



PUBLIC DISCLOSURE

November 16, 2023

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Heartland National Bank
Charter Number 23773

320 U. S. Highway 27, North
Sebring, FL 33870

Office of the Comptroller of the Currency

Tampa Office
4042 Park Oaks Blvd., Suite 240
Tampa, FL 33610

NOTE: 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, and should not 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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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The community development Test is rated: Outstanding.

The major factors that support this rating include:

- Considering the bank's size, financial condition, and credit needs of the assessment area (AA), the bank's loan-to-deposit ratio is reasonable.
- A substantial majority of the bank's loans are inside its AA.
- The bank exhibits excellent geographic distribution of loans.
- The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses.
- The bank exhibits excellent responsiveness to community development needs through community development loans, qualified investments, and community development services considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AA.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit ratio is reasonable.

The bank's level of lending, as reflected in the quarterly average loan-to-deposit (LTD) ratio depicted in the table below, is reasonable given the bank's size and performance context factors. The bank's LTD ratio since the preceding evaluation (eight quarters starting January 1, 2020, through December 31, 2021), was 32.1 percent, ranging from a high of 41.1 percent in the first quarter of 2020 to a low of 24.2 percent in the fourth quarter of 2021. For the same period, Heartland National Bank (HNB)'s ratio was below the 61.7 percent average of two similarly situated community banks offering similar lending and deposit products with branch locations in HNB's AA.

HNB participated in Small Business Administration (SBA)'s Payment Protection Program (PPP), which provided support to the economy in response to the COVID-19 pandemic. Similar to other institutions, a portion of these funds were subsequently held at the bank, which caused excess liquidity on its balance sheet due to the strong deposit growth negatively impacting the LTD ratio starting in 2020 and continuing in 2021. During this period, HNB made 706 PPP loans totaling \$39.9 million. Otherwise, the bank historically reports a quarterly average LTD ratio of 45 percent. For the same period, HNB made 324 long-term, fixed-rate residential home mortgage loans totaling \$59.7 million which were subsequently sold in the secondary market generally within two weeks after origination and although

reported under HMDA, sales may temporarily impact the bank's loan and liquidity position on its balance sheet at quarter-end. Based on Highlands County data, HNB ranks number one for mortgages originations in 2020 and 2021 in comparison to other financial institutions operating in the Sebring-Avon Park MSA. Selling loans in the secondary market has provided the bank liquidity to continue to make home mortgage loans in the assessment area, which has resulted in a higher level of on balance sheet liquidity and low LTD ratios historically.

BANK NAME	Total Assets (000s)*	Quarterly Average LTD Ratio (%)
Heartland National Bank	658,568	32.1
Wauchula State Bank	944,582	62.8
First Southern Bank	289,456	60.6

*Source: 12/31/2021 FFIEC Consolidated Reports of Condition and Income

Lending in AA

A substantial majority of the bank's loans are inside its AA.

The bank originated and purchased 93.5 percent of its total loans inside the bank's AA during the evaluation period. The 462 loans made inside the AA were factored into the geographic and revenue distribution analysis of the bank's home mortgage and business loans.

Lending Inside and Outside of the AA										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	408	94.0	26	6.0	434	67,193	87.6	9,515	12.4	76,708
Small Business	54	90.0	6	10.0	60	4,308	93.8	286	6.2	4,594
Total	462	93.5	32	6.5	494	71,501	87.9	9,801	12.1	81,302

Description of Institution

HNB is an intrastate community bank located in Sebring, Florida. HNB was chartered in 1999 and wholly owned by Heartland Bancshares, Inc, a one-bank holding company also headquartered in Sebring, Florida. HNB is the only locally owned and chartered community bank in the Sebring-Avon Park, FL, MSA. HNB operates out of four locations all located in Highlands County. HNB did not open or close any branches since the last CRA evaluation.

As of December 31, 2022, the bank reported total assets of \$738.1 million and tier one capital of \$54.8 million. For the same period, net loans of \$152.4 million accounted for 20.7 percent of total assets and comprised of 68.3 percent in business loans, 28.8 percent in home mortgage loans and 2.9 percent in consumer loans. During the evaluation period, the primary lending focus was centered in small business and residential real estate loans.

HNB offers an array of loan products and services typical for a small community bank. Banking services include alternative banking to include debit cards, online and mobile banking and remote deposit capture. In addition, the bank offers low-to no-cost deposit accounts attractive to low- and moderate-income (LMI) individuals and small businesses. HNB offers full-service banking to include automated teller machines (ATM) access at each office location and drive-thru teller facilities with Saturday hours. In addition, the bank operates an offsite ATM located in Sebring.

HNB offers traditional non-complex loan and deposit products. Loan products include a variety of consumer loans, including mobile home and automobile loans, personal lines of credit, home equity lines of credit, and adjustable and fixed-rate home mortgage loans. HNB originates and sells these loans on the secondary market, generally to larger financial institutions. Because the bank sells the majority of residential real estate loans it originates, the bank can offer more affordable and flexible home mortgage products to bank customers, including LMI individuals and families that otherwise would not be offered. Loans originated under these programs were included in the home mortgage lending tests.

To accommodate small businesses operating out of the AA, HNB offers an array of business loan products to include commercial working lines of credit, commercial real estate, and farm loans.

In response to COVID-19, SBA PPP loans under the CARES Act were offered to small businesses throughout the country. SBA's PPP was designed to maintain and stabilize small businesses during the pandemic. Although not an SBA lender, HNB participated in the 1st round (2020) and the 2nd round (2021) which resulted in 706 PPP loans made totaling \$39.9 million which provided funds to support businesses in the AA during the pandemic. Positive consideration for response to the pandemic is reflected in the respective business lending analysis and Community Development (CD) performance.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AA. The bank received a Satisfactory rating in its previous CRA evaluation dated September 21, 2020.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation (PE) assesses the bank's record of meeting the credit needs of the community in which it operates. We evaluated the bank's performance under the Intermediate Small Bank CRA procedures which includes a lending test and CD test. The lending test evaluates the bank's record of meeting the credit needs of the AAs through its lending activities. The CD test evaluates the bank's responsiveness to community credit needs in its AA with CD loans, qualified investments, and CD services.

Due to recent changes to the U.S. Census Bureau data, demographic information for 2022 was not available for the lending analysis. The evaluation period for the Lending Test was January 1, 2020, through December 31, 2021. For the CD performance test, the evaluation period was January 1, 2020, through December 31, 2022.

The bank's primary loan products during 2020 and 2021 was business and home mortgage lending. During the evaluation period, 1,830 loans were made of which 992 or 54.2 percent were centered in

business loans, 434 or 23.7 percent in home mortgage loans and the remaining in consumer loans. Our conclusions are based on an analysis of the 2020-2021 Home Mortgage Disclosure Act, Loan Application Registers (HMDA) and a random sample of 60 new business loans from bank prepared loan originations report.

Selection of Areas for Full-Scope Review

The Sebring-Avon Park, FL MSA received a full-scope review. The State of Florida was selected for a full-scope review.

Ratings

The bank's overall rating is based on lending and CD performance in the Sebring-Avon Park, FL MSA AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Florida

CRA rating for the State of Florida¹: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The major factors that support this rating include:

- The bank exhibits excellent geographic distribution of loans in the state.
- The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses.
- The bank exhibits excellent responsiveness to community development needs in the state through community development loans, qualified investments, and community development services considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AA.

Description of Institution's Operations in Florida

HNB's AA includes the Sebring-Avon Park, FL MSA. The bank has delineated all census tracts that comprise Highlands County.

The bank operates four full-service branches in the state. All branches have ATMs and teller drive-up facilities. Two offices are in moderate-income geographies and two in middle-income geographies.

As part of this evaluation, OCC consulted a local economic development nonprofit organization as well as other economic resources to provide an insight as to the community credit needs during the evaluation period. Critical credit needs identified for the Sebring-Avon Park MSA include:

- Small business loans with more flexible underwriting criteria similar to SBA loan programs.
- Financial literacy training.
- Affordable housing.

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.

Sebring-Avon Park MSA

Table A – Demographic Information of the AA (2020-2021)						
AA: Sebring-Avon Park MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	0.0	7.4	66.7	14.8	11.1
Population by Geography	98,328	0.0	9.0	75.6	15.4	0.0
Housing Units by Geography	55,066	0.0	7.8	77.2	15.0	0.0
Owner-Occupied Units by Geography	30,667	0.0	4.5	76.6	18.9	0.0
Occupied Rental Units by Geography	9,730	0.0	17.5	75.6	6.9	0.1
Vacant Units by Geography	14,669	0.0	8.1	79.6	12.3	0.0
Businesses by Geography	14,085	0.0	7.8	75.2	16.6	0.5
Farms by Geography	768	0.0	3.9	72.7	22.5	0.9
Family Distribution by Income Level	25,837	16.6	20.3	21.6	41.4	0.0
Household Distribution by Income Level	40,397	21.2	17.1	21.0	40.7	0.0
Median Family Income MSA-#42700 Sebring-Avon Park, FL MSA		\$42,321	Median Housing Value			\$87,639
			Median Gross Rent			\$719
			Families Below Poverty Level			13.0%

Source: 2015 ACS Census and 2021 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 Sebring-Avon Park MSA consists of Highlands County in its entirety. HNB's AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies. In 2021 and according to the 2015 ACS U.S. Census data, the AA consists of 27 census tracts, of which two (7.4 percent) are moderate-income, eighteen (66.7 percent) as middle-income, and four (14.8) as upper income. There are no low-income census tracts. Three (11.1 percent) census tracts were not assigned an income classification. The FFIEC Median Family Income in 2021 was \$51,000. In the Sebring-Avon Park MSA AA, 17.3 percent of households and 13.0 percent of families live below the poverty level. Of the 55,066 residential housing units available, 14,669 units are vacant, 30,667 are owner-occupied and 9,730 are occupied as rental units. Of the 14,085 businesses operating in the AA, 13,111 are small businesses. There are four designated Federal Government Qualified Opportunity Zones located in the Sebring-Avon Park MSA. An Opportunity Zone is an area that is considered economically distressed and exhibit high poverty levels. Opportunity Zones are structured to attract investors to those economically distressed areas with tax initiatives for investments in economic development and revitalization projects.

According to the U.S. Bureau of Labor Statistics, as of December 31, 2021, the unemployment rate for the AA was 4.3 percent, which is slightly higher than the state rate of 3.6 percent and the national rate of 3.9 percent.

The Sebring-Avon Park MSA has a diverse economy with key sectors to include agriculture, tourism, healthcare, educational services, manufacturing, and retail trade. As with most metropolitan areas in

Florida, the economy was negatively impacted by the pandemic. However, the MSA rebounded quickly mainly due to its tourist industry and continued population growth to the area. Sebring is most notable for the Sebring International Raceway, which hosts the 12 Hours of Sebring auto racing. The area is also known as a retiree haven and continued positive migration to the area since the pandemic has increased the demand for housing resulting in higher home prices. According to Highlands County Economic Development, top employers include School Board of Highlands County, AdventHealth, Walmart, Publix, and South Florida State College.

Banking is competitive in the Sebring-Avon Park MSA for financial services from other banks operating in the AA as well as regional and larger institutions that have a nationwide footprint. Based on FDIC June 30, 2021, deposit market share data for the Sebring-Avon Park MSA, HNB ranks first out of the seven other financial institutions operating out of 15 offices with a 29.9 percent deposit market share. Top competitors include Wauchula State Bank (15.2 percent), SouthState Bank, National Association (14.3 percent), Bank of America, National Association (11.9 percent) and Wells Fargo Bank, National Association (11.8 percent). In 2021, for home mortgage loans, the bank ranks 4th out of 333 other home mortgage lenders. Largest home mortgage lenders include Rocket Mortgage, MidFlorida Credit Union and Celebrity Home Loans, LLC. For the same period, there were 61 business lenders operating and reporting small business loans (Large Bank CRA Reporters) in the AA. Largest small business lenders include American Express National Bank, Citibank, N.A. and Bank of America, N.A.

Housing affordability is a challenge in the Sebring-Avon Park MSA. During the evaluation period, housing prices continued to rise year-over-year. According to Zillow.com the median sales price for Highlands County for year-end 2020 was \$159,109 and \$197,821 for the same period in 2021, an increase of \$38,712 or 24.3 percent within two years. The FFIEC 2021 estimated median family income for the Sebring-Avon Park MSA was \$51,000. The housing price of \$197,821 would require a monthly mortgage payment of \$1,257 based on a 30-year mortgage with a five percent interest rate. Based on this data and not accounting for down payment, homeowner's insurance, real estate taxes, or any additional monthly expenses, a low-income borrower making \$25,500 per year (or less than 50 percent of the 2021 FFIEC estimated median family income in the AA) could afford a mortgage payment of \$595. A moderate-income borrower making \$40,800 per year (or less than 80 percent of the 2021 FFIEC estimated median family income in the AA) could afford a mortgage payment of \$952. This illustrates how LMI borrowers are challenged to afford, or qualify for, a home purchase loan in the AA.

Scope of Evaluation in Florida

The Sebring-Avon Park, FL MSA received a full-scope review. The State of Florida was selected for a full-scope review.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FLORIDA

LENDING TEST

The bank's performance under the Lending Test in Florida is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's lending performance in the State of Florida is reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits excellent geographic distribution of loans in the state.

Home Mortgage Loans

Refer to Table O in the state of Florida section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

There are no low-income geographies in the AA. The distribution of home mortgage loans made in moderate-income geographies is near to the proportion of owner-occupied housing units in moderate-income geographies in the AA and exceeds the aggregate distribution of loans made in those geographies.

Small Loans to Businesses

Refer to Table Q in the state of Florida section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

There are no low-income geographies in the AA. The distribution of loans made to small businesses operating in moderate-income geographies significantly exceeds the distribution of small businesses operating in moderate-income geographies and exceeds the aggregate distribution of these types of loans by business lenders that are subject to the Large Bank CRA reporting requirements.

Lending Gap Analysis

The bank's home mortgage and small business loan originations in LMI geographies during the evaluation period did not reflect any unexplained conspicuous lending gaps.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses, given the product lines offered by the bank.

Home Mortgage Loans

Refer to Table P in the state of Florida section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of home mortgage loans to low-income borrowers is lower than the proportion of low-income families residing in the AA and somewhat lower than the aggregate distribution of loans made to low-income borrowers. The distribution of loans to moderate-income borrowers is lower than the proportion of moderate-income borrowers and somewhat lower than the aggregate distribution of loans made to moderate-income borrowers.

Due to the performance context factors discussed in the Description of Institution's Operations section, , the level of performance is considered reasonable when double digit poverty levels, low wages and rising home values identified during the evaluation period are considered. High home costs in the AA limits homeownership affordability, especially to LMI borrowers. The Sebring-Avon Park MSA median housing value was \$87,639. Based on 2021 FFIEC median family income of \$51,000, the maximum income level for low-income borrowers was under \$25,500 making the median housing value greater than 3.4 times over the maximum low-income level. The maximum income level for moderate-income borrowers was under \$40,800 making the median housing value greater than 2.2 times over the maximum moderate-income level.

Small Loans to Businesses

Refer to Table R in the state of Florida section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

The proportion of small business loans made in the AA is near to the proportion of small businesses (gross annual revenues of \$1 million or less) operating in the AA area and exceeds the aggregate distribution of these types of loans by business lenders that are subject to the Large Bank CRA reporting requirements.

Responses to Complaints

There were no CRA related performance complaints received by the OCC or the bank.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the State of Florida is rated Outstanding.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank exhibits excellent responsiveness to community development (CD) needs in the state through community development loans, qualified investments, and community development services considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AA.

Number and Amount of Community Development Loans

The Community Development Loans Table, shown below, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

Community Development Loans				
AA	Total			
	#	% of Total #	\$(000's)	% of Total \$
Sebring-Avon Park MSA	5	100.0	7,505	100.0

Qualified loans were effective and responsive to the credit needs of the assessment areas. During the evaluation period (January 1, 2020, through December 31, 2022), HNB made five CD loans totaling \$7.5 million in the AA. Two loans totaling \$3.0 million helped support the affordable housing needs for LMI residents, two loans totaling \$1.5 million supporting economic development by providing job creation in the AA to include LMI individuals and one loan for \$3.0 million to support stabilization efforts in the AA by providing funds to support operations for local schools that primarily serve LMI youth. In addition, although not included in the table above, HNB helped stabilize the local economy by making 706 PPP loans totaling \$39.9 million to businesses that allowed them to retain employees and maintain operations during COVID-19.

Notable CD loans include:

- The bank made a loan in the amount of \$2.3 million to fund the construction of affordable housing for LMI agricultural harvesting workers.
- A loan for \$750 thousand was made to a local nonprofit community-based affordable housing organization for the construction of affordable 1-4 single family housing units geared towards LMI families. Affordable housing has been identified as a crucial credit need in the AA.

Number and Amount of Qualified Investments

Refer to the Community Development Investments table below for the facts and data used to evaluate the bank's level of CD Investments. The table includes all CD investments in the AA.

Qualified Investments										
AA	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Sebring-Avon Park MSA	18	4,478	96	6,217	114	100.0	10,695	100.0	0	0.0

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Qualified investments are effective and responsive to the credit needs of the AA, particularly those donations in community services targeted to LMI individuals and families and the high level of investments in minority-owned financial institutions. Qualified investments and donations in the AA totaled 114 in number and \$10.7 million in dollars of which 42 or \$10.5 million represent current and prior period investments and 72 or \$245 thousand in donations. The bank made a significant number of donations to many local nonprofit organizations to support affordable housing initiatives as well as community services targeted to LMI youth and families. The bank supports revitalization and stabilization efforts of underserved communities throughout the state and country by investing in minority-depository institutions (MDIs) and certified development financial institutions (CDFIs).

Notable CD investments include:

- HNB made two donations totaling \$202 thousand to a nonprofit community-based affordable housing organization whose primary purpose is to provide affordable housing to LMI families. Affordable housing was identified as a critical community need.

During the evaluation period, HNB invested in 39 MDI's totaling \$9.7 million of which 22 or \$5.5 million are new investments and 17 or \$4.2 million are prior period investments. These financial institutions play a vital role in promoting the viability of underserved communities. MDIs provide loans and services to minority populations and the communities they serve. Generally, a bank receives positive consideration for CD investments benefitting the bank's AA, state-wide or a broader regional area. These types of investments are favorably considered in CD investment performance regardless of the location of the MDI. None of the 39 investments were to minority-owned banks in the Sebring-Avon Park MSA; however, due to these types of investments meeting a critical CD need statewide (five located in Dade County, FL) and nationwide, HNB is provided the same consideration as if originated in its AA.

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

Extent to Which the Bank Provides Community Development Services

CD services were effective and responsive in helping address community needs in the AA. During the evaluation period, management conducted a high level of CD services consistent with its capacity and expertise to conduct such activities. HNB provided financial and technical expertise totaling 523 hours to 13 nonprofit organizations that serve the AA. Nonprofit organizations include those that predominately serve LMI persons and families and broader economic development organizations that assist small businesses and engage in activities that promotes job creation, including for LMI individuals. During the evaluation period, staff members served as board of directors (BOD) members for ten organizations and financial literacy training was provided to low- and moderate-income families and youth.

Notable CD services include:

- HNB provided 33.5 hours of financial literacy training to a nonprofit community-based service organization whose mission is to provide emergency services to LMI individuals and families in need. Financial literacy has been identified as a critical need in the AA.
- A staff member served 90 hours as a BOD member providing financial and technical expertise to a nonprofit community service organization whose mission is to provide health services, welfare support and financial grants to LMI families.

Retail Banking Services

The bank's delivery systems are readily accessible to geographies and individuals of different income levels in HNB's AA.

The bank operates four branches in the Sebring-Avon Park MSA AA. Based on the 2020 U.S. Census, two offices are located in middle-income geographies and two in moderate-income geographies. All offices have drive-thru teller facilities and ATMs. HNB also operates a free-standing ATM in the AA. Branch locations are open Monday-Friday. Drive-up teller facilities have Saturday hours. HNB did not open or close any branches since the last CRA evaluation.

HNB complements its traditional services with alternative delivery systems, including debit cards, ATMs located at all branches, online banking, electronic bill pay, remote deposit capture and mobile banking options.

The bank offers several low-to no-cost checking, and savings accounts attractive to LMI individuals and small businesses. In addition, the bank offers responsive loan products geared towards LMI individuals with various options for home mortgage financing and business loans to accommodate small businesses operating in the AA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	01/01/2020 to 12/31/2022	
Bank Products Reviewed:	Home mortgage and small business (01/01/2020-12/31/2021). Community development loans, qualified investments, community development services (01/01/2020 to 12/31/2022).	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/a		
List of AAs and Type of Examination		
Rating and AAs	Type of Exam	Other Information
State: Florida		
Sebring-Avon Park MSA	Full-Scope	

Appendix B: Summary of State Rating

RATINGS			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank Rating
Heartland NB	Satisfactory	Outstanding	Satisfactory
State:			
Florida	Satisfactory	Outstanding	Satisfactory

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/AA.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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, other secured consumer loans, and other unsecured consumer loans.

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, which 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).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to

determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

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 qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

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

Small Loan(s) to Farm(s): 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 or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/AA. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. AA Distribution of Home Mortgage Loans by Income Category of the Geography -** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. AA Distribution of Home Mortgage Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/AA. The table also presents aggregate peer data for the years the data is available.
- Table Q. AA Distribution of Loans to Small Businesses by Income Category of the Geography -** The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s AA.
- Table R. AA Distribution of Loans to Small Businesses by Gross Annual Revenue -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

The total loan amount presented in the tables for each AA may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table O: AA Distribution of Home Mortgage Loans by Income Category of the Geography																2020-2021		
Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
#	\$	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Sebring-Avon Park MSA	408	67,193	100.0	0.0	0.0	0.0	4.5	3.7	2.4	76.6	71.8	73.4	18.9	24.5	24.2	0.0	0.0	0.0
<i>Source: 2015 ACS; 01/01/2020 - 12/31/2021 Bank Data, 2020 HMDA Aggregate Data "--" data not available. Due to rounding, totals may not equal 100.0</i>																		

Table P: AA Distribution of Home Mortgage Loans by Income Category of the Borrower																2020-2021		
Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
#	\$	% of Total	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	
Sebring-Avon Park MSA	408	67,193	100.0	16.6	1.7	3.2	20.3	10.0	12.8	21.6	15.2	19.5	41.4	68.6	41.4	0.0	4.4	23.1
<i>Source: 2015 ACS; 01/01/2020 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>																		

The total loan amount presented in the tables for each AA may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table Q: AA Distribution of Loans to Small Businesses by Income Category of the Geography															2020-2021		
AA:	Total Loans to Small Businesses		Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available- Income Tracts		
	#	\$	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Sebring-Avon Park MSA	54	4,308	0.0	0.0	0.0	7.8	14.8	9.7	75.2	75.9	72.5	16.6	9.3	17.1	0.5	0.0	0.7
<i>Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 random sample of new business loans from bank prepared report, 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>																	

Table R: AA Distribution of Loans to Small Businesses by Gross Annual Revenues											2020-2021	
AA:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Sebring-Avon Park MSA	54	4,308	100.0	1,905	93.1	79.6	50.0	1.9	20.4	5.1	0.0	
<i>Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 random sample of new business loans from bank prepared report, 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>												

The total loan amount presented in the tables for each AA may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.