

America's Best Banks 2026: Small Banks In The Heartland Shine

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Outside of JPMorgan Chase, most of the nation's top-performing banks are small institutions with deep roots in their communities.

While most businesses are grappling with a tidal wave of changes brought on by new competition, new products, and the rise of game changing technologies like artificial intelligence, small town community banking continues to thrive. Take HBT Financial, the holding company for Heartland Bank and Trust, which traces its origins back to the Roaring Twenties, when M.B. Drake founded the State Bank of Cornland with \$35,000 in initial capital in the tiny farming community of Cornland, Illinois.

"It had a population of about 100 then, and probably about the same or less now," says Fred Drake, M.B.'s grandson and HBT's executive chairman.

After surviving the bank runs of the Great Depression, Fred's father, George Drake, expanded the business buying up a few neighboring banks in small towns. Fred, 68, practically grew up at the bank, working as a teller in high school and helping with bookkeeping in college at the University of Illinois. He joined full-time in 1983 and took over as CEO when it adopted the Heartland Bank and Trust name in 1992, coinciding



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In Normal, Illinois, one of Heartland Bank and Trust's 68 branches helps the bank have the highest market share in the area.

with its move to Bloomington, Illinois, home of State Farm Insurance.

HBT crossed \$1 billion in assets in 2007 and reached \$5 billion last year. When its acquisition of CNB Bank Shares closes

in March, the combined bank will have \$6.9 billion in assets, with 84 branches in Illinois, eastern Iowa and Missouri.

HBT's growth and consistent financial performance puts it at No. 1 on Forbes'

annual list of America's Best Banks, moving up from seventh place a year ago. To make the list, Forbes analyzed the 200 largest publicly traded banks and thrifts by assets and ranked the top 100 based on 11 equally-weighted metrics measuring credit quality, profitability and stock performance, with data from the last 12 months as of September 30, 2025. HBT is among the top 10 in multiple categories, with just 0.18% of its assets classified as nonperforming. Its reserves as a percentage of nonperforming assets are 466%, meaning it has more than enough cushion to absorb credit losses.

"It starts with credit and having good loans, and we've always been very selective," says Drake. "Our lending is very relationship-based. We need to get to know people, and if we don't add value to the relationship, there's not really much point in doing it."

The rest of the banks in the top five are also small regional banks with no more than \$7 billion in assets: First National Bank Alaska, West Virginia's City Holding Co., Florida-based Capital City Bank Group and California's Farmers & Merchants Bancorp. Small banks like these often have simpler and more efficient businesses than money center banks, generally getting at least 80% of their earnings from interest income, and as interest rates have risen in the last several years, net interest margins for FDIC-insured banks on average have inched up to 3.3%. These regional banks also have loyal retail customer bases providing low-cost and low-risk deposits.

"You're a name and not a number, which is a key differentiator for these smaller community banks," says Damon DelMonte, a managing director at KBW covering Midwestern community banks, including HBT. "People want to pick up the phone and talk to their local branch manager or their loan officer who's right

around the corner from where they live or operate their business."

In fact, only one of the 100 banks on Forbes' list has at least \$100 billion in assets: JPMorgan Chase. America's largest bank, with \$4.6 trillion in assets, is ranked 40th, thanks to top quartile marks in return on average tangible common equity, common equity tier one ratio (CET1) and risk-based capital ratio.

Unlike most large banks in a world of mobile check deposits, Chase is doubling down on bricks and mortar. It's in the middle of a three-year commitment in 2024 to open 500 new branches, now boasting about 5,000 locations, and in 2025 it opened 1.7 million net new checking accounts and 10.4 million credit card accounts.

"The big worry many years ago was that the fintechs, with their branchless banking, had no costs related to that and could then pass some of those savings along to consumers in terms of higher deposit rates or lower rates on loans," says Stephen Biggar, director of financial services research at Argus. "They do compete, but they have not exactly grabbed a meaningful share. JPMorgan is not hemorrhaging deposits because fintech is taking them all away."

JPMorgan was also buoyed by a rebound in M&A activity, with deal volume rising 40% to a total of \$4.9 trillion worldwide last year, according to Bain & Co. That trend is expected to continue in the near term thanks largely to the Trump administration's deregulation efforts and a laissez-faire Federal Trade Commission. JPMorgan's stock gained 35% in 2025, and peers Citigroup (67%), Wells Fargo (33%) and Bank of America (24%) also rewarded investors. The Dow Jones U.S. Banks Index's 28% return outperformed the S&P 500 by 10 percentage points.

"I hate to say there's no downside here," Biggar says, "but having covered banks for 25 years, this is a pretty good environment."

Small banks didn't fare quite as well for investors, but most have proven dependable since the short-lived regional bank panic of 2023, sparked by the collapse of Silicon Valley Bank. The KBW Regional Banking Index rose by 19% in 2025, topping the Russell 2000 Index tracking small caps by six percentage points, and 95% of all 4,400 FDIC-insured institutions in the U.S. were profitable as of September.

The total number of banks reflects some consolidation since that number exceeded 5,000 in 2020, and HBT is one bank taking advantage of its financial strength to expand. It bought neighboring Town and Country Financial of Springfield, Illinois, in 2023, adding \$900 million in assets, and is making its largest ever acquisition this year with \$1.8 billion (assets) CNB Bank Shares, based in Carlinville, Illinois.

Drake says the main reason HBT went public in 2019 after decades as a wholly family-owned bank was to be able to use its stock as currency for mergers and acquisitions like these. Its stock is up 80% since its IPO, and a trust controlled by Drake's family members still owns about 54% of the bank, a stake worth \$480 million.

Fred and his brother Allen C. Drake, the bank's former CFO, are both on the board, but their children didn't follow in their footsteps into the bank's leadership. Fred ceded the CEO role to J. Lance Carter, a 25-year HBT veteran, in 2023, but is still active as the chairman and says the family has no plans to sell to a larger institution.

"I've been asked that question probably every year for the last 40 years," says Drake. "As long as we perform, we'll never have to sell."