively high level of community development loans in the Illinois AAs. Specifically, Heartland has 185 loans totaling \$301.9 million in the Illinois AAs. The community development loan activity was most prominent in the Chicago, IL CSA AA. The table below provides additional details. Refer to this section for each AA for additional information.

Community Development Lending – Illinois Assessment Areas										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/16/20 – 12/31/20	11	26,464	0	0	8	14,375	0	0	19	40,839
2021	33	45,683	1	1,688	16	32,145	0	0	50	79,516
2022	54	47,325	3	8,787	17	43,266	0	0	74	99,378
YTD 2023	22	38,143	0	0	20	44,062	0	0	42	82,205
Total	120	157,615	4	10,475	61	133,848	0	0	185	301,938
<i>Source: Bank Data</i>										

INVESTMENT TEST

Heartland demonstrated high satisfactory performance under the Investment Test in the State of Illinois' AAs. This conclusion was determined by evaluating the bank's investment and grant activity, its responsiveness to credit and community development needs, and its use of innovative and complex investments to support community development initiatives.

Investment and Grant Activity

Heartland has a significant level of qualified investments and grants in the Illinois AAs. Specifically, Heartland has 109 qualified investments and 342 grants totaling \$139.3 million in the Illinois AAs. The investment and grant activity was most prominent in the Chicago, IL CSA AA. The table below provides additional details. Refer to this section for each AA for additional information.

Qualified Investments – Illinois Assessment Areas										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	14	23,034	16	9,998	7	4,588	0	0	37	37,620
7/16/20 – 12/31/20	2	4,319	13	16,435	6	2,646	0	0	21	23,340
2021	13	51,345	10	6,682	17	14,534	0	0	40	72,561
2022	5	3,536	0	0	0	0	0	0	5	3,536
YTD 2023	6	1,510	0	0	0	0	0	0	6	1,510
Subtotal	40	83,743	39	33,115	30	21,768	0	0	109	138,627
Qualified Grants & Donations	11	12	301	590	27	88	3	3	342	692
Total	51	83,755	340	33,705	57	21,856	3	3	451	139,319
<i>Source: Bank Data; Due to rounding, totals may not equal 100.0%</i>										

Responsiveness to Credit and Community Development Needs

Heartland exhibits good responsiveness to the credit and community economic development needs. Investments and donations were made primarily to support community services for low- and moderate-income individuals by number and affordable housing by dollar amount. Refer to this section for each AA for additional information.

Community Development Initiatives

Heartland rarely uses innovative or complex investments to support community development initiatives. The investments and grants noted above are useful and help promote community development; however, they are generally not innovative or complex by nature. Most investments are of the varieties that are typically supported by similarly situated banks.

SERVICE TEST

Heartland demonstrated high satisfactory performance under the Service Test in the State of Illinois’ AAs. This conclusion was determined by evaluating the availability of delivery systems, changes in branch locations, reasonableness of business hours and services in meeting assessment area needs, and community development services.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the institution’s Illinois AAs. Heartland operates 66 banking locations in the AAs within the entire State of Illinois; including one branch and two ATMs in low-income census tracts, and seven branches and 10 ATMs in moderate-income tracts. In addition, the bank also offers other alternative delivery systems such as telephone banking, mobile banking, and online banking.

Changes in Branch Locations

To the extent that changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts or to individuals. Since the prior evaluation, Heartland opened 16 branches and closed seven branches. Refer to this section for each AA for additional information.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences any portions of the AAs, particularly low- and moderate-income geographies or individuals. All branch locations are equipped with ATMs and a majority of branches have drive-up facilities with extended banking hours. There are slight differences in the business hours among locations; however, they do not vary in a way that inconveniences certain portions of the AAs.

Community Development Services

Heartland provides a relatively high level of community development services in the Illinois AAs. With 1,048 services provided in the State of Illinois during the review period. Refer to this section for each AA for additional information.

Community Development Services – Illinois Assessment Areas					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
7/16/20 – 12/31/20	0	96	11	0	107
2021	30	227	61	12	330
2022	26	236	69	12	343
YTD 2023	9	237	21	1	268
Total	65	796	162	25	1,048

Source: Bank Data

BLOOMINGTON, IL MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN BLOOMINGTON, IL MSA

Heartland designated the Bloomington, IL MSA #14010 as an AA. The AA consists of McLean County in central Illinois where the bank operates nine branches in the AA, including the main office. As of September 30, 2023, the AA accounted for 17.4 percent of the bank’s deposits and 17.9 percent of loans, which is the second highest of the other three AAs that were reviewed utilizing full-scope evaluation procedures. The AA contains 12.9 percent of the branches, which is the third highest of the other three AAs reviewed. As such, Heartland’s performance in the AA is more heavily weighted than the Peoria, IL MSA AA but less than the Chicago, IL CSA AA.

The AA consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and includes all of the geographies where the bank’s offices are located.

Economic and Demographic Data

This AA includes all 47 census tracts located in McLean County, which comprises the Bloomington, IL MSA #14010. These census tracts reflect the following income designations according to the 2020 U.S. Census:

- one low-income census tract,
- 13 moderate-income census tracts,
- 22 middle-income census tracts,
- 8 upper-income census tracts, and
- 3 census tracts with no income category.

The majority of the low- and moderate-income census tracts are located within the cities of Normal and Bloomington. As of September 30, 2023, the AA accounts for 17.9 of total loans; 17.4 percent of total deposits and contains 12.9 percent of the branches. Additional demographic information is shown in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Bloomington, IL MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	47	2.1	27.7	46.8	17.0	6.4
Population by Geography	170,954	1.3	23.3	47.5	19.7	8.1
Housing Units by Geography	72,580	1.5	26.7	49.5	15.8	6.5
Owner-Occupied Units by Geography	43,005	0.8	23.7	51.0	22.6	1.9
Occupied Rental Units by Geography	23,220	2.4	31.1	47.0	6.2	13.3
Vacant Units by Geography	6,355	2.8	31.5	48.1	4.5	13.0
Businesses by Geography	11,996	0.8	22.7	50.7	17.4	8.4
Farms by Geography	713	0.3	16.5	64.4	15.8	2.9
Family Distribution by Income Level	39,665	21.0	16.9	22.4	39.7	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 14010 Bloomington, IL MSA		\$93,882	Median Housing Value			\$160,478
			Median Gross Rent			\$843
			Families Below Poverty Level			8.0%
<i>Sources: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by GAR. According to 2021 D&B data, there were 10,457 non-farm businesses in the AA with the following GAR levels:

- 81.6 percent have \$1 million or less,
- 4.8 percent have more than \$1 million, and
- 13.5 percent have unknown revenues.

The analysis of small farm loans under the borrower profile criterion compares the distribution of businesses by GAR. According to 2021 D&B data, there were 647 farms in the AA with the following GAR levels:

- 96.9 percent have \$1 million or less,
- 1.5 percent have more than \$1 million, and
- 1.6 percent have unknown revenues.

A total of 61.1 percent of businesses in the AA employ between one and four employees, while 26.0 percent employ just five to nine employees. Services (38.0 percent), retail trade (12.7 percent), and finance, insurance, and real estate (9.9 percent) make up the majority of the businesses.

Examiners use the Federal Financial Institutions Examination Council (FFIEC)-updated median family income (MFI) level to analyze home mortgage lending performance under the Borrower Profile criterion. The following table contains information on the MFIs by category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Bloomington, IL MSA Median Family Income (14010)				
2022 (\$108,500)	<\$54,250	\$54,250 to <\$86,800	\$86,800 to <\$130,200	≥\$130,200
<i>Source: FFIEC</i>				

Data from the Bureau of Labor Statistics reflects the average unemployment rates for the county in the AA, the State of Illinois, and the National Average remains below the levels experienced in 2021. However, McLean County and the State of Illinois average unemployment rates have recently increased as of September 2023 from 2022 levels indicating a recent decrease in business activity. The following table illustrates the relevant unemployment rates by county, state, and nationally.

Unemployment Rates			
Area	2021	2022	September 2023
	%	%	%
McLean County	5.6	4.6	5.4
State of Illinois	6.1	4.6	4.9
National Average	5.3	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>			

Competition

The AA reflects a competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, there were 25 financial institutions operating 47 offices within the assessment area. Heartland ranked second, maintaining a 16.9 percent deposit market share.

The AA is a competitive market for home mortgage loans among banks, credit unions, and non-deposit mortgage lenders. The 2022 HMDA aggregate lending data (the latest market share data available) reflects 253 reporting lenders with Heartland ranked tenth with a 2.32 market share. Further, aggregate small business lending data for 2021 (the latest available data) reflects 79 reporting lenders with Heartland ranked first with a 16.8 percent market share of small business loans. In addition, aggregate small farm lending data for 2021 (the latest available data) reflects 20 reporting lenders with Heartland ranked first with a 30.7 percent market share of small farm loans.

These performance context factors indicate a competitive banking market for deposits, home mortgage loans, and small business and farm loans within the assessment AA.

Community Contacts

To assist the FDIC in preparing the CRA evaluation, examiners conducted a community contact in the area with knowledge of the business and housing credit needs and opportunities in the bank's AA. Affordable housing is a significant need for Bloomington-Normal residents. Labor shortages,

rising construction costs, and high interest rates have made it difficult for residential real estate developers to meet the demand for affordable housing. A couple of standard and affordable housing unit projects were approved within the last year, but those projects will only address about 10 percent of the demand according to the contact. Banks have been meeting the demand for mortgage loans despite the low housing stock. Bloomington-Normal has experienced substantial small business growth in the last few years with numerous new small businesses opening. Local banks have been willing and able to meet the needs of both new and existing small businesses in the area and partner with local agencies to provide financial education.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and demographic and economic data, examiners determined that small business and affordable housing loans represent the primary credit needs in the area. The percentage of low- and moderate-income families in the assessment area at 37.9 percent and the high percentage of businesses with GARs of \$1 million or less at 83.8 percent support this conclusion. The City of Bloomington has several programs that banks can participate in to meet community development needs, including TIF Districts, Enterprise Zones, and building rehabilitation grants for residents and developers.

CONCLUSIONS ON PERFORMANCE CRITERIA IN BLOOMINGTON, IL MSA

LENDING TEST

Heartland demonstrated low satisfactory performance under the Lending Test in the Bloomington, IL MSA AA. This conclusion was determined by evaluating the bank's lending activity, geographic distribution of loans, borrowers' profile, responsiveness to credit needs, community development lending, and innovative or flexible lending practices.

Lending Activity

Heartland's lending performance reflects adequate responsiveness to the credit needs in the Bloomington, IL MSA AA during the current evaluation period. In 2021, for small business lending, Heartland originated 492 loans totaling \$52.2 million, 180 small farm loans totaling \$15.8 million and for 2022, 111 home mortgage loans totaling \$18.6 million,

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the AA. The small business, home mortgage, and small farm lending supported this conclusion. For this criterion, examiners focused on the percentage of loans by number in the low- and moderate-income census tracts.

Small Business Lending

The geographic distribution of small business loans reflects adequate penetration throughout the AA. The level of lending in the low- and moderate-income tracts supports this conclusion.

In 2021, Heartland originated 10.8 percent of small business loans in the low-income census tracts, which is above both the 8.4 percent of businesses and the aggregate performance of 8.2 percent within those tracts. Heartland originated 11.2 percent of small business loans in the moderate-income census tracts, which is comparable to both the 12.6 percent of businesses and the aggregate performance of 12.3 percent within those tracts. Additional information is shown in the following table.

Geographic Distribution of Small Business Loans						
Assessment Area: Bloomington, IL MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	8.4	8.2	53	10.8	7,210	13.8
Moderate						
2021	12.6	12.3	55	11.2	6,634	12.7
Middle						
2021	54.2	52.1	274	55.7	28,266	54.1
Upper						
2021	24.7	27.4	110	22.4	10,148	19.4
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
Totals						
2021	100.0	100.0	492	100.0	52,258	100.0

Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Home Mortgage Lending

The geographic distribution of home mortgage loans reflects adequate penetration throughout the AA. Geographic distribution of home mortgage loans compares the bank’s lending performance to 2022 HMDA aggregate data and the percentage of owner-occupied units located in each census tract as shown in the following table. Aggregate data reflects home mortgage lending performance by all lenders, including Heartland, that are subject to HMDA data reporting requirements.

In 2022, Heartland originated 0.9 percent of home mortgage loans in the low-income census tracts, which comparable to the demographics of 0.8 percent and slightly below the aggregate performance of 1.4 percent. The bank originated 21.6 percent of mortgage loans in the moderate-income census tracts, which is slightly below the demographics of 23.7 percent and the aggregate performance of 23.6 percent. Additional information is shown in the following table.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Bloomington, IL MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	0.8	1.4	1	0.9	100	0.5
Moderate						
2022	23.7	23.6	24	21.6	2,982	16.0
Middle						
2022	51.0	51.1	64	57.7	10,632	57.0
Upper						
2022	22.6	21.9	21	18.9	4,690	25.1
Not Available						
2022	1.9	2.0	1	0.9	256	1.4
Totals						
2022	100.0	100.0	111	100.0	18,659	100.0
<i>Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Farm Lending

The geographic distribution of small farm loans reflects adequate penetration throughout the AA. The level of lending in comparison to the aggregate lending performance supports this rating.

In 2021, Heartland originated 0.6 percent of small farm loans in the low-income census tracts, which is below the 1.7 percent of farms and above the aggregate performance of 0.3 percent within those tracts. Heartland did not originate any small farm loans in the moderate-income census tracts, which contain 7.1 percent of the farms in the AA. However, the aggregate performance was also low at 0.7 percent, which represents limited lending demand and opportunities. Even though the bank's lending performance trailed the demographics of farms located in the low- and moderate-income tracts, there are less than nine percent of all farms in these tracts. This small percentage of farming operations limits lending opportunities as evidenced by the low ability of aggregate lenders to penetrate these areas. The majority of the low- and moderate-income tracts are located within the city limits of Bloomington and Normal, which would be more indicative of hobby farms with limited lending needs. Given the limited opportunities to lend to farming operations in the low- and moderate-income geographies, the bank's lending performance is considered reasonable. Additional information is shown in the following table.

Geographic Distribution of Small Farm Loans						
Assessment Area: Bloomington, IL MSA						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	1.7	0.3	1	0.6	190	1.2
Moderate						
2021	7.1	0.7	0	0.0	0	0.0
Middle						
2021	68.6	81.8	143	79.4	12,584	79.2
Upper						
2021	22.6	17.2	36	20.0	3,107	19.6
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
Totals						
2021	100.0	100.0	180	100.0	15,881	100.0

Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses and farms of different sizes in the AA. Heartland’s lending performance in all three loan products evaluated supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers and the percentage of small business and small farm loans to businesses and farms with GARs of \$1 million or less.

Small Business Lending

The distribution of small business loans to borrowers reflects adequate penetration among businesses of different sizes. Examiners focused on the bank’s lending performance in comparison to aggregate performance for the AA.

In 2021, Heartland originated 38.8 percent of small business loans to businesses with GARs of \$1 million or less. This level of lending is slightly below the 2021 aggregate lending performance of 43.9 percent, but still comparable. Heartland’s lending performance is significantly below the 81.6 percent of businesses in the AA that reported GARs of \$1 million or less. However, it is noted that the demographic data includes all businesses in the AA, and not necessarily those businesses that have a need for financing. Therefore, aggregate performance data is considered the best comparative factor as it reflects the actual penetration of small business lending by all lenders required to report data in the AA. Additional information is shown in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Bloomington, IL MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	81.6	43.9	191	38.8	13,818	26.4
>\$1,000,000						
2021	4.8	--	93	18.9	20,670	39.6
Revenue Not Available						
2021	13.5	--	208	42.3	17,770	34.0
Totals						
2021	100.0	100.0	492	100.0	52,258	100.0
<i>Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Lending

The distribution of home mortgage loans to borrowers of different income levels, particularly low-income borrowers, reflects good penetration. Heartland's lending performance is compared to the 2022 HMDA aggregate lending and the percentage of families within each income designation.

Heartland's home mortgage lending to low-income borrowers is 24.3 percent, which is above the 21 percent of the low-income families in the AA and the 2022 HMDA aggregate lending of 15.9 percent. According to the 2020 U.S. Census, 8 percent of families in the AA live below the poverty level. The ability to qualify for a home mortgage loan, particularly under conventional financing would be challenging, which limits the demand and opportunity to lend to these lower-income families. This is a factor considered when analyzing the bank's lending performance to low-income borrowers in the AA. The HMDA aggregate lending performance is more indicative of the actual lending opportunities to low-income families in the AA, which Heartland's lending performance exceeds.

Heartland's home mortgage lending to moderate-income borrowers at 19.8 percent is higher than the 16.9 percent of families at this income level and slightly below the HMDA aggregate lending of 22.1 percent. The following table provides additional details regarding home mortgage lending in the AA.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Bloomington, IL MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	21.0	15.9	27	24.3	2,564	13.7
Moderate						
2022	16.9	22.1	22	19.8	3,255	17.4
Middle						
2022	22.4	20.2	16	14.4	2,383	12.8
Upper						
2022	39.7	20.5	29	26.1	7,616	40.8
Not Available						
2022	0.0	21.3	17	15.3	2,841	15.2
Totals						
2022	100.0	100.0	111	100.0	18,659	100.0

Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Farm Lending

The distribution of small farm loans to borrowers reflects good penetration among farms of different sizes. Examiners focused on the bank’s lending performance in comparison to aggregate performance for the AA. Additional information is shown in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: Bloomington, IL MSA						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	96.9	69.0	132	73.3	10,617	66.9
>\$1,000,000						
2021	1.5	--	21	11.7	3,221	20.3
Revenue Not Available						
2021	1.5	--	27	15.0	2,043	12.9
Totals						
2021	100.0	100.0	180	100.0	15,881	100.0

Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%

In 2021, Heartland originated 73.3 percent of small farm loans to farming operations with GARs of \$1 million or less. This level of lending is slightly above the 2021 aggregate lending performance

of 69 percent. Heartland’s lending performance is below the 96.9 percent of farms in the AA that reported GARs of \$1 million or less. However, it is noted that the demographic data includes all farms in the AA, and not necessarily those farming operations that have a need for financing. Therefore, aggregate performance data is considered the best comparative factor as it reflects the actual penetration of small farm lending by all lenders required to report data in the AA.

Innovative or Flexible Lending Practices

Heartland uses innovative and/or flexible lending practices in order to serve AA credit needs. The following table shows Heartland made 108 flexible loans totaling \$4.6 million in this AA during the current evaluation period. The majority of the loans by dollar amount were made through the Freddie Mac’s Home Possible loan program, which offers low down payment and PMI requirements. The majority of the loans by number were made through Heartland’s affordable small dollar loan programs, which help meet the credit needs of low- and moderate-income borrowers in the AA. A total of 87 percent of these loans were originated to low-income borrowers and 12 percent to moderate-income borrowers. The following table provides additional information.

Innovative or Flexible Lending Programs - Bloomington, IL MSA										
Type of Program	7/16/2020-12/2020		2021		2022		YTD 11/13/2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Home Possible	9	979	8	716	12	1,473	8	1,039	37	4,207
IHDA	0	0	0	0	0	0	0	0	0	0
FHA	0	0	0	0	0	0	0	0	0	0
USDA	0	0	0	0	0	0	0	0	0	0
Home Matters	0	0	2	206	1	120	0	0	3	326
VA	0	NA	0	NA	0	NA	0	0	0	0
Home i-Matters	0	NA	0	NA	0	NA	0	0	0	0
Affordable Small Dollar Loans	7	9	26	24	17	16	18	16	68	65
SBA	0	0	0	0	0	0	0	0	0	0
Totals	16	988	36	946	30	1,609	26	1,055	108	4,598

Source: Bank Data.

Community Development Loans

Heartland made an adequate level of community development loans in the Bloomington, IL MSA AA. Heartland originated 11 community development loans totaling \$12.1 million in the AA during the current evaluation period. This is a decrease by number and dollar volume from the previous evaluation when Heartland originated 18 community development loans totaling \$22.6 million. The following table provides additional information regarding the community development lending in the AA.

Community Development Lending – Bloomington, IL MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/16/20 – 12/31/20	1	2,438	0	0	2	1,150	0	0	3	3,588
2021	1	218	0	0	1	1,300	0	0	2	1,518
2022	0	0	0	0	3	4,071	0	0	3	4,071
YTD 2023	0	0	0	0	3	2,981	0	0	3	2,981
Total	2	2,656	0	0	9	9,503	0	0	11	12,158
<i>Source: Bank Data;</i>										

Below are notable examples of the bank’s community development loans in the AA:

- Heartland originated a \$1.2 million loan to a small business by utilizing the SBA 504 program for the construction expansion to increase job opportunities with other companies as well as provide additional employment opportunities. This loan promotes economic development through permanent job creation in the AA.
- Heartland originated a \$2.4 million loan to finance a 66-unit multi-family housing complex with rents priced under HUD's fair market rents for the Bloomington, IL MSA. This loan provides affordable housing for low- and moderate-income residents in the AA.

INVESTMENT TEST

Heartland demonstrated low satisfactory performance under the Investment Test in the Bloomington, IL MSA AA. This conclusion was determined by evaluating the bank’s investment and grant activity, its responsiveness to credit and community development needs, and its use of innovative and complex investments to support community development initiatives.

Investment and Grant Activity

Heartland has an adequate level of qualified investments and grants in the AA. Specifically, Heartland has five investments totaling \$7.6 million and 46 grants totaling \$105,000. This investment level is substantially higher by dollar volume of activity compared to the previous evaluation. At the prior evaluation, Heartland had six investments totaling \$3.2 million and 81 grants totaling \$515,000. The table below provides additional details.

Qualified Investments – Bloomington, IL MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	595	2	3,208	0	0	3	3,804
7/16/20 – 12/31/20	0	0	0	0	0	0	0	0	0	0
2021	1	3,700	0	0	0	0	0	0	1	3,700
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	1	139	0	0	0	0	0	0	1	139
Subtotal	2	3,839	1	595	2	3,208	0	0	5	7,643
Qualified Grants & Donations	0	0	45	104	0	0	1	1	46	105
Total	2	3,839	46	699	2	3,208	1	1	51	7,748
<i>Source: Bank Data</i>										

The following are notable examples of community development investments made or held in the AA during the current review period:

- Heartland purchased a \$3.7 million government bond secured by a multi-family housing complex with income restrictions located in a moderate-income census tract. The units are rent-restricted with at least 40 percent of the units occupied by tenants at or below 60 percent of the AMI. This investment promotes affordable housing for low- and moderate-income residents in the AA.
- Heartland made a \$3 million investment in a fund that is licensed by the SBA as a Small Business Investment Company (SBIC). The investment was used so a business that meets the SBA size standards could complete additional commercial acquisition and expansion. This investment promotes economic development by providing permanent job creation and opportunities in the AA.

Responsiveness to Credit and Community Development Needs

Heartland exhibits adequate responsiveness to credit and community economic development needs in the AA. Investments and grants were made with community development purposes consistent with the needs of the AA. The substantial majority of the qualified investments and grants, by dollar volume, support affordable housing and economic development, which are prominent needs identified by a community contact during the current evaluation period.

Community Development Initiatives

Heartland rarely uses innovative or complex investments to support community development initiatives. The investments and grants noted above are useful and help promote community development; however, they are generally not innovative or complex by nature.

SERVICE TEST

Heartland demonstrated high satisfactory performance under the Service Test in the Bloomington, IL MSA AA. This conclusion was determined by evaluating the availability of delivery systems, changes in branch locations, reasonableness of business hours and services in meeting assessment area needs, and community development services.

Accessibility of Delivery Systems

Heartland’s delivery systems are accessible to essentially all portions of the institution’s AA. As reflected in the following table, Heartland operates nine offices and 14 ATMs in the Bloomington, IL MSA AA. The bank does not operate any branches or ATMs in the low-income census tract; however, the population percentage in the tract is very low. Heartland operates two branches and three ATMs in the moderate-income geographies with percentages comparable to the population in these tracts. The following table provides more detailed information on the bank’s distribution of delivery systems.

Branch and ATM Distribution by Geography Income Level Bloomington, IL MSA Assessment Area								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	1	2.1	2,268	1.3	0	0	0	0
Moderate	13	27.7	39,832	23.3	2	22.2	3	21.4
Middle	22	46.8	81,199	47.5	6	66.7	9	64.3
Upper	8	17.0	33,760	19.8	0	0	0	0
Not Available	3	6.4	13,895	8.1	1	11.1	2	14.3
Totals	47	100.0	170,954	100.0	9	100.0	14	100.0

Sources: 2020 U.S. Census; Bank Data; Due to rounding, totals may not equal 100.0%

Changes in Branch Locations

Heartland’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts or to income individuals. With the purchase of Town and Country Bank, a branch was opened on February 1, 2023, in Bloomington, IL. Heartland closed this branch on April 21, 2023 due to its close proximity to the main office.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies or individuals. All branch locations are equipped with ATMs and a majority of branches have drive-up facilities with extended banking hours. There are slight

differences in the business hours among locations; however, the hours do not vary in a way that inconveniences portions of AA.

Community Development Services

Heartland provides a relatively high level of community development services within the Bloomington, IL MSA AA. For the current evaluation period, Heartland provided 261 community development services. This level of qualified activity increased from the prior evaluation when 195 community development services were identified. Technical assistance provided by bank employees by completing down payment assistance grant applications for low- and moderate-income borrowers and facilitation of monthly financial literacy classes associated with the affordable small dollar loan program further supports the bank’s performance under this criterion. The following table details the number of services by year and purpose.

Community Development Services – Bloomington, IL MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
7/16/20 – 12/31/20	0	20	0	0	20
2021	0	68	0	12	80
2022	0	74	0	12	86
YTD 2023	4	68	2	1	75
Total	4	230	2	25	261
<i>Source: Bank Data</i>					

Below are notable examples of community development services provided by the bank during the current review period:

- Bank employee serves as the Board President for an organization that provides services to counter domestic violence and combat homelessness. The organization provides resources to help with financial stability for low- to moderate-income individuals. Bank employees also provided financial literacy through this organization. This organization promotes community services in the AA.
- Bank employee serves as a Board member for an organization that provides support to low- to moderate-income families. This organization provides a crisis nursery where parents can drop off their children during a crisis at no cost to the parents. This organization promotes community service in the AA.
- Heartland utilized several down payment assistance programs in the AA including 22 FHLBC DPP grants totaling \$144,000; three Home Matters grants totaling \$6,000; 26 Borrow Smart grants totaling \$119,000; and one Town of Normal grant for \$5,000. For each grant awarded, a bank employee provides technical assistance through preparation of the grant application. This activity promotes community service through financial literacy assistance in the AA.

CHICAGO, IL CSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN CHICAGO, IL CSA

Heartland has designated portions of the Chicago-Naperville-Elgin, IL-IN-WI MSA #16980 as an AA. This MSA combines four contiguous MDs in northeast Illinois, southeast Wisconsin, and northwest Indiana into one multi-state MSA. Since the bank does not have any out-of-state branches, the AA only includes counties from the three MDs that contain Illinois counties: Chicago-Naperville-Evanston, IL MD #16984 (Cook, DuPage, McHenry, Grundy, and Will Counties); Elgin, IL MD #20994 (DeKalb, Kane, and Kendall Counties); and Lake-Kenosha County, IL-WI MD #29404 (Lake County). In addition, Heartland has designated the Ottawa, IL Micropolitan Statistical Area that includes Bureau, LaSalle, and Putnam Counties as an AA. This AA is part of the larger Chicago-Naperville, IL-IN-WI CSA #176. Heartland’s performance in the Ottawa, IL AA was consistent with Chicago, IL MSA performance. Therefore, the Ottawa, IL AA is combined and presented as the Chicago, IL CSA AA.

Heartland operates 24 branches in the AA. As of September 30, 2023, the AA accounted for 38.3 percent of the bank’s deposits and 43.7 percent of loans, and 34.3 percent of branches; of which, all three are the highest of the other three AAs reviewed utilizing full-scope evaluation procedures. As such, Heartland’s performance in the AA is most heavily weighted.

The AA consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and includes all of the geographies where the bank’s offices are located.

Economic and Demographic Data

This assessment area includes all 2,145 census tracts that comprise the 12 counties that are part of the Chicago-Naperville, IL-IN-WI (part) CSA #176. These census tracts reflect the following income designations according to the 2020 U.S. Census:

- 242 low-income census tracts,
- 487 moderate-income census tracts,
- 704 middle-income census tracts,
- 686 upper-income census tracts, and
- 26 census tracts with no income category.

The vast majority of the low- and moderate-income census tracts are located in the numerous metropolitan areas that are located throughout the AA. Additional demographic information is shown in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Chicago, IL CSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,145	11.3	22.7	32.8	32.0	1.2
Population by Geography	8,879,227	8.6	22.3	34.8	33.6	0.6
Housing Units by Geography	3,551,543	9.0	21.8	34.8	33.9	0.5
Owner-Occupied Units by Geography	2,106,186	4.3	18.0	38.0	39.4	0.2
Occupied Rental Units by Geography	1,167,205	15.0	27.8	30.5	25.7	1.0
Vacant Units by Geography	278,152	18.8	24.8	28.3	27.2	0.9
Businesses by Geography	988,303	5.8	16.9	32.0	44.7	0.5
Farms by Geography	14,828	3.8	17.3	41.8	36.9	0.3
Family Distribution by Income Level	2,106,596	22.8	16.6	19.3	41.3	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 16984 Chicago-Naperville-Evanston, IL		\$92,622	Median Housing Value			\$280,267
Median Family Income MSA - 20994 Elgin, IL		\$97,326	Median Gross Rent			\$1,231
Median Family Income MSA - 29404 Lake County-Kenosha County, IL-WI		\$105,876	Families Below Poverty Level			8.0%
Median Family Income Non-MSAs - IL		\$68,958				
<i>Sources: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0% (* The NA category consists of geographies that have not been assigned an income classification.</i>						

The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by GAR. According to 2021 D&B data, there were 769,496 non-farm businesses in the AA with the following GAR levels:

- 86.7 percent have \$1 million or less,
- 5.0 percent have more than \$1 million, and
- 8.3 percent have unknown revenues.

The analysis of small farm loans under the borrower profile criterion compares the distribution of businesses by GAR. According to 2021 D&B data, there were 12,698 farms in the AA with the following GAR levels:

- 94.8 percent have \$1 million or less,
- 3.0 percent have more than \$1 million, and
- 2.2 percent have unknown revenues.

A total of 59 percent of businesses in the AA employ between one and four employees, while 30.5 percent employ just five to nine employees. Services (37.1 percent), retail trade (10.6 percent), and finance, insurance, and real estate (10.3 percent) make up the majority of the businesses.

Examiners use the FFIEC-updated MFI level to analyze home mortgage lending performance under the Borrower Profile criterion. The following table contains information on the MFIs by category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Chicago-Naperville-Evanston, IL Median Family Income (16984)				
2022 (\$105,700)	<\$52,850	\$52,850 to <\$84,560	\$84,560 to <\$126,840	≥\$126,840
Elgin, IL Median Family Income (20994)				
2022 (\$111,900)	<\$55,950	\$55,950 to <\$89,520	\$89,520 to <\$134,280	≥\$134,280
Lake County-Kenosha County, IL-WI Median Family Income (29404)				
2022 (\$118,200)	<\$59,100	\$59,100 to <\$94,560	\$94,560 to <\$141,840	≥\$141,840
IL NA Median Family Income (99999)				
2022 (\$76,100)	<\$38,050	\$38,050 to <\$60,880	\$60,880 to <\$91,320	≥\$91,320
<i>Source: FFIEC</i>				

Data from the Bureau of Labor Statistics reflects the average unemployment rates for the majority of the counties in the AA, the State of Illinois, and the National Average remains below the levels experienced in 2021. The three counties in the Ottawa, IL micropolitan statistical area (Bureau, LaSalle, and Putnam) all experienced higher unemployment rates as of September 2023. In addition, the majority of counties in the AA and the State of Illinois average unemployment rates have recently increased as of September 2023 from 2022 levels suggesting a recent decrease in business activity. The following table illustrates the relevant unemployment rates by county, state, and nationally.

Unemployment Rates – Chicago, IL CSA			
	2021	2022	September 2023
Area	%	%	%
Bureau County, IL	5.1	4.4	6.4
Cook County, IL	6.9	5.0	4.9
DeKalb County, IL	5.8	4.2	5.1
DuPage County, IL	4.5	3.6	3.8
Grundy County, IL	5.3	4.9	4.5
Kane County, IL	5.9	4.5	5.3
Kendall County, IL	4.7	4.0	4.1
Lake County, IL	5.3	4.2	5.3
LaSalle County, IL	6.0	4.9	6.1
McHenry County, IL	4.7	4.0	4.0
Putnam County, IL	5.1	4.7	5.7
Will County, IL	5.7	4.6	4.5
State of Illinois	6.1	4.6	4.9
National Average	5.3	3.6	3.6
<i>Source: U.S. Bureau of Labor Statistics</i>			

Competition

The AA reflects a competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, there were 159 financial institutions operating 2,106 offices within the assessment area. Heartland ranked 37th, maintaining a 0.28 percent deposit market share.

The AA is a competitive market for home mortgage loans among banks, credit unions, and non-deposit mortgage lenders. The 2022 HMDA aggregate lending data (the latest market share data available) reflects 914 reporting lenders with Heartland ranked 134th with a 0.10 percent market share. Further, aggregate small business lending data for 2021 (the latest available data) reflects 339 reporting lenders with Heartland ranked 35th with a 0.3 percent market share of small business loans. In addition, aggregate small farm lending data for 2021 (the latest available data) reflects 47 reporting lenders with Heartland ranked first with a 21.5 percent market share of small farm loans.

These performance context factors indicate a competitive banking market for deposits, home mortgage loans, and small business and farm loans within the AA.

Community Contacts

To assist the FDIC in preparing the CRA evaluation, examiners relied on two existing community contacts to assist in identifying local area credit needs and opportunities. The first contact stated that small business loans, particularly loans for under \$100,000, and small business financial education are prominent needs in the Chicago area. Many of the larger banks cannot make smaller dollar businesses loans profitable, nor do they have the time or resources to provide effective education to small business owners. The contact stated that partnering with community development financial institutions (CDFIs) can help bridge the financial and resource gaps between the area's larger banks and local small business owners. The second community contact also noted the need for small business loans in the LaSalle County area. Grants or loans for affordable housing including home improvement loans would also significantly benefit the community. There is a high level of opportunity for bank involvement. Both contacts stated that local banks are willing to meet the area credit needs and remain active in the community.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and demographic and economic data, examiners determined that small business and home improvement loans represent primary credit needs in the area. The percentage of low- and moderate-income families in the assessment area at 39.4 percent and the high percentage of businesses with GARs of \$1 million or less at 89.4 percent support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN CHICAGO, IL CSA

LENDING TEST

Heartland demonstrated low satisfactory performance under the Lending Test in the Chicago, IL CSA AA. This conclusion was determined by evaluating the bank's lending activity, geographic distribution of loans, borrowers' profile, responsiveness to credit needs, community development lending, and innovative or flexible lending practices.

Lending Activity

Heartland’s lending performance reflects adequate responsiveness to the credit needs in the Chicago, IL CSA AA for the current evaluation period. In 2021, Heartland originated 1,039 small business loans totaling \$123.4 million and 423 small farm loans totaling \$31.5 million. For home mortgage lending, Heartland originated 236 loans totaling \$63.6 million in 2022. Lastly, the bank originated

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the AA. Heartland’s small business lending performance supported this conclusion due to the higher number of these loans originated in the AA compared to home mortgage and small farm loans. For this criterion, examiners focused on the percentage of loans by number in the low- and moderate-income census tracts.

Small Business Lending

The geographic distribution of small business loans reflects poor penetration throughout the AA. The level of lending in the low- and moderate-income tracts supports this rating. In 2021, Heartland originated 1.3 percent of small business loans in the low-income census tracts, which is below both the 6 percent of businesses and the aggregate performance of 6.9 percent within those tracts. Heartland originated 10.1 percent of small business loans in the moderate-income census tracts, which is below both the 16.6 percent of businesses and the aggregate performance of 18.7 percent within those tracts. Additional information is shown in the following table.

Geographic Distribution of Small Business Loans						
Assessment Area: Chicago, IL CSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	6.0	6.9	14	1.3	3,586	2.9
Moderate						
2021	16.6	18.7	105	10.1	17,340	14.0
Middle						
2021	29.2	30.6	563	54.2	49,882	40.4
Upper						
2021	47.7	43.5	355	34.2	52,404	42.5
Not Available						
2021	0.5	0.3	2	0.2	201	0.2
Totals						
2021	100.0	100.0	1,039	100.0	123,413	100.0

Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Home Mortgage Lending

The geographic distribution of home mortgage loans reflects adequate penetration throughout the AA. Geographic distribution of home mortgage loans compares the bank’s lending performance to 2022 HMDA aggregate data and the percentage of owner-occupied units located in each census tract as shown in the following table. Aggregate data reflects home mortgage lending performance by all lenders, including Heartland, that are subject to HMDA data collection and reporting requirements.

In 2022, Heartland originated 3.8 percent of home mortgage loans in the low-income census tracts, which is slightly below, but comparable to, the demographics of 4.3 percent and aggregate performance of 4.1 percent. The bank originated 17.8 percent of home mortgage loans in the moderate-income census tracts, which closely matches the demographics of 18 percent and slightly above the aggregate performance of 16.6 percent. Additional information is shown in the following table.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Chicago, IL CSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	4.3	4.1	9	3.8	601	0.9
Moderate						
2022	18.0	16.6	42	17.8	6,773	10.7
Middle						
2022	38.0	37.1	137	58.1	36,339	57.1
Upper						
2022	39.4	41.9	47	19.9	19,610	30.8
Not Available						
2022	0.2	0.3	1	0.4	275	0.4
Totals						
2022	100.0	100.0	236	100.0	63,598	100.0

Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Farm Lending

The geographic distribution of small farm loans reflects adequate penetration throughout the AA. The level of lending in the low- and moderate-income tracts compared to the aggregate lending performance supports this rating.

In 2021, Heartland originated 1.4 percent of small farm loans in the low-income census tracts, which is below the 3.4 percent of farms and above the aggregate performance of 0.8 percent within

those tracts. The bank originated 1.9 percent of small farm loans in the moderate-income census tracts, which is significantly below the 14.8 percent of the farms operating in those tracts. However, the aggregate performance of 3.7 percent was also significantly below the demographics, which represents limited lending demand and opportunities.

Although, Heartland’s lending performance trailed the demographics of farms located in the low- and moderate-income tracts, there are less than nineteen percent of all farms in these tracts. This small percentage of farming operations limits lending opportunities as evidenced by the low ability of aggregate lenders to penetrate these areas. The majority of the low- and moderate-income tracts are located within the city limits of the numerous metropolitan areas in the AA, which would be more indicative of hobby farms with limited lending needs. Given the limited opportunities to lend to farming operations in the low- and moderate-income geographies, Heartland’s lending performance is considered adequate. Additional information is shown in the following table.

Geographic Distribution of Small Farm Loans						
Assessment Area: Chicago, IL CSA						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	3.4	0.8	6	1.4	806	2.6
Moderate						
2021	14.8	3.7	8	1.9	610	1.9
Middle						
2021	42.5	74.5	348	82.3	25,903	82.2
Upper						
2021	39.2	21.0	61	14.4	4,210	13.4
Not Available						
2021	0.1	0.1	0	0.0	0	0.0
Totals						
2021	100.0	100.0	423	100.0	31,529	100.0

Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects adequate penetration among borrowers of different income levels and businesses and farms of different sizes in the AA. Heartland’s lending performance in all three loan products evaluated supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers and the percentage of small business and small farm loans to businesses and farms with GARs of \$1 million or less.

Small Business Lending

The distribution of small business loans to borrowers reflects adequate penetration among businesses of different sizes. Examiners focused on the bank’s lending performance in comparison to aggregate performance for the AA.

In 2021, Heartland originated 42.2 percent of small business loans to businesses with GARs of \$1 million or less. This level of lending is comparable to the 2021 aggregate lending performance of 43.6 percent. Heartland’s lending performance is significantly below the 86.6 percent of businesses in the AA that reported GARs of \$1 million or less. However, the demographic data includes all businesses in the AA, and not necessarily those businesses seeking] financing. Therefore, aggregate performance data is considered the best comparative factor as it reflects the actual penetration of small business lending by all lenders in the AA. Additional information is shown in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Chicago, IL CSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	86.6	43.6	438	42.2	49,426	40.0
>\$1,000,000						
2021	5.0	--	168	16.2	39,077	31.7
Revenue Not Available						
2021	8.3	--	433	41.7	34,910	28.3
Totals						
2021	100.0	100.0	1,039	100.0	123,413	100.0

Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Home Mortgage Lending

The distribution of home mortgage loans to borrowers of different income levels, particularly low - and moderate-incomes, reflects adequate penetration. Heartland’s lending performance is compared to the 2022 HMDA aggregate lending and the percentage of families within each income designation.

Heartland’s home mortgage lending to low-income borrowers is 10.2 percent, which is significantly below the 22.8 percent of the low-income families in the AA. However, the bank’s lending performance is consistent with the 2022 HMDA aggregate lending of 10.1 percent. According to the 2020 U.S. Census, 8 percent of families in the AA live below the poverty level. The ability to qualify for a home mortgage loan, particularly under conventional financing would be challenging, which limits the demand and opportunity to lend to these lower-income families. This is a factor considered when analyzing the bank’s lending performance in the AA. The HMDA aggregate

lending performance is more indicative of the actual lending opportunities to low-income families in the AA, of which, the bank’s lending performance just slightly above.

Heartland’s home mortgage lending to moderate-income borrowers at 16.5 percent is consistent with the 16.6 percent of families at this income level but is below the HMDA aggregate lending of 21.2 percent and overall, is adequate. The following table provides additional details regarding home mortgage lending in the AA.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Chicago, IL CSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	22.8	10.1	24	10.2	2,191	3.4
Moderate						
2022	16.6	21.2	39	16.5	4,653	7.3
Middle						
2022	19.3	20.9	33	14.0	4,942	7.8
Upper						
2022	41.3	31.3	24	10.2	7,471	11.7
Not Available						
2022	0.0	16.6	116	49.2	44,341	69.7
Totals						
2022	100.0	100.0	236	100.0	63,598	100.0

Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Farm Lending

The distribution of small farm loans to borrowers reflects good penetration among farms of different sizes. Examiners focused on the bank’s lending performance in comparison to aggregate lending performance for the AA.

In 2021, Heartland originated 80.9 percent of small farm loans to farming operations with GARs of \$1 million or less. This level of lending is significantly higher than the 2021 aggregate lending performance of 59.2 percent. Heartland’s lending performance is below the 94.8 percent of farms in the AA that reported GARs of \$1 million or less. However, the demographic data includes all farms in the AA, and not necessarily those farming operations that seek financing. Therefore, aggregate performance data is considered the best comparative factor as it reflects the actual penetration of small farm lending by all lenders in the AA. Additional information is shown in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: Chicago, IL CSA						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	94.8	59.2	342	80.9	25,968	82.4
>\$1,000,000						
2021	3.0	--	36	8.5	4,053	12.9
Revenue Not Available						
2021	2.2	--	45	10.6	1,508	4.8
Totals						
2021	100.0	100.0	423	100.0	31,529	100.0

Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Innovative or Flexible Lending Practices

Heartland uses innovative and/or flexible lending practices in order to serve AA credit needs. The following table shows Heartland made 205 flexible loans totaling \$18.3 million in this AA during the current evaluation period. The majority of the loans by dollar amount were made through the SBA's loan programs that help small business loan with various lending needs and longer repayment terms. The majority of the loans by number were made through Heartland's affordable small dollar loan programs, which helps to meet the credit needs of low- and moderate-income borrowers in the AA. A total of 78 percent of these loans were originated to low-income borrowers and 14 percent were originated to moderate-income borrowers. The following table provides additional information.

Innovative or Flexible Lending Programs – Chicago, IL CSA										
Type of Program	7/16/2020-12/2020		2021		2022		YTD 11/13/2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Home Possible	7	607	17	1,908	22	2,327	17	1,873	63	6,715
IHDA	1	169	1	159	0	0	5	759	7	1,087
FHA	0	0	1	159	0	0	2	272	3	431
USDA	0	0	0	0	1	81	0	0	1	81
Home Matters	0	0	3	278	2	255	3	302	8	835
VA	0	NA	0	NA	0	NA	0	0	0	0
Home i-Matters	0	NA	0	NA	0	NA	1	280	1	280
Affordable Small Dollar Loans	23	19	23	19	30	25	28	26	104	89
SBA	2	1,971	4	1,594	2	675	10	4,535	18	8,775
Totals	33	2,766	49	4,117	57	3,363	46	8,047	205	18,293

Source: Bank Data

Community Development Loans

Heartland made a relatively high level of community development loans in the Chicago, IL CSA AA and originated 155 community development loans totaling \$245.7 million in the AA during the current evaluation period. This is a substantial increase in dollar volume from the previous evaluation when Heartland originated 80 community development loans totaling \$159.2 million in the AA. The following table provides additional information regarding the community development lending in the AA.

Community Development Lending – Chicago, IL CSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/16/20 – 12/31/20	10	24,026	0	0	6	13,225	0	0	16	37,251
2021	31	45,357	1	1,688	8	9,911	0	0	40	56,956
2022	53	46,561	3	8,787	9	23,467	0	0	65	78,814
YTD 2023	20	37,943	0	0	14	34,772	0	0	34	72,715
Total	114	153,887	4	10,475	37	81,374	0	0	155	245,736
<i>Sources: Bank Data; Due to rounding, totals may not equal 100.0%</i>										

Below are notable examples of the bank’s community development loans in the AA:

- Heartland provided a \$2 million loan to finance the construction of affordable condominium units per the Chicago Housing Trust (CHT) guidelines. The project provides new homeownership opportunities for low- and moderate-income individuals due to the income restrictions required for eligibility. The developer complies with CHT's purchase price guidelines as a way to keep the units affordable. Borrowers who purchase a unit agree to a 30-year affordable housing deed restriction as a way to maintain the unit's affordability for future homeowners. This loan promotes affordable housing in the AA.
- Heartland originated two loans totaling \$7.7 million to a senior assisted living complex located in a low-income census tract. The complex accepts Medicaid payments and has a majority of their residents who receive Medicaid income. These loans provided affordable housing to low- and moderate-income residents in the AA.
- Heartland provided a \$4 million loan to a Community Investment Corporation (CIC), which is a non-profit organization and a certified CDFI. The CIC is a pooled risk lender that primarily originates multi-family and 1-4 family unit loans in low- and moderate-income census tracts in the AA. This loan promotes affordable housing in the AA.

INVESTMENT TEST

Heartland demonstrated high satisfactory performance under the Investment Test in the Chicago, IL CSA AA. This conclusion was determined by evaluating the bank’s investment and grant activity, its responsiveness to credit and community development needs, and its use of innovative and complex investments to support community development initiatives.

Investment and Grant Activity

Heartland has a significant level of qualified investments and grants in the AA with 79 investments totaling \$103.7 million and 179 grants totaling \$195,000. This investment level is substantial higher by number and dollar volume of activity noted at the previous evaluation. At the prior evaluation, the financial institution Heartland had 17 investments totaling \$24.1 million and 98 grants totaling \$93,000. The table below provides additional details.

Qualified Investments – Chicago, IL CSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	7	14,628	13	7,067	5	1,380	0	0	25	23,076
7/16/20 – 12/31/20	2	4,319	8	14,780	1	146	0	0	11	19,245
2021	11	37,802	6	4,537	16	14,216	0	0	33	56,555
2022	5	3,536	0	0	0	0	0	0	5	3,536
YTD 2023	5	1,371	0	0	0	0	0	0	5	1,371
Subtotal	30	61,655	27	26,385	22	15,742	0	0	79	103,782
Qualified Grants & Donations	7	8	162	157	8	27	2	2	179	195
Total	37	61,663	189	26,542	30	15,769	2	2	258	103,977
<i>Source: Bank Data</i>										

Below are notable examples of community development investments made or maintained by the bank during the current review period:

- Heartland continues to hold a \$2.4 million government bond secured by 152 multi-family loans in a housing complex located in moderate-income census tract. All units are targeted for low-income residents. The investment supports affordable housing in the AA.
- Heartland purchased a local school bond for \$1 million for a school district wherein over 50 percent of the students qualify for free and reduced lunches. This investment supports community services in the AA.
- Heartland purchased a \$6.5 million government bond secured by four multi-family properties located in low- and moderate-income census tracts in Chicago. All four properties have rent restrictions for residents with incomes of 80 percent of the AMI or less. The investment targets low- and moderate-income residents and supports affordable housing in the AA.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community economic development needs in the AA. Investments and grants were made with community development purposes consistent with the needs of the AA. The substantial majority of the qualified investments and grants, by number and dollar volume, have supported community services, such as financial literacy, and

affordable housing, which are needs identified by community contacts during the current evaluation period.

Community Development Initiatives

Heartland rarely uses innovative or complex investments to support community development initiatives. The investments and grants noted above are useful and help promote community development; however, they are generally not innovative or complex by nature.

SERVICE TEST

Heartland demonstrated high satisfactory performance under the Service Test in the Chicago, IL CSA AA. This conclusion was determined by evaluating the availability of delivery systems, changes in branch locations, reasonableness of business hours and services in meeting assessment area needs, and community development services.

Accessibility of Delivery Systems

Heartland’s delivery systems are reasonably accessible to essentially all portions of the AA. As reflected in the following table, Heartland operates 24 offices and 26 ATMs in the Chicago, IL CSA AA. Heartland does not operate any branches or ATMs in the low-income census tracts in the AA. Heartland now operates three branches and five ATMs in moderate-income tracts, which is an increase from the prior evaluation wherein two branches and two ATMs were located in these tracts. The banking environment in the AA is very competitive as there are 159 financial institutions in this market with 2,106 offices. There is also a significant presence of financial institutions in the low- and moderate-income geographies to serve the population in those tracts. Additionally, the bank offers other alternative delivery systems such as telephone banking, mobile banking, and online banking as additional accessibility options. The following table provides more detailed information on the distribution of delivery systems.

Branch and ATM Distribution by Geography Income Level								
Chicago, IL CSA Assessment Area								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	243	11.3	766,739	8.6	0	0	0	0
Moderate	486	22.7	1,980,481	22.3	3	12.5	5	19.2
Middle	703	32.8	3,093,784	34.8	16	66.7	16	61.6
Upper	687	32.0	2,984,703	33.6	5	20.8	5	19.2
Not Available	26	1.2	53,520	0.6	0	0	0	0
Totals	2,145	100.0	8,879,227	100.0	24	100.0	26	100.0

Sources: 2020 U.S. Census; Bank Data; Due to rounding, totals may not equal 100.0%

Changes in Branch Locations

Heartland’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts or to low- and moderate-income individuals. The bank closed two branches in Will and Lake Counties since the prior evaluation; however, none of these branches were located in low- or moderate-income census tracts. Heartland closed a branch in DeKalb County, which was located in a moderate-income census tract. However, this closure did not adversely affect accessibility, as another branch is located less than two miles away, is also located within the same census tract.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences any portions of the AA, particularly low- and moderate-income geographies or individuals. All branch locations are equipped with ATMs and a majority of branches have drive-up facilities with some locations offering extended banking hours. There are slight differences in the business hours among locations; however, they do not vary in a way that inconveniences any portions of the AA.

Community Development Services

Heartland provides a relatively high level of community development services within the Chicago, IL CSA AA. For the current evaluation period, Heartland provided 473 community development services. This level of qualified activity is significantly above the previous evaluation when 105 community development services were identified. Technical assistance provided by bank employees in completing down payment assistance grant applications for low- and moderate-income homeowners and monthly financial literacy classes associated with the bank’s affordable small dollar loan program help the bank’s performance under this criterion. The following table details the number of bank services by year and purpose.

Community Development Services – Chicago, IL CSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
7/16/20 – 12/31/20	0	51	0	0	51
2021	0	94	37	0	131
2022	9	99	54	0	162
YTD 2023	2	118	9	0	129
Total	11	362	100	0	473
<i>Source: Bank Data</i>					

Below are notable examples of community development services provided by the bank during the current review period:

- Bank employees provided financial literacy classes to participants of an organization located at the Chicago LPO, which is located in a moderate-income census tract. The LPO’s two full-time employees are bilingual and provide financial literacy classes in both English and

Spanish. These activities promote community service in the AA.

- Bank employee serves on the Board and other committees for a community organization whose mission is to end homelessness. The employee has provided over 150 hours of professional financial expertise while also volunteering in the emergency shelter serving those seeking safe shelter. This activity promotes community services in the AA.
- Heartland utilized several down payment assistance programs in the AA including 45 FHLBC DPP grants totaling \$318,000; 19 Home Matters grants totaling \$21,500; 71 Borrow Smart grants totaling \$106,500; and four IHDA grants totaling \$28,000. For each grant awarded, a bank employee provides technical assistance through preparation of the grant application. This activity promotes community service through financial literacy assistance in the AA.

PEORIA, IL MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN PEORIA, IL MSA

Heartland designated four out of six counties in the Peoria, IL MSA as an AA. The AA consists of Peoria, Marshall, Woodford, and Tazewell Counties in central Illinois. Heartland operates 14 branches in the AA. As of September 30, 2023, the AA accounted for 14.4 percent of the bank’s deposits, and 3.4 percent of loans, which is the lowest of the other three AAs that were reviewed utilizing full-scope evaluation procedures. The AA contains 20 percent of the branches, which is second highest of the other three AAs that were reviewed. As such, Heartland’s performance in this AA is not as heavily weighted as the Bloomington, IL MSA, or Chicago, IL CSA AAs.

The AA consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and includes all of the geographies where the bank’s offices are located.

Economic and Demographic Data

This assessment area includes all 93 census tracts that comprise Marshall, Peoria, Tazewell, and Woodford counties, which are part of the Peoria, IL MSA #37900. These census tracts reflect the following income designations according to the 2020 U.S. Census:

- nine low-income census tracts,
- 17 moderate-income census tracts,
- 49 middle-income census tracts,
- 18 upper-income census tracts, and
- 0 census tracts with no income category.

The majority of the low- and moderate-income census tracts are located in the City of Peoria in Peoria County. As of September 30, 2023, the AA accounts for 3.4 of total loans; 14.4 percent of total deposits and contains 20 percent of the branches. Additional demographic information is shown in the following table.

Demographic Information of the Assessment Area						
Assessment Area: Peoria, IL MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	93	9.7	18.3	52.7	19.4	0.0
Population by Geography	363,382	5.2	16.8	52.8	25.2	0.0
Housing Units by Geography	164,165	6.4	18.2	53.8	21.6	0.0
Owner-Occupied Units by Geography	104,864	2.4	16.1	56.8	24.7	0.0
Occupied Rental Units by Geography	42,226	13.2	21.3	48.4	17.2	0.0
Vacant Units by Geography	17,075	14.5	23.1	48.7	13.7	0.0
Businesses by Geography	25,701	9.8	13.7	49.9	26.6	0.0
Farms by Geography	1,486	2.0	9.2	63.5	25.3	0.0
Family Distribution by Income Level	92,683	19.2	18.4	21.5	40.8	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 37900 Peoria, IL MSA		\$77,873	Median Housing Value			\$139,963
			Median Gross Rent			\$797
			Families Below Poverty Level			7.9%
Sources: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%						
(*) The NA category consists of geographies that have not been assigned an income classification.						

The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by GAR. According to 2021 D&B data, there were 22,784 non-farm businesses in the AA with the following GAR levels:

- 80.4 percent have \$1 million or less,
- 5.7 percent have more than \$1 million, and
- 13.9 percent have unknown revenues.

The analysis of small farm loans under the borrower profile criterion compares the distribution of businesses by GAR. According to 2021 D&B data, there were 1,386 farms in the AA with the following GAR levels:

- 97.4 percent have \$1 million or less,
- 1.3 percent have more than \$1 million, and
- 1.3 percent have unknown revenues.

A total of 60.9 percent of businesses in the AA employ between one and four employees, while 25.4 percent employ just five to nine employees. Services (37.2 percent), retail trade (13.1 percent), and finance, insurance, and real estate (9.8 percent) make up the majority of the businesses.

Examiners use the FFIEC-updated MFI level to analyze home mortgage lending performance under the Borrower Profile criterion. The following table contains information on the MFIs by category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Peoria, IL MSA Median Family Income (37900)				
2022 (\$88,700)	<\$44,350	\$44,350 to <\$70,960	\$70,960 to <\$106,440	≥\$106,440
<i>Source: FFIEC</i>				

Data from the Bureau of Labor Statistics reflects the average unemployment rates in the majorities of counties in the AA, the State of Illinois, and the National Average remains below the levels experienced in 2021. However, each county in the AA and the State of Illinois average unemployment rates have recently increased as of September 2023 from the 2022 levels suggesting a recent decrease in business activity. The following table illustrates the relevant unemployment rates by county, state, and nationally.

Unemployment Rates – Peoria, IL MSA			
	2021	2022	September 2023
Area	%	%	%
Marshall County, IL	5.6	4.6	5.4
Peoria County, IL	7.2	5.0	6.0
Tazewell County, IL	5.1	4.1	4.8
Woodford County, IL	4.1	3.4	4.5
State of Illinois	6.1	4.6	4.9
National Average	5.3	3.6	3.6
<i>Source: U.S. Bureau of Labor Statistics</i>			

Competition

The AA reflects a competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, there were 34 financial institutions operating 119 offices within the assessment area. Heartland ranked fourth, maintaining a 6.1 percent deposit market share.

The AA is a competitive market for home mortgage loans among banks, credit unions, and non-deposit mortgage lenders. The 2022 HMDA aggregate lending data (the latest market share data available) reflects 303 reporting lenders with Heartland ranked 26th with a 0.68 percent market share. Further, aggregate small business lending data for 2021 (the latest available data) reflects 92 reporting lenders with Heartland ranked fourth with a 5.5 percent market share of small business loans. In addition, aggregate small farm lending data for 2021 (the latest available data) reflects 20 reporting lenders with Heartland ranked second with a 11.3 percent market share of small farm loans.

These performance context factors indicate a competitive banking market for deposits, home mortgage loans, and small business and farm loans within the AA.

Community Contacts

Examiners relied on two existing contacts to assist in identifying credit needs and opportunities in the Peoria AA. Both contacts were representatives from the same economic development organization and were interviewed at different times throughout the year. According to the first contact, the recent increase in interest rates has adversely impacted small businesses, so there is a need for more flexible and affordable small business loans. There is also a need for first time homebuyer loans, since interest rates are higher and homes are currently more expensive. The area's low housing stock is an additional hurdle for those who are looking to purchase their first home.

The second community contact stated that economic conditions are generally favorable, especially for many of the local business owners. However, some of the smaller businesses have been struggling to find and retain employees. The contact stated that business development and rehabilitation areas need more advances. Building stock is also low, which makes it challenging for companies to come to the Peoria area. The contact stated that the primary credit needs of the community are small business and home improvement loans and also commented about the significant portion of low-income individuals that are underserved and underbanked. Both contacts stated that there is a solid dispersion of local banks and larger banks in the AA. The local banks service the smaller credit needs while the larger institutions cover the larger credit needs and provide more complex financial services. The contact stated that the banks in the area are responsive to local credit needs overall.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and demographic and economic data, examiners determined that small business, affordable housing loans, and home improvement loans represent the primary credit needs in the area. The percentage of low- and moderate-income families in the assessment area at 37.6 percent and the high percentage of businesses with GARs of \$1 million or less at 82.7 percent support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN PEORIA, IL

LENDING TEST

Heartland demonstrated low satisfactory performance under the Lending Test in the Peoria, IL MSA AA. This conclusion was determined by evaluating the bank's lending activity, geographic distribution of loans, borrowers' profile, responsiveness to credit needs, community development lending, and innovative or flexible lending practices.

Lending Activity

Heartland's lending performance reflects adequate responsiveness to the credit needs in the Peoria, IL MSA AA for the current evaluation period. In 2021, the bank originated 366 small business loans totaling \$29.4 million and 133 small farm loans totaling \$10.6 million. For home mortgage lending, the bank originated 70 loans totaling \$9.8 million in 2022.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the AA. Heartland’s small business lending performance supported this conclusion due to the higher number of these loans originated in the AA; however, home mortgage lending performance is also considered poor. For this criterion, examiners focused on the percentage of loans by number in the low- and moderate-income census tracts. Heartland does not operate any branches in the low- and moderate-income census tracts in the AA, which hinders the lending performance in these tracts.

Small Business Lending

The geographic distribution of small business loans reflects poor penetration throughout the AA. The level of lending in the low- and moderate-income tracts supports this rating.

In 2021, Heartland originated 4.4 percent of small business loans in the low-income census tracts, which is below both the 10.9 percent of businesses and the aggregate performance of 10.1 percent within those tracts. The bank originated 2.5 percent of small business loans in the moderate-income census tracts, which is also significantly below both the 11.7 percent of businesses and the aggregate performance of 10.3 percent within those tracts. Additional information is shown in the following table.

Geographic Distribution of Small Business Loans						
Assessment Area: Peoria, IL MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	10.9	10.1	16	4.4	1,105	3.8
Moderate						
2021	11.7	10.3	9	2.5	661	2.3
Middle						
2021	46.0	46.6	220	60.1	18,555	63.2
Upper						
2021	31.4	33.0	121	33.1	9,044	30.8
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
Totals						
2021	100.0	100.0	366	100.0	29,365	100.0

Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Home Mortgage Lending

The geographic distribution of home mortgage loans reflects poor penetration throughout the AA. Geographic distribution of home mortgage loans compares Heartland’s lending performance to 2022 HMDA aggregate data and the percentage of owner-occupied housing units located in each census tract as shown in the following table. Aggregate data reflects home mortgage lending performance by all lenders, including Heartland, that are subject to HMDA data collection and reporting requirements.

In 2022, Heartland did not originate any home mortgage loans in the low-income census tracts, which contain 2.4 percent of the owner-occupied housing units in the AA. However, it is noted that the aggregate performance of 1.0 percent is also below the demographic factor. Heartland originated 11.4 percent of home mortgage loans in the moderate-income census tracts, which is below the demographics of 16.1 percent and the aggregate performance of 16.4 percent. Additional information is shown in the following table.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Peoria, IL MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	2.4	1.0	0	0.0	0	0.0
Moderate						
2022	16.1	16.4	8	11.4	1,143	11.7
Middle						
2022	56.8	58.3	43	61.4	5,671	57.8
Upper						
2022	24.7	24.4	19	27.1	2,994	30.5
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
Totals						
2022	100.0	100.0	70	100.0	9,809	100.0

Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Farm Lending

The geographic distribution of small business loans reflects adequate penetration throughout the AA. The level of lending in the low- and moderate-income tracts compared to the aggregate lending performance supports this rating.

In 2021, Heartland originated 0.8 percent of small farm loans in the low-income census tracts, which is below the 1.9 percent of farms and above the aggregate performance of 0.3 percent within those tracts. Heartland did not originate any small farm loans in the moderate-income census tracts,

which contain 4.7 percent of the farms in the AA. However, the aggregate performance of 0.1 percent was also significantly below the demographic factor, which represents limited lending demand. Even though the bank’s lending performance was slightly below the demographics of farms located in the low- and moderate-income tracts, there are less than seven percent of all farms in these tracts. This small percentage of farming operations hinders lending opportunities as evidenced by the limited ability of aggregate lenders to penetrate these areas. The majority of the low- and moderate-income tracts are located within the downtown area of Peoria, which would be more indicative of hobby farms with limited lending needs. Given the limited opportunities to lend to farming operations in the low- and moderate-income geographies, the bank’s lending performance is considered reasonable. Additional information is shown in the following table.

Geographic Distribution of Small Farm Loans						
Assessment Area: Peoria, IL MSA						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	1.9	0.3	1	0.8	110	1.0
Moderate						
2021	4.7	0.1	0	0.0	0	0.0
Middle						
2021	60.2	76.2	107	80.5	8,610	80.8
Upper						
2021	33.2	23.4	25	18.8	1,933	18.1
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
Totals						
2021	100.0	100.0	133	100.0	10,653	100.0

Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects adequate penetration among borrowers of different income levels and businesses and farms of different sizes in the AA. Heartland’s lending performance in all three loan products evaluated supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers and the percentage of small business and small farm loans to businesses and farms with GARs of \$1 million or less.

Small Business Lending

The distribution of small business loans reflects adequate penetration among businesses of different sizes. Examiners focused on the bank’s lending performance in comparison to aggregate performance for the AA.

In 2021, Heartland originated 52.7 percent of small business loans to businesses with GARs of \$1 million or less. This level of lending is slightly above the 2021 aggregate lending performance of 50.8 percent and significantly below the 80.4 percent of businesses in the AA that reported GARs of \$1 million or less. However, again, the demographic data includes all businesses in the AA, and not necessarily those businesses that have a need for financing. Therefore, aggregate performance data is considered the best comparative factor as it reflects the actual penetration of small business lending by all lenders in the AA. Additional information is shown in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Peoria, IL MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	80.4	50.8	193	52.7	11,064	37.7
>\$1,000,000						
2021	5.7	--	60	16.4	13,350	45.5
Revenue Not Available						
2021	13.9	--	113	30.9	4,951	16.9
Totals						
h2021	100.0	100.0	366	100.0	29,365	100.0
<i>Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Lending

The distribution of home mortgage loans to borrowers of different income levels, particularly low- and moderate-incomes, reflects good penetration. Heartland’s lending performance is compared to the 2022 HMDA aggregate lending and the percentage of families within each income designation.

Heartland’s home mortgage lending to low-income borrowers is 18.6 percent, which is slightly below the 19.2 percent of the low-income families in the AA and above the 2022 HMDA aggregate lending of 14.9 percent. According to the 2020 U.S. Census, 7.9 percent of families in the AA live below the poverty level. The ability to qualify for a home mortgage loan, particularly under conventional financing would be challenging, which limits the demand and opportunity to lend to these lower-income families. This is a factor considered when analyzing the bank’s lending performance in the AA. The HMDA aggregate lending performance is more indicative of the actual lending opportunities to low-income families in the AA, which Heartland’s lending performance exceeds.

Heartland’s home mortgage lending to moderate-income borrowers at 21.4 percent is higher than the 18.4 percent of families at this income level and the HMDA aggregate lending of 20.7 percent. The following table provides additional details regarding home mortgage lending in the AA.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Peoria, IL MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	19.2	14.9	13	18.6	1,288	13.1
Moderate						
2022	18.4	20.7	15	21.4	1,717	17.5
Middle						
2022	21.5	18.1	7	10.0	835	8.5
Upper						
2022	40.8	22.5	29	41.4	4,523	46.1
Not Available						
2022	0.0	23.9	6	8.6	1,446	14.7
Totals						
2022	100.0	100.0	70	100.0	9,809	100.0

Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Farm Lending

The distribution of small farm loans to borrowers reflects adequate penetration among farms of different sizes. Examiners focused on the bank’s lending performance in comparison to aggregate performance for the AA.

In 2021, Heartland originated 78.9 percent of small farm loans to farming operations with GARs of \$1 million or less. This level of lending is comparable to the 2021 aggregate lending performance of 79.7 percent. Heartland’s lending performance is below the 97.4 percent of farms in the AA that reported GARs of \$1 million or less. However, as previously noted, not all farming operations have a need for financing. Therefore, aggregate performance data is considered the best comparative factor as it reflects the actual penetration of small farm lending by all lenders in the AA. Additional information is shown in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: Peoria, IL MSA						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	97.4	79.7	105	78.9	7,278	68.3
>\$1,000,000						
2021	1.3	--	7	5.3	1,733	16.3
Revenue Not Available						
2021	1.3	--	21	15.8	1,642	15.4
Totals						
2021	100.0	100.0	133	100.0	10,653	100.0

Sources: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Innovative or Flexible Lending Practices

Heartland uses innovative and/or flexible lending practices in order to serve AA credit needs. The following table shows Heartland made 185 flexible loans totaling \$4.4 million in this AA during the current evaluation period. The majority of the loans by dollar amount were made through the Freddie Mac's Home Possible loan program, which offers low down payment and PMI requirements. The majority of the loans by number were made through Heartland's affordable small dollar loan programs, which help meet the credit needs of low- and moderate-income borrowers in the AA. A total of 83 percent of these loans were originated to low-income borrowers and 14 percent were originated to moderate-income borrowers. The following table provides additional information.

Innovative or Flexible Lending Programs – Peoria, IL MSA										
Type of Program	7/16/2020-12/2020		2021		2022		YTD 11/13/2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Home Possible	0	0	8	680	12	1,350	8	700	28	2,730
IHDA	0	0	0	0	1	134	1	67	2	201
FHA	0	0	0	0	1	134	1	71	2	205
USDA	0	0	1	97	1	106	1	136	3	339
Home Matters	2	231	1	72	2	305	1	50	6	658
VA	0	NA	0	NA	0	NA	1	155	1	155
Home i-Matters	0	NA	0	NA	0	NA	0	0	0	0
Affordable Small Dollar Loans	24	21	43	38	43*	52	33	25	143	136
SBA	0	0	0	0	0	0	0	0	0	0
Totals	26	252	53	887	60	2,081	46	1,204	185	4,424

Sources: Bank Data; * - Includes five small dollar loans for the Affordable Housing Program collaboration with Phoenix Community Development Services. Small dollar loans up to \$4,000 were provided to eligible program participants for the purpose of home repairs to properties located in LMI census tracts. This program was part of the FHLBC's AHP competitive grant program.

Community Development Loans

Heartland made an adequate level of community development loans in the Peoria, IL MSA AA. Heartland originated 10 community development loans totaling \$24.1 million in the AA during the current evaluation period. This is an increase in dollar volume from the previous evaluation when Heartland originated nine community development loans totaling \$8.1 million in the AA. The following table provides additional information regarding the community development lending in the AA.

Community Development Lending – Peoria, IL MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/16/20 – 12/31/20	0	0	0	0	0	0	0	0	0	0
2021	1	109	0	0	2	4,141	0	0	3	4,249
2022	1	764	0	0	2	12,775	0	0	3	13,539
YTD 2023	1	20	0	0	3	6,309	0	0	4	6,329
Total	3	893	0	0	7	23,225	0	0	10	24,117

Source: Bank Data; Due to rounding, totals may not equal 100.0%

Below are notable examples of the bank’s community development loans in the AA:

- Heartland originated a \$12 million loan for a property that was located in a moderate-income census tract and met the SBA revenue size standards. The financing of the project promoted economic development by financing a small business, which provides permanent job opportunities for low- and moderate-income residents in the AA.
- Heartland originated a \$4.8 million loan to finance the construction of a business located in a TIF district, which had been designated as a redevelopment project area by the local municipality. The financing of the project promotes economic development through permanent job creation and opportunities.

INVESTMENT TEST

Heartland demonstrated low satisfactory performance under the Investment Test in the Peoria, IL MSA AA. This conclusion was determined by evaluating the bank’s investment and grant activity, its responsiveness to credit and community development needs, and its use of innovative and complex investments to support community development initiatives.

Investment and Grant Activity

Heartland has an adequate level of qualified investments and grants in the AA. Specifically, Heartland has seven investments totaling \$7.3 million and 70 grants totaling \$349,000 in AA. This investment level is higher by number and dollar volume of activity noted at the previous evaluation.

At the prior evaluation, Heartland had three investments totaling \$4.6 million and 24 grants totaling \$51,000. The table below provides additional details.

Qualified Investments – Peoria, IL MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	6	7,028	0	0	0	0	0	0	6	7,028
7/16/20 – 12/31/20	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	1	318	0	0	1	318
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	6	7,028	0	0	1	318	0	0	7	7,346
Qualified Grants & Donations	1	1	56	293	13	55	0	0	70	349
Total	7	7,029	56	293	14	373	0	0	77	7,695
<i>Source: Bank Data</i>										

Below are notable examples of community development investments provided by the bank during the current review period:

- Heartland continues to hold a \$1.4 million government bond secured by a housing complex that is covered by a Project Based HAP. All of the units have rent restrictions with incomes that are at or below 60 percent of the AMI. This investment targets low- and moderate-income residents and supports affordable housing in the AA.
- Heartland purchased a \$318,000 government bond secured by a multi-family housing complex located in a moderate-income census tract. All units receive Section 8 rental assistance. This investment promotes affordable housing to low- and moderate-income residents in the AA.

Responsiveness to Credit and Community Development Needs

Heartland exhibits adequate responsiveness to credit and community economic development needs in the AA. Investments and grants are higher by number and dollar volume than noted at the previous evaluation. Heartland made a number of donations that support community services and economic development and one investment that supports affordable housing in the AA.

Community Development Initiatives

Heartland rarely uses innovative or complex investments to support community development initiatives. The investments and grants noted above are useful and help promote community development; however, they are generally not innovative or complex by nature.

SERVICE TEST

Heartland demonstrated low satisfactory performance under the Service Test in the Peoria, IL MSA AA. This conclusion was determined by evaluating the availability of delivery systems, changes in branch locations, reasonableness of business hours and services in meeting assessment area needs, and community development services.

Accessibility of Delivery Systems

Heartland’s delivery systems are only accessible to residents in limited portions of the AA. As reflected in the following table, Heartland operates 14 offices and 15 ATMs in the Peoria, IL MSA AA. However, no branches are located in the low- or moderate-income census tracts. In addition, only one ATM is located in a low-income census tract and no ATMs are located in a moderate-income census tract. The bank does not charge any fees for non-bank customers to access the ATM in the low-income census tract, which provides an important service to residents who may have difficulty accessing any banking services. This action shows the bank’s willingness to serve this low-income area in the AA. The following table provides more detailed information on the distribution of delivery systems.

Branch and ATM Distribution by Geography Income Level								
Peoria, IL MSA Assessment Area								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	9	9.7	18,957	5.2	0	0	1	6.7
Moderate	17	18.3	61,191	16.8	0	0	0	0
Middle	49	52.7	191,751	52.8	9	64.3	9	60.0
Upper	18	19.3	91,483	25.2	5	35.7	5	33.3
Not Available	0	0	0	0	0	0	0	0
Totals	93	100.0	363,382	100.0	14	100.0	15	100.0

Sources: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%

Changes in Branch Locations

Heartland’s record of opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts or to low- and moderate-income individuals. Heartland closed two branches in Tazewell County since the prior evaluation; however, the branches were not located in low- or moderate-income census tracts.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies or individuals. All branch locations are equipped with deposit-taking ATMs and a majority of branches have drive-up facilities with extended banking hours. There are slight differences in the business hours among locations; however, they do not vary in a way that inconveniences portions of the AA.

Community Development Services

Heartland provides an adequate level of community development services within the Peoria, IL MSA AA. For the current evaluation period, the bank provided 106 community development services. This level of qualified activity is below the previous evaluation when 149 community development services were identified. Technical assistance provided by bank employees in completing down payment assistance grant applications for low- and moderate-income homeowners and monthly financial literacy classes associated with the bank’s affordable small dollar loan program help the bank’s performance under this criterion. The following table details the number of bank services by year and purpose.

Community Development Services – Peoria, IL MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
7/16/20 – 12/31/20	0	6	11	0	17
2021	0	12	12	0	24
2022	0	25	14	0	39
YTD 2023	0	24	2	0	26
Total	0	67	39	0	106
<i>Source: Bank Data</i>					

Below are notable examples of community development services provided by the bank during the current review period:

- Bank employees provided financial literacy for a community organization that aids families in central Illinois. The organization provides Voluntary Income Tax Assistance (VITA) and HUD certified home buyer classes to their clients. The organization is located in a low-income census tract and has a primary mission of serving low- and moderate-income residents. This activity promotes community service in the AA.
- Heartland partnered with an organization by sponsoring them for the Affordable Housing Program through the Federal Home Loan Bank of Chicago to repair and rehabilitate 30 homes for low- and moderate-income residents. Bank employees presented and translated financial education materials to participants regarding the low interest, no minimum credit score required loan option for additional home repairs. This activity promotes community service by helping local residents with financial literacy in the AA.

- Heartland utilized several down payment assistance programs in the AA including 18 FHLBC DPP grants totaling \$127,375; nine Home Matters grants totaling \$15,000; 20 Borrow Smart grants totaling \$33,500; and two IHDA grants totaling \$8,500. For each grant awarded, a bank employee provides technical assistance through preparation of the grant application. This activity promotes community service through financial literacy assistance in the AA.

OTHER ILLINOIS ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE REVIEW ASSESSMENT AREAS

The following table summarizes the conclusion for the Illinois assessment areas reviewed using limited-scope examination procedures. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, aggregate lending data comparisons, and demographic information. Performance in the limited-scope AAs were generally consistent with the bank’s performance noted in the full-scope reviews of the other AAs located in Illinois.

Assessment Area	Lending Test	Investment Test	Service Test
Champaign-Urbana, IL MSA	Consistent	Consistent	Consistent
Illinois Nonmetropolitan	Consistent	Below	Consistent

Facts and data that support conclusions for the limited-scope assessment area is included in this section, beginning with a summary of Heartland’s operations and activities in each area. Additional demographic data and information on the geographic and borrower distributions on small business, home mortgage, and small farm loans for each of these AAs is located in the appendix.

Champaign-Urbana, IL MSA Assessment Area

The Champaign-Urbana, IL MSA AA includes all of Champaign and Piatt counties, which are part of the Champaign-Urbana, IL MSA #16580. Heartland operates three branches in this AA, which contains 4.3 percent of all branches, 3.2 percent of loans, and 6.9 percent of deposits. The table below summarizes the bank’s lending and community development activities in this AA during the evaluation period.

Activity	#	\$ (000s)
Small Business Loans (2020 - 2022)	352	67,688
Home Mortgage Loans (2020 - 2022)	370	69,808
Small Farm Loans (2020 – 2022)	47	10,596
Community Development Loans	6	18,516
Investments (New)	10	14,488
Investments (Prior Period)	3	3,712
Donations	25	29
CD Services	145	-
<i>Source: Bank Data</i>		

Illinois Nonmetropolitan Assessment Area

The Illinois Nonmetropolitan AA includes all of Adams, DeWitt, Ford, Livingston, Logan, and Morgan counties. Heartland operates ten branches in this AA, which contains 14.3 percent of all branches, 4.3 percent of loans, and 15.3 percent of deposits. The table below summarizes the bank’s lending and community development activities in this AA during the evaluation period.

Activity	#	\$ (000s)
Small Business Loans (2020 - 2022)	393	90,280
Home Mortgage Loans (2020 - 2022)	182	22,301
Small Farm Loans (2020 - 2022)	367	47,245
Community Development Loans	3	1,410
Investments (New)	5	1,655
Investments (Prior Period)	0	0
Donations	22	15
CD Services	63	-
<i>Source: Bank Data</i>		

STATE OF IOWA

CRA RATING FOR STATE OF IOWA IS SATISFACTORY

The Lending Test is rated: **Low Satisfactory**
 The Investment Test is rated: **Low Satisfactory**
 The Service Test is rated: **Low Satisfactory**

DESCRIPTION OF INSTITUTION’S OPERATIONS IN STATE OF IOWA

Heartland has designated three AAs in the State of Iowa. All AAs are comprised of entire counties. The following table provides the counties, branches, and ATMs that comprise each AA in Iowa.

Description of Assessment Areas in the State of Iowa					
AA	MSA #	Counties	Census Tracts	Branches	ATMs
Cedar Rapids, IA	16300	Linn, Jones	61	2	1
Iowa City, IA	26980	Johnson	36	1	3
Waterloo-Cedar Falls, IA	47940	Black Hawk	39	1	2
<i>Source: Bank Records</i>					

SCOPE OF EVALUATION – STATE OF IOWA

The rating for the State of Iowa is based upon full-scope evaluations of the bank’s performance in the Cedar Rapids, IA MSA and the Iowa City, IA MSA AAs. The two MSAs are contiguous and comprise part of the greater Cedar Rapids-Iowa City, IA CSA #168. Since lending performance was comparable in the Cedar Rapids, IA AA and the Iowa City, IA AA, the bank’s performance will be presented at the CSA level. The Cedar Rapids-Iowa City CSA AA was chosen for a full-scope review as the AA contains the majority of the bank’s branches, loans, deposits, and community development activities in Iowa. Examiners selected the Waterloo-Cedar Falls, IA MSA

for a limited scope review as this AA contains the least amount of branches, loans, deposits, and community development activities in Iowa. These two AAs combined contain 9.3 percent of the loans and 2.6 percent of deposits resulting in the State of Iowa receiving the least weight in the overall evaluation.

Heartland's lending performance was evaluated based upon a review of all small business, home mortgage, and small farms loans originated in 2022, while community development activities for loans, investments, and services were reviewed from December 4, 2021, through the current examination of November 13, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA IN IOWA

LENDING TEST

Heartland demonstrated low satisfactory performance under the Lending Test in the State of Iowa's AAs. The lending performance in the Cedar Rapids-Iowa City, IA CSA mainly supports this conclusion. Examiners evaluated the bank's lending activity, geographic distribution of loans, borrowers' profile, responsiveness to credit needs, community development lending, and innovative or flexible lending practices to reach this conclusion.

Lending Activity

Lending levels reflect adequate responsiveness to AA credit needs. This conclusion is mainly supported by the bank's lending activity in the Cedar Rapids-Iowa City, IA CSA.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the AAs. This conclusion is mainly supported by the bank's lending activity in the Cedar Rapids-Iowa City, IA CSA due to the higher loan volume.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among small business and small farm customers of different sizes and borrowers of varying income levels. This conclusion is mainly supported by the bank's lending activity in the Cedar Rapids-Iowa City, IA CSA due to the higher loan volume.

Innovative or Flexible Lending Practices

Heartland makes little use of innovative and/or flexible lending practices in order to serve AA credit needs. Heartland originated five loans totaling \$3,500 in the affordable small dollar loan programs, which help meet the credit needs of low- and moderate-income borrowers in the AA.

Community Development Loans

Heartland made an adequate level of community development loans. Heartland originated seven community development loans totaling \$13.7 million in the Iowa AAs. This level of community development loans accounts for 3.3 percent by number and 3.5 percent by dollar of total community development lending. The Iowa AAs are new since the prior evaluation so no historical lending performance comparison is available. The following table provides additional details.

Community Development Lending – Iowa Assessment Areas										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/16/20 – 12/31/20	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2021	1	480	0	0	3	7,017	0	0	4	7,497
2022	0	0	0	0	2	2,877	0	0	2	2,877
YTD 2023	1	3,373	0	0	0	0	0	0	1	3,373
Total	2	3,853	0	0	5	9,894	0	0	7	13,747
<i>Source: Bank Data</i>										

INVESTMENT TEST

Heartland demonstrated low satisfactory performance under the Investment Test in the State of Iowa AAs. This conclusion was determined by evaluating the bank’s investment and grant activity, its responsiveness to credit and community development needs, and its use of innovative and complex investments to support community development initiatives.

Investment and Grant Activity

Heartland has an adequate level of qualified community development investments and grants. Heartland has six qualified investments totaling \$1.3 million for the current evaluation period in the Iowa AAs. This level of investment activity represents 2.7 percent by number and 4.9 percent by dollar. In addition, Heartland had 25 qualified grants and donations totaling \$34,000. The Iowa AAs are new since the prior evaluation so no historical comparison is available. The following table provides additional details.

Qualified Investments – Iowa Assessment Areas										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
7/16/20 – 12/31/20	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	2	805	0	0	2	527	0	0	6	1,332
Subtotal	2	805	0	0	2	527	0	0	6	1,332
Qualified Grants & Donations	4	5	19	26	0	0	2	3	25	34
Total	6	810	19	26	2	527	2	3	31	1,366
<i>Source: Bank Data</i>										

Responsiveness to Credit and Community Development Needs

Heartland exhibits adequate responsiveness to credit and community economic development needs in the Iowa AAs. The substantial majority of the bank’s qualified investments and grants, by dollar volume, support affordable housing and economic development.

Community Development Initiatives

Heartland rarely uses innovative or complex investments to support community development initiatives. The investments and grants noted above are useful and help promote community development; however, they are generally not innovative or complex by nature.

SERVICE TEST

Heartland demonstrated low satisfactory performance under the Service Test in the State of Iowa AAs. This conclusion was determined by evaluating the availability of delivery systems, changes in branch locations, reasonableness of business hours and services in meeting AA needs, and community development services.

Accessibility of Delivery Systems

Heartland’s delivery systems are reasonably accessible to essentially all portions of the AA. Heartland operates four offices and nine ATMs in the Iowa AAs. Heartland does not operate any branches in a low-income census tract. However, two ATMs are located within a low-income tract. In addition, Heartland operates one branch and one ATM in a moderate-income census tract. Additionally, the bank offers other alternative delivery systems such as telephone banking, mobile banking, and online banking.

Changes in Branch Locations

Heartland’s record of opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts or to low- and moderate-income individuals. With the purchase of NXT Bank in December 2021, four branches were added in the Iowa AAs with one branch located in a moderate-income census tract. There were no branch closings in the AAs during the current evaluation period.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of the AAs, particularly low- and moderate-income geographies or individuals. Overall, branch hours are considered convenient and comparable to other financial institutions in the area.

Community Development Services

Heartland provides an adequate level of community development services. Bank employees provided 42 instances of financial expertise or technical assistance to affordable housing and community service-related organizations in the Iowa assessment areas during the evaluation period. This level of services represents 3.6 percent of total community development services performed since the prior evaluation. The Iowa AAs are new since the prior evaluation so no historical comparison is available. The following table provides additional details.

Community Development Services – Iowa Assessment Areas					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
7/16/20 – 12/31/20	NA	NA	NA	NA	NA
2021	3	1	0	0	4
2022	14	0	0	0	14
YTD 2023	10	14	0	0	24
Total	27	15	0	0	42
<i>Source: Bank Data</i>					

CEDAR RAPIDS-IOWA CITY, IA CSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN CEDAR RAPIDS-IOWA CITY, IA CSA

Heartland has designated Linn and Jones counties in the Cedar Rapids, IL MSA as an assessment area. In addition, the bank has designated Johnson County in the Iowa City, IA MSA as an assessment area. These two MSAs comprise the larger Cedar Rapids-Iowa City, IA CSA #168. Performance was consistent in both MSAs so, these two AAs will be presented as the Cedar Rapids-

Iowa City, IA CSA within the evaluation. Heartland operates three branches in the AA. As of September 30, 2023, the AA accounted for 1.9 percent of the bank’s deposits, which is significantly below the three other AAs that were reviewed utilizing full-scope evaluation procedures. The AA accounts for 8.2 percent of loans, which is significantly below two other AAs that were reviewed utilizing full-scope evaluation procedures. The AA contains 4.3 percent of the branches, which is significantly below the three other AAs that were reviewed utilizing full-scope evaluation procedures. As such, the bank’s performance in this AA is the least heavily weighted of the four AAs receiving a full-scope evaluation. The AA consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and includes all of the geographies where the bank’s offices are located.

Economic and Demographic Data

This AA includes all 97 census tracts that comprise Linn, Jones, and Johnson counties, which are part of the Cedar Rapids-Iowa City, IA CSA #168. These census tracts reflect the following income designations according to the 2020 U.S. Census:

- four low-income census tracts,
- 27 moderate-income census tracts,
- 44 middle-income census tracts,
- 21 upper-income census tracts, and
- 1 census tract with no income category.

Demographic Information of the Assessment Area						
Assessment Area: Cedar Rapids-Iowa City, IA CSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	97	4.1	27.8	45.4	21.6	1.0
Population by Geography	403,799	3.8	23.2	45.7	26.7	0.7
Housing Units by Geography	171,913	3.4	24.9	46.8	24.0	0.8
Owner-Occupied Units by Geography	109,688	0.6	18.8	50.0	30.4	0.2
Occupied Rental Units by Geography	50,232	8.6	37.6	40.0	11.7	2.2
Vacant Units by Geography	11,993	7.2	27.2	46.4	18.1	1.1
Businesses by Geography	45,708	6.4	23.7	40.9	27.4	1.6
Farms by Geography	2,223	1.8	14.0	53.4	30.4	0.4
Family Distribution by Income Level	95,018	19.5	18.4	22.6	39.6	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 16300 Cedar Rapids, IA MSA		\$85,854	Median Housing Value			\$194,751
Median Family Income MSA - 26980 Iowa City, IA MSA		\$93,237	Median Gross Rent			\$872
			Families Below Poverty Level			6.4%

*Sources: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.*

The majority of the low- and moderate-income census tracts are located in the City of Cedar Rapids in Linn County and Iowa City in Johnson County. Additional demographic information is shown in the following table.

The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by GAR. According to 2021 D&B data, there were 37,749 non-farm businesses in the AA with the following GAR levels:

- 87.0 percent have \$1 million or less,
- 3.8 percent have more than \$1 million, and
- 9.2 percent have unknown revenues.

] The analysis of small farm loans under the borrower profile criterion compares the distribution of businesses by GAR. According to 2021 D&B data, there were 1,995 farms in the AA with the following GAR levels:

- 97.9 percent have \$1 million or less,
- 1.1 percent have more than \$1 million, and
- 1.0 percent have unknown revenues.

A total of 63.8 percent of businesses in the AA employ between one and four employees, while 26.5 percent employ just five to nine employees. Services (36.8 percent), retail trade (10.9 percent), and finance, insurance, and real estate (11.4 percent) make up the majority of the businesses.

Examiners use the FFIEC-updated MFI level to analyze home mortgage lending performance under the Borrower Profile criterion. The following table contains information on the MFIs by category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cedar Rapids, IA MSA Median Family Income (16300)				
2022 (\$89,200)	<\$44,600	\$44,600 to <\$71,360	\$71,360 to <\$107,040	≥\$107,040
Iowa City, IA MSA Median Family Income (26980)				
2022 (\$104,300)	<\$52,150	\$52,150 to <\$83,440	\$83,440 to <\$125,160	≥\$125,160
<i>Source: FFIEC</i>				

Data from the Bureau of Labor Statistics reflects the average unemployment rates in each county in the AA, the State of Iowa, and the National Average remains below the levels experienced in 2021. However, each county in the AA and the State of Iowa average unemployment rates have recently increased as of September 2023 from 2022 levels suggesting a recent decrease in business activity.

The following table illustrates the relevant unemployment rates by county, state, and nationally.

Unemployment Rates – Cedar Rapids-Iowa City, IA CSA			
	2021	2022	September 2023
Area	%	%	%
Johnson County, IA	5.0	3.8	4.8
Jones County, IA	4.2	3.4	4.3
Linn County, IA	4.5	3.1	3.5
State of Iowa	3.8	2.7	2.9
National Average	5.3	3.6	3.6

Source: U.S. Bureau of Labor Statistics

Competition

The AA reflects a fairly competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, there were 37 financial institutions operating 126 offices within the assessment area. Heartland ranked 22nd, maintaining a 0.72 percent deposit market share.

The AA is a fairly competitive market for home mortgage loans among banks, credit unions, and non-deposit mortgage lenders. The 2022 HMDA aggregate lending data (the latest market share data available) reflects 287 reporting lenders with Heartland ranked 83rd with a 0.6 percent market share.

These performance context factors indicate a fairly competitive banking market for deposits and home mortgage loans within the AA.

Community Contact

To assist the FDIC in preparing the CRA evaluation, examiners relied on an existing community contact to assist in identifying local area credit needs and opportunities. The contact stated that commercial industries in the county are growing steadily. The Small Business Administration Payment Protection Program loans and other stimulus packages saved many small businesses in the area during the last couple of years. Main street businesses in rural areas have been struggling due to shoppers preferring larger retail centers. The low housing stock, high demand, and high construction input costs have caused the price of new housing to rise substantially. As such, there is a high level of demand for affordable housing subsidies. Overall, the contact stated that local financial institutions are willing to meet the credit needs of the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and demographic and economic data, examiners determined that agricultural loans, business credit for minority and women-owned businesses, as well as rural main street small business credit, and affordable housing credit represent the primary credit needs in the area. According to the contact, there are numerous opportunities for lending, investments, and services in the area. Local organizations are always working on projects whereby the financial institutions can provide their financial expertise or assist with lending. The percentage of low- and moderate-income families in the assessment area at 37.9 percent and the

high percentage of businesses with GARs of \$1 million or less at 89.0 percent support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN CEDAR RAPIDS-IOWA CITY, IA CSA

LENDING TEST

Heartland demonstrated low satisfactory performance under the Lending Test in the Cedar Rapids-Iowa City, IA CSA. This conclusion was determined by evaluating the bank's lending activity, geographic distribution of loans, borrowers' profile, responsiveness to credit needs, community development lending, and innovative or flexible lending practices.

Lending Activity

Heartland's lending levels reflect adequate responsiveness to the credit needs in the Cedar Rapids-Iowa City, IA CSA AA during the current evaluation period. In 2022, the bank originated 47 small business loans totaling \$11.5 million, 11 home mortgage loans totaling \$2.0, and 25 small farm loans totaling \$3.6 million.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the AA. Heartland's small business lending performance mainly supported this conclusion due to the higher number of these loans originated in the AA compared to home mortgage and small farm loans. For this criterion, examiners focused on the percentage of loans by number in the low- and moderate-income census tracts. Heartland's home mortgage lending was not considered in this criteria as meaningful conclusions are difficult to draw when so few loans were originated in this AA.

Small Business Lending

The geographic distribution of small business loans reflects poor penetration throughout the AA. The level of lending in the moderate-income tracts supports this rating.

In 2022, Heartland originated 12.8 percent of small business loans in the low-income census tracts, which is above the 6.4 percent of businesses within those tracts. Heartland originated 6.4 percent of small business loans in the moderate-income census tracts, which is significantly below both the 23.7 percent of businesses within those tracts. Additional information is shown in the following table.

Geographic Distribution of Small Business Loans					
Assessment Area: Cedar Rapids-Iowa City, IA CSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2022	6.4	6	12.8	2,425	21.2
Moderate					
2022	23.7	3	6.4	549	4.8
Middle					
2022	40.9	19	40.4	4,100	35.8
Upper					
2022	27.4	17	36.2	3,933	34.3
Not Available					
2022	1.6	2	4.3	451	3.9
Totals					
2022	100.0	47	100.0	11,458	100.0
<i>Sources: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Lending

Due to the low volume of home mortgage lending in the AA, no meaningful conclusions can be drawn regarding the bank's lending performance. In 2022, Heartland did not originate any home mortgage loans in the low-income census tracts that only contain 0.6 percent of the owner-occupied housing units and aggregate performance of 1.1 percent. The bank originated 9.1 percent of mortgage loans in the moderate-income census tracts, which is significantly below the demographics of 18.1 percent and the aggregate performance of 20.1 percent. However, Heartland only originated 11 home mortgage loans in the AA in 2022. No dedicated home mortgage lenders are located in the three offices in the CSA, which limits the opportunities to originate home mortgage loans. Additional information is shown in the following table.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Cedar Rapids-Iowa City, IA CSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	0.6	1.1	0	0.0	0	0.0
Moderate						
2022	18.8	20.1	1	9.1	83	4.0
Middle						
2022	50.0	47.4	3	27.3	202	9.9
Upper						
2022	30.4	31.1	7	63.6	1,763	86.1
Not Available						
2022	0.2	0.3	0	0.0	0	0.0
Totals						
2022	100.0	100.0	11	100.0	2,048	100.0

Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

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Small Farm Lending

The geographic distribution of small farm loans reflects poor penetration throughout the AA. The level of lending in the low- and moderate-income tracts supports this rating.

In 2022, Heartland did not originate any small farm loans in the low-income census tracts, however, the opportunities to lend are nominal as there are only 1.8 percent of farms operating in the AA. The low-income census tracts are located in the metropolitan areas of the CSA, which would represent hobby farms with limited lending needs. In addition, the bank did not originate any small farm loans in the moderate-income census tracts, which contain 14 percent of the farms in the AA. Although Heartland has a branch located in a moderate-income tract, this office is located in downtown Coralville with the majority of moderate-income tracts located on the rural southwest side of Johnson County. Lastly, no dedicated agricultural lenders are present at this location, which further limits lending opportunities to small farms in these tracts. Additional information is shown in the following table.

Geographic Distribution of Small Farm Loans					
Assessment Area: Cedar Rapids-Iowa City, IA CSA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2022	1.8	0	0.0	0	0.0
Moderate					
2022	14.0	0	0.0	0	0.0
Middle					
2022	53.4	23	92.0	3,360	94.4
Upper					
2022	30.4	2	8.0	200	5.6
Not Available					
2022	0.4	0	0.0	0	0.0
Totals					
2022	100.0	25	100.0	3,560	100.0
<i>Sources: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects adequate penetration among businesses and farms of different sizes in the AA. Heartland’s lending performance in originating small business and small farm loans supports this conclusion. Examiners focused on the percentage of small business and small farm loans to businesses and farms with GARs of \$1 million or less. Home mortgage lending was not considered in this criteria as meaningful conclusions are difficult to draw when so few loans were originated in this AA.

Small Business Lending

The distribution of small business loans to borrowers reflects adequate penetration among businesses of different sizes. Examiners focused on the bank’s lending performance in comparison to demographics for the AA.

In 2022, Heartland originated 70.2 percent of small business loans to businesses with GARs of \$1 million or less. T lending performance is below the 89.0 percent of businesses in the AA that reported GARs of \$1 million or less. However, the demographic data includes all businesses in the AA, and not necessarily those businesses that have a need for financing and aggregate performance typically lags the demographics of the AA. Additional information is shown in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Cedar Rapids-Iowa City, IA CSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	89.0	33	70.2	6,981	60.9
>\$1,000,000					
2022	3.1	11	23.4	3,510	30.6
Revenue Not Available					
2022	7.9	3	6.4	967	8.4
Totals					
2022	100.0	47	100.0	11,458	100.0
<i>Sources: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Lending

Due to the nominal volume of home mortgage lending in the AA, no meaningful conclusions can be drawn regarding the bank’s lending performance. In 2022, the bank originated 9.1 percent of home mortgage loans in the low-income census tracts that contain 19.5 percent of the owner-occupied housing units and aggregate performance of 1.1 percent. Heartland originated 9.1 percent of mortgage loans in the moderate-income census tracts, which is significantly below the demographics of 18.1 percent and the aggregate performance of 20.1 percent. However, the bank only originated 11 total home mortgage loans in the AA. No dedicated home mortgage lenders are located in the three offices in the CSA, which limits the opportunities to originate home mortgage loans. Additional information is shown in the following table.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Cedar Rapids-Iowa City, IA CSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	19.5	11.3	1	9.1	82	4.0
Moderate						
2022	18.4	22.0	1	9.1	108	5.3
Middle						
2022	22.6	21.2	1	9.1	12	0.6
Upper						
2022	39.6	27.7	2	18.2	1,115	54.5
Not Available						
2022	0.0	17.8	6	54.5	730	35.6
Totals						

2022	100.0	100.0	11	100.0	2,048	100.0
<i>Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Farm Lending

The distribution of small farm loans to borrowers reflects adequate penetration among farms of different sizes. Examiners focused on the bank’s lending performance in comparison to demographics for the AA.

In 2022, Heartland originated 96 percent of small farm loans to farming operations with GARs of \$1 million or less. This level of lending is comparable to the 98.2 percent of farms in the AA that reported GARs of \$1 million or less. Additional information is shown in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Cedar Rapids-Iowa City, IA CSA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2022	98.2	24	96.0	3,500	98.3
>\$1,000,000					
2022	0.9	0	0.0	0	0.0
Revenue Not Available					
2022	0.9	1	4.0	60	1.7
Totals					
2022	100.0	25	100.0	3,560	100.0
<i>Sources: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Innovative or Flexible Lending Practices

Heartland makes little use of innovative and/or flexible lending practices in order to serve AA credit needs. The bank originated two loans totaling \$1,000 in the affordable small dollar loan programs, which help meet the credit needs of low- and moderate-income borrowers in the AA.

Community Development Loans

Heartland made an adequate level of community development loans in the AA. The following table shows that five community development loans totaling \$11.2 million were originated in the AA during the current evaluation period. Since the AA was added in December 2021 due to the purchase of NXT Bank, prior community development performance comparisons are not applicable. The table below provides additional details.

Community Development Lending - Cedar Rapids-Iowa City, IA CSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/16/20 – 12/31/20	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2021	0	0	0	0	2	4,995	0	0	2	4,995
2022	0	0	0	0	2	2,877	0	0	2	2,877
YTD 2023	1	3,373	0	0	0	0	0	0	1	3,373
Total	1	3,373	0	0	4	7,872	0	0	5	11,245
<i>Source: Bank Data</i>										

- Heartland originated a \$1.3 million loan to finance a business, which meets the SBA’s size standards for a small business. The business is located in a moderate-income census tract and will create permanent jobs for low- and moderate-income residents. This activity promotes economic development in the AA.
- Heartland originated a \$2.8 million loan to finance a business, which meets the SBA’s size standards for a small business. The business is located in a moderate-income census tract and will create permanent jobs and opportunities for low- and moderate-income residents. This activity promotes economic development in the AA.

INVESTMENT TEST

The financial institution demonstrated low satisfactory performance under the Investment Test in the Cedar Rapids-Iowa City, IA CSA AA. This conclusion was determined by evaluating the bank’s investment and grant activity, its responsiveness to credit and community development needs, and its use of innovative and complex investments to support community development initiatives.

Investment and Grant Activity

Heartland has an adequate level of qualified investments and grants in the AA. Specifically, the bank has 22 qualified investments and grants totaling \$826,000 in the AA. Since the AA was added in December 2021 due to the purchase of NXT Bank, no prior investment performance comparison is available. The table below provides additional details.

Qualified Investments - Cedar Rapids-Iowa City, IA CSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
7/16/20 – 12/31/20	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	2	275	0	0	2	527	0	0	4	802
Subtotal	2	275	0	0	2	527	0	0	4	802
Qualified Grants & Donations	4	5	12	16	0	0	2	3	18	24
Total	6	280	12	16	2	527	2	3	22	826
<i>Source: Bank Data</i>										

Below are examples of community development investments made by the bank during the current review period:

- Heartland purchased \$275,000 in two government bonds secured by mortgage loans originated through the Freddie Mac Home Possible program. This program is focused on lower income borrowers with limits on qualifying income less than 80 percent of Area Median Income. The program has low down payment requirements and limited source of down payment restrictions. This investment provides affordable housing to low- and moderate-income residents in the AA.

Responsiveness to Credit and Community Development Needs

Heartland exhibits adequate responsiveness to credit and community economic development needs in the AA. Investments and grants were made with community development purposes consistent with the needs of the assessment area. The substantial majority of the bank’s qualified investments and grants, by dollar volume, support affordable housing and economic development, which are prominent needs identified by community contacts during the current evaluation period.

Community Development Initiatives

The institution rarely uses innovative and/or complex investments to support community development initiatives in this AA. The investments and grants noted above are useful and help promote community development; however, they are not innovative or complex by nature.

SERVICE TEST

Heartland demonstrated low satisfactory performance under the Service Test in the Cedar Rapids-Iowa City, IA CSA AA. This conclusion was determined by evaluating the availability of delivery systems, changes in branch locations, reasonableness of business hours and services in meeting assessment area needs, and community development services.

Accessibility of Delivery Systems

Heartland’s delivery systems are reasonably accessible to essentially all portions of the AA. As reflected in the following table, the bank operates three offices and six ATMs in the AA. Heartland does not operate any branches in a low-income census tract. However, two ATMs (33.3 percent) are located within a low-income tract, which exceeds the population living in low-income tracts. The bank operates one branch (33.3 percent) in a moderate-income tract, which exceeds the population living in moderate-income tracts. In addition, the bank operates one ATM in a moderate-income census tract. The following table provides more detailed information on the bank’s distribution of delivery systems.

Branch and ATM Distribution by Geography Income Level								
Cedar Rapids-Iowa City, IA CSA Assessment Area								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	4	4.1	15,272	3.8	0	0	2	33.3
Moderate	27	27.8	93,494	23.1	1	33.3	1	16.7
Middle	44	45.4	184,590	45.7	2	66.6	3	50.0
Upper	21	21.7	107,782	26.7	0	0	0	0
Not Available	1	1.0	2,661	0.7	0	0	0	0
Totals	97	100.0	403,799	100.0	3	100.0	6	100.0

Sources: 2020 U.S. Census; Bank Data; Due to rounding, totals may not equal 100.0%

Changes in Branch Locations

Heartland’s record of opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts or to low- and moderate-income individuals. With the purchase of NXT Bank in December 2021, three branches were added in the AA with one branch located in a moderate-income census tract. There were no branch closings in the AA during the current evaluation period.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies or individuals. All branch locations are equipped with ATMs and offer drive-up facilities with extended banking hours. While there are slight differences in the business hours among locations, they do not vary in a way that inconveniences any portions of the AA.

Community Development Services

Heartland provides an adequate level of community development services in the AA. For the current evaluation period, the bank provided 30 community development services. Since the AA was added after the purchase of NXT Bank in December 2021, a prior evaluation community development service performance is not available in which to compare the bank’s performance. Of the 30 community development services performed, 27 promoted affordable housing and three promoted community services. The following table details the number of services performed by year and purpose.

Community Development Services - Cedar Rapids-Iowa City, IA CSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
7/16/20 – 12/31/20	NA	NA	NA	NA	NA
2021	3	1	0	0	4
2022	14	0	0	0	14
YTD 2023	10	2	0	0	12
Total	27	3	0	0	30
<i>Source: Bank Data</i>					

Below are notable examples of community development services provided by the bank during the current review period:

- Bank employees provided financial education at an organization that provides basic needs and safe housing to the community. The organization provides residents facing eviction with rental assistance and provides care coordination to navigate the network agencies and services in the AA. This activity promotes community service by providing financial literacy in the AA.
- Bank employee served on the Board and other committees for an organization that offers basic needs, crisis helplines, and financial support to low- and moderate-income residents of the community. The employee provided strategic and financial expertise to the organization as a member of the board.

OTHER IOWA ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE REVIEW ASSESSMENT AREA

The following table summarizes the conclusion for the Iowa AA reviewed using limited-scope examination procedures. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, aggregate lending data comparisons, and demographic information. Performance in the limited-scope assessment area was

generally consistent with the bank’s performance in the full-scope review of the Cedar Rapids-Iowa City, IA CSA AA.

Assessment Area	Lending Test	Investment Test	Service Test
Waterloo-Cedar Falls, IA	Consistent	Consistent	Consistent

Facts and data that support conclusions for the limited-scope assessment area is included in this section, beginning with a summary of Heartland’s operations and activities in each area. Additional demographic data and information on the geographic and borrower distributions on small business, home mortgage and small farm loans for each assessment area is located in the Appendix.

Waterloo-Cedar Falls, IA Assessment Area

The Waterloo-Cedar Falls, IA AA includes Black Hawk County, which is a portion of the Waterloo-Cedar Falls, IA MSA #47940 that also includes Bremer and Grundy counties. Heartland operates one branch in this AA. This AA contains 1.4 percent of all branches, 1.1 percent of loans, and 0.7 percent of deposits. The table below summarizes the bank’s lending and community development activities in this AA.

Activity	#	\$ (000s)
Small Business Loans (2022)	14	1,612
Home Mortgage Loans (2022)	2	528
Small Farm Loans (2022)	6	490
Community Development Loans	2	2,502
Investments (New)	2	530
Investments (Prior Period)	0	0
Donations	7	11
Community Development Services	12	-
<i>Source: Bank Data</i>		

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

Heartland Bank & Trust Company	
Scope of Examination: Full scope reviews were performed on the following assessment areas within the noted areas: State of Illinois: Bloomington, IL MSA Chicago, IL CSA Peoria, IL MSA State of Iowa: Cedar Rapids-Iowa City, IA CSA	
Time Period Reviewed:	07/16/2020 to 11/13/2023
Products Reviewed: <u>State of Illinois</u> Small Business: 01/01/2020 – 12/31/2022 Home Mortgage: 01/01/2020 – 12/31/2022 Small Farm: 01/01/2020 – 12/31/2022 <u>State of Iowa</u> Small Business: 01/01/2022 – 12/31/2022 Home Mortgage: 01/01/2022 – 12/31/2022 Small Farm: 01/01/2022 – 12/31/2022	

List of Assessment Areas and Type of Evaluation			
Rated Area: Assessment Area (as presented)	Type of Evaluation	Branches Visited	Other Information
STATE OF ILLINOIS:			
Bloomington, IL MSA	Full-scope	Home Office	
Chicago, IL CSA	Full-Scope	None	When performance is consistent across the MSA and non-MSA portions of the CSA, performance presented at the CSA level.
<i>Chicago-Naperville-Evanston, IL MD #16984</i>		None	
<i>Elgin, IL MD #20994</i>		None	
<i>Lake County-Kenosha County, IL-WI MD #29404</i>		None	
<i>Ottawa, IL Micropolitan Statistical Area #36837</i>		None	Area is contiguous to the Chicago-Naperville-Elgin, IL-IN-WI, MSA #16980. Included in the Limited-Scope review of the Illinois Non-MSA AA at prior evaluation.
Peoria, IL MSA	Full-Scope	None	
Champaign-Urbana, IL MSA	Limited-Scope	None	
Illinois Nonmetropolitan	Limited-Scope	None	Part of the Illinois statewide Non-MSA
Decatur, IL MSA #19500	Not included in evaluation	None	MSA added as new AA with acquisition of Town & Country Bank in February 2023.
Springfield, IL MSA #44100	Not included in evaluation	None	Portions of MSA added as new AA with acquisition of Town & Country Bank in February 2023.
St. Louis, MO-IL MSA #41180	Not included in evaluation	None	Portions of MSA added as new AA with acquisition of Town & Country Bank in February 2023.

List of Assessment Areas and Type of Evaluation			
STATE OF IOWA:			
Cedar Rapids-Iowa City, IA CSA	Full-Scope	None	When performance is consistent across multiple MSAs in the CSA, performance presented at the CSA level. Only 2022 lending performance presented.
<i>Cedar Rapids, IA MSA #16300</i>		None	Portions of MSA added as new AA with acquisition of NXT Bank in December 2021.
<i>Iowa City, IA MSA #26980</i>		None	Portions of MSA added as new AA with acquisition of NXT Bank in December 2021.
Waterloo-Cedar Falls, IA MSA	Limited-Scope	None	Portions of MSA added as new AA with acquisition of NXT Bank in December 2021.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
State of Illinois	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
State of Iowa	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS

STATE OF ILLINOIS

Champaign-Urbana, IL MSA

Demographic Information of the Assessment Area						
Assessment Area: Champaign-Urbana, IL MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	52	13.5	17.3	25.0	34.6	9.6
Population by Geography	222,538	12.6	19.8	26.6	34.3	6.7
Housing Units by Geography	101,114	13.7	22.1	28.0	31.0	5.2
Owner-Occupied Units by Geography	49,649	4.4	21.1	34.2	39.7	0.6
Occupied Rental Units by Geography	40,165	22.5	23.4	20.4	23.4	10.4
Vacant Units by Geography	11,300	23.7	21.6	27.4	19.7	7.5
Businesses by Geography	16,727	10.2	18.7	28.6	37.1	5.4
Farms by Geography	928	2.8	12.7	48.8	34.8	0.9
Family Distribution by Income Level	47,390	22.7	16.8	20.3	40.2	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 16580 Champaign-Urbana, IL MSA	\$83,169	Median Housing Value				\$142,096
		Median Gross Rent				\$878
		Families Below Poverty Level				8.3%
<i>Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Geographic Distribution of Small Business Loans							
Assessment Area: Champaign-Urbana, IL MSA							
Tract Income Level		% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2021	10.2	10.7	14	10.7	730	4.2
Moderate							
	2021	17.0	15.1	6	4.6	357	2.0
Middle							
	2021	42.8	45.8	58	44.3	5,426	30.9
Upper							
	2021	27.8	27.5	52	39.7	10,434	59.5
Not Available							
	2021	2.2	0.9	1	0.8	588	3.4
Totals							
	2021	100.0	100.0	131	100.0	17,535	100.0

Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Geographic Distribution of Home Mortgage Loans							
Assessment Area: Champaign-Urbana, IL MSA							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2022	4.4	4.8	0	0.0	0	0.0
Moderate							
	2022	21.1	22.1	10	19.6	927	12.3
Middle							
	2022	34.2	30.9	24	47.1	3,066	40.7
Upper							
	2022	39.7	41.1	17	33.3	3,534	47.0
Not Available							
	2022	0.6	1.1	0	0.0	0	0.0
Totals							
	2022	100.0	100.0	51	100.0	7,527	100.0

Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Geographic Distribution of Small Farm Loans						
Assessment Area: Champaign-Urbana, IL MSA						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	2.6	0.3	1	7.1	432	20.2
Moderate						
2021	5.7	3.1	0	0.0	0	0.0
Middle						
2021	68.8	74.7	9	64.3	992	46.5
Upper						
2021	22.8	21.9	4	28.6	710	33.3
Not Available						
2021	0.1	0.0	0	0.0	0	0.0
Totals						
2021	100.0	100.0	14	100.0	2,134	100.0

Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Champaign-Urbana, IL MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	81.8	45.6	66	50.4	7,041	40.2
>\$1,000,000						
2021	4.3	--	29	22.1	8,531	48.7
Revenue Not Available						
2021	13.9	--	36	27.5	1,963	11.2
Totals						
2021	100.0	100.0	131	100.0	17,535	100.0

Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Champaign-Urbana, IL MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	22.7	11.2	6	11.8	493	6.5
Moderate						
2022	16.8	20.9	10	19.6	991	13.2
Middle						
2022	20.3	19.7	10	19.6	1,210	16.1
Upper						
2022	40.2	28.3	19	37.3	4,107	54.6
Not Available						
2022	0.0	19.8	6	11.8	727	9.7
Totals						
2022	100.0	100.0	51	100.0	7,527	100.0

Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: Champaign-Urbana, IL MSA						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	96.6	51.4	12	85.7	1,302	61.0
>\$1,000,000						
2021	1.2	--	0	0.0	0	0.0
Revenue Not Available						
2021	2.2	--	2	14.3	832	39.0
Totals						
2021	100.0	100.0	14	100.0	2,134	100.0

Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Illinois Nonmetropolitan Areas

Demographic Information of the Assessment Area						
Assessment Area: Illinois Non-Metropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	57	3.5	10.5	68.4	17.5	0.0
Population by Geography	191,504	1.9	9.7	67.8	20.6	0.0
Housing Units by Geography	87,530	2.7	9.7	68.5	19.1	0.0
Owner-Occupied Units by Geography	56,494	1.1	6.8	70.8	21.3	0.0
Occupied Rental Units by Geography	22,145	5.2	14.9	65.3	14.7	0.0
Vacant Units by Geography	8,891	7.1	14.9	62.2	15.8	0.0
Businesses by Geography	13,632	6.1	11.2	63.3	19.4	0.0
Farms by Geography	1,563	0.6	2.1	73.2	24.1	0.0
Family Distribution by Income Level	49,808	19.0	17.4	21.4	42.1	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income Non-MSAs - IL		\$68,958	Median Housing Value			\$118,018
			Median Gross Rent			\$702
			Families Below Poverty Level			8.9%

Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.

Geographic Distribution of Small Business Loans						
Assessment Area: Illinois Non-Metropolitan						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	0.0	0.0	0	0.0	0	0.0
Moderate						
2021	16.2	13.3	0	0.0	0	0.0
Middle						
2021	62.4	64.3	200	86.6	12,161	70.6
Upper						
2021	21.4	22.4	31	13.4	5,073	29.4
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
Totals						
2021	100.0	100.0	231	100.0	17,234	100.0

Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Illinois Non-Metropolitan						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	4.4	4.8	0	0.0	0	0.0
Moderate						
2022	21.1	22.1	10	19.6	927	12.3
Middle						
2022	34.2	30.9	24	47.1	3,066	40.7
Upper						
2022	39.7	41.1	17	33.3	3,534	47.0
Not Available						
2022	0.6	1.1	0	0.0	0	0.0
Totals						
2022	100.0	100.0	51	100.0	7,527	100.0

Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Geographic Distribution of Small Farm Loans						
Assessment Area: Illinois Non-Metropolitan						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	0.0	0.0	0	0.0	0	0.0
Moderate						
2021	2.2	0.9	0	0.0	0	0.0
Middle						
2021	78.3	82.6	173	74.6	13,460	69.0
Upper						
2021	19.5	16.5	59	25.4	6,038	31.0
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
Totals						
2021	100.0	100.0	232	100.0	19,498	100.0

Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Illinois Non-Metropolitan						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	78.4	53.2	131	56.7	4,029	23.4
>\$1,000,000						
2021	5.6	--	35	15.2	8,652	50.2
Revenue Not Available						
2021	16.0	--	65	28.1	4,553	26.4
Totals						
2021	100.0	100.0	231	100.0	17,234	100.0
<i>Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Illinois Non-Metropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	19.0	11.5	4	9.5	293	6.3
Moderate						
2022	17.4	21.6	15	35.7	1,483	31.7
Middle						
2022	21.4	22.1	8	19.0	900	19.2
Upper						
2022	42.1	25.6	12	28.6	1,653	35.3
Not Available						
2022	0.0	19.3	3	7.1	356	7.6
Totals						
2022	100.0	100.0	42	100.0	4,685	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: Illinois Non-Metropolitan						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	97.9	62.8	167	72.0	12,878	66.0
>\$1,000,000						
2021	0.8	--	30	12.9	4,207	21.6
Revenue Not Available						
2021	1.3	--	35	15.1	2,413	12.4
Totals						
2021	100.0	100.0	232	100.0	19,498	100.0

Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%

STATE OF IOWA

Waterloo-Cedar Falls, IA

Demographic Information of the Assessment Area						
Assessment Area: Waterloo-Cedar Falls, IA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	12.8	20.5	51.3	15.4	0.0
Population by Geography	131,144	7.8	15.8	55.0	21.3	0.0
Housing Units by Geography	58,187	9.2	17.0	54.1	19.7	0.0
Owner-Occupied Units by Geography	34,990	5.1	13.7	58.5	22.7	0.0
Occupied Rental Units by Geography	18,331	15.8	20.9	47.4	15.9	0.0
Vacant Units by Geography	4,866	14.2	26.3	47.7	11.8	0.0
Businesses by Geography	13,995	7.5	21.5	50.1	20.9	0.0
Farms by Geography	732	2.0	11.9	58.5	27.6	0.0
Family Distribution by Income Level	31,329	23.4	18.0	20.6	38.1	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 47940 Waterloo-Cedar Falls, IA MSA		\$76,924	Median Housing Value			\$152,667
			Median Gross Rent			\$830
			Families Below Poverty Level			9.9%

Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.

Geographic Distribution of Small Business Loans					
Assessment Area: Waterloo-Cedar Falls, IA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2022	7.5	2	14.3	60	3.7
Moderate					
2022	21.5	4	28.6	294	18.2
Middle					
2022	50.1	6	42.9	941	58.4
Upper					
2022	20.9	2	14.3	317	19.7
Not Available					
2022	0.0	0	0.0	0	0.0
Totals					
2022	100.0	14	100.0	1,612	100.0

Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Waterloo-Cedar Falls, IA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	5.1	5.0	0	0.0	0	0.0
Moderate						
2022	13.7	13.1	0	0.0	0	0.0
Middle						
2022	58.5	60.3	1	50.0	400	75.8
Upper						
2022	22.7	21.5	1	50.0	128	24.2
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
Totals						
2022	100.0	100.0	2	100.0	528	100.0

Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Geographic Distribution of Small Farm Loans					
Assessment Area: Waterloo-Cedar Falls, IA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2022	2.0	0	0.0	0	0.0
Moderate					
2022	11.9	0	0.0	0	0.0
Middle					
2022	58.5	2	33.3	140	28.6
Upper					
2022	27.6	4	66.7	350	71.4
Not Available					
2022	0.0	0	0.0	0	0.0
Totals					
2022	100.0	6	100.0	490	100.0

Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Waterloo-Cedar Falls, IA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	87.1	8	57.1	518	32.1
>\$1,000,000					
2022	3.6	6	42.9	1,094	67.9
Revenue Not Available					
2022	9.3	0	0.0	0	0.0
Totals					
2022	100.0	14	100.0	1,612	100.0

Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Waterloo-Cedar Falls, IA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	23.4	18.6	0	0.0	0	0.0
Moderate						
2022	18.0	27.0	0	0.0	0	0.0
Middle						
2022	20.6	19.5	0	0.0	0	0.0
Upper						
2022	38.1	21.9	0	0.0	0	0.0
Not Available						
2022	0.0	12.9	2	100.0	528	100.0
Totals						
2022	100.0	100.0	2	100.0	528	100.0

Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Waterloo-Cedar Falls, IA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2022	98.4	6	100.0	490	100.0
>\$1,000,000					
2022	0.7	0	0.0	0	0.0
Revenue Not Available					
2022	1.0	0	0.0	0	0.0
Totals					
2022	100.0	6	100.0	490	100.0

Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.