

PUBLIC DISCLOSURE

July 30, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Heartland Bank
RSSD #853112

Federal Reserve Bank of Cleveland

P.O. Box 6387
Cleveland, Ohio 44101-1387

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 the 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'S CRA RATING

This institution is rated: “Needs to Improve”

The Lending Test is rated: “Satisfactory”

The Community Development Test is rated: “Outstanding”

The major factors and criteria contributing to this rating include:

- There is a reasonable loan-to-deposit ratio, given the bank’s size, financial condition, and assessment area credit needs.
- A substantial majority of loans and other lending-related activities are in the assessment area.
- The geographic distribution of loans reflects a poor dispersion throughout the assessment areas.
- There is reasonable penetration among individuals of different income (including low- and moderate-income individuals) levels and businesses of different sizes.
- There have been no complaints filed against the bank since the previous CRA examination.
- The bank’s community development performance demonstrates excellent responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s assessment area.
- Due to violations of the Equal Credit Opportunity Act and the Fair Housing Act involving discriminatory practices, the CRA rating was adjusted downward from “Satisfactory” to “Needs to Improve.”

The previous CRA examination (June 5, 2006) resulted in a rating of “Satisfactory.”

SCOPE OF EXAMINATION

The CRA public evaluation was based on the level of the bank's lending within its assessment area, including the distribution to borrowers of different income levels and to small businesses of different revenue sizes and based on loans originated from January 1, 2006 through December 31, 2007. In addition, the bank's community development activity from June 30, 2006 to July 28, 2008 was evaluated using the interagency intermediate small bank examination procedures. Under this examination method, the bank was evaluated by considering lending and community development activity. The lending test included the analysis of:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside of the bank's assessment area;
- The geographic distribution of loans in the bank's assessment area, including low- and moderate-income census tracts;
- The extent of lending to borrowers of different income levels, including low- and moderate-income borrowers and businesses of different sizes, including small businesses; and,
- The bank's record of taking action in response to written complaints about its performance in helping to meet credit needs in its assessment areas.

The loan products evaluated included consumer loans, mortgage loans reported under the Home Mortgage Act (HMDA), and small business loans. Consumer loans are comprised of other secured motor vehicle, home equity, and other unsecured loan types. Consumer loans accounted for 52.7% of total loan volume for loans originated during the review period. Small business loans accounted for 33.9% of total loan volume for loans originated during this review period. Mortgage loans are comprised of home purchase, refinance, and home improvement loans. Mortgage loans accounted for 13.4% of total loan volume for loans originated for this review period. As a result, consumer loans received the greatest weight in this analysis, followed by small business loans and mortgage loans.

As part of the overall lending test, Heartland Bank's ("Heartland") geographic distribution with respect to consumer loans was assessed by comparing the percentage of loans made in each geography type (low-, moderate-, middle-, and upper-income) to the percentage of total households in each geographic category. Small business loans, also known as CRA loans, were compared to the percentage of businesses within each geographic income category, regardless of revenue size of the business.

The bank's geographic distribution with respect to HMDA loans was assessed by comparing the percentage of loans made in each geography type (low-, moderate-, middle-, and upper-income) to the percentage of owner-occupied housing units by tract. In this analysis, geographic distribution was weighted more heavily than the bank's borrower distribution, primarily because Heartland's assessment area is an urban market with a significant amount of low- and moderate-income tracts. Also, lending patterns in low- and moderate-income geographies were given more weight than lending in middle- and upper-income geographies.

The bank's borrower income distribution with respect to consumer loans was assessed by comparing the percentage of loans made to consumers in each income category (low-, moderate-, middle-, and upper-income) to the percentage of households in each income category. The bank's borrower distribution with respect to mortgage loans was assessed by comparing the percentage of loans made to borrowers in each income category to the percentage of families in each income category. In addition, poverty levels were considered in the analysis. Poverty level is determined by both income and family size. Generally, a larger proportion of families at poverty level are found in the low-income category, and, to some extent, in the moderate-income category. Borrowers at poverty level often do not qualify for real estate loans, so the percentage of families below poverty level was considered when evaluating lending performance to low- and moderate-income borrowers.

The bank's borrower distribution with respect to small business loans was assessed by comparing the percentage of loans made to businesses in each revenue category (less than or equal to \$1 million or greater than \$1 million) to the percentage of total businesses in each revenue category. The bank's lending pattern to businesses with \$1 million or less in revenue is weighted the most heavily in the analysis.

The bank's performance was also compared to the aggregate performance of all lenders required to report HMDA data within the assessment area for the year 2006 (the only data available at the time of this report). The bank's deposit market share is also discussed to provide a better understanding of how Heartland ranks within their respective market area.

The community development test provides for an analysis of the following factors:

- The number and dollar amount of community development loans;
- The number and dollar amount of qualified investments;
- The extent to which the bank provides community development services; and,
- The bank's responsiveness to the needs of its assessment area through community development activities.

DESCRIPTION OF INSTITUTION

Heartland Bank is a full-service retail bank and the sole banking subsidiary for Heartland Bancorp. Both entities are headquartered in Gahanna, Ohio.

As of March 31, 2008, Heartland has total assets of \$497 million, a 16.9% increase from the \$425 million as of March 31, 2006. As of March 31, 2008, loans represent 72.5% of total assets. According to the Uniform Bank Performance Report (UBPR), securities, including government securities, represented the remaining assets at approximately 27.5%. Of the bank's \$360 million in loans, 52.8% are secured by commercial real estate loans, 26.6% are secured by one-to-four family dwellings, 3.4% are consumer loans, 6.4% are Home Equity Lines of Credit (HELOCs), 7.8% are commercial loans, and the remaining 3% are categorized as other loans.

Prior to this examination, Heartland's assessment area consisted of all of Licking County and portions of Franklin, Pickaway, Fairfield and Delaware Counties. The assessment area was required to be revised when it was determined that the prior assessment area did not comply with the requirements of the Community Reinvestment Act. A review of lending distribution identified that a significant number of loans were originated in the portion of Franklin County previously excluded from the assessment area. By excluding portions of Franklin County, the assessment area did not coincide with the boundaries of an entire political subdivision (county) and appeared to arbitrarily exclude low- and moderate-income geographies. As a result, Heartland's assessment area was revised to include all of Franklin and Licking counties and portions of Pickaway, Fairfield, and Delaware Counties for this evaluation.

There is a significant amount of competition throughout the bank's assessment area. There are 55 institutions within the bank's market operating 508 offices. According to the FDIC Deposit Market Share Report,¹ in deposits as of June 30, 2007, Heartland Bank ranks 11th in the bank's market with a deposit market share of 1.40%. Some of the bank's major competitors in the area are Huntington National Bank, JP Morgan Chase Bank NA, Fifth Third Bank, National City Bank, Key Bank NA, and Park National Bank.

Heartland's assessment area consists of 313 census tracts, of which 35 are designated as low-income (11.2%), 89 moderate-income (28.4%), 108 middle-income (34.5%), 80 upper-income (25.6%), and one unknown-income tract. Heartland serves its assessment area through one main office and a branching network that includes ten branch offices. The majority of the bank's branches and ATMs are located in Franklin County primarily around the city of Columbus. Most of the assessment area's low- and moderate-income tracts are located in the Columbus area. In addition to the Franklin County offices, Heartland has branches and ATMs in Licking, Pickaway, and Fairfield Counties. Of the bank's 11 offices and 10 full-service ATMs, 4.8% are located in low-income tracts, 9.5% are located in moderate-income tracts, 57.1% are in middle-income tracts, and 28.6% are in upper-income tracts.

1 FDIC/OTS Summary of Deposits Website: www.fdic.gov

The following is a list of the main office, branch locations, and full-service and cash-only ATM locations within the bank's assessment area:

- Main office and full-service ATM located at 850 North Hamilton, Gahanna, Ohio (MSA 18140 - upper-income tract)
- Branch and full-service ATM located at 6500 Franz Road, Dublin, Ohio (MSA 18140 - upper-income tract)
- Branch and full-service ATM located at 450 South State Street, Westerville, Ohio (MSA 18140 - upper-income tract)
- Cash-only ATM at 811 Creekside Plaza, Gahanna, Ohio (MSA 18140 - upper-income tract)
- Cash-only ATM at 7400 West Campus Road, New Albany, Ohio (MSA 18140 - upper-income tract)
- Branch and full-service ATM located at 65 East State Street, Columbus, Ohio (MSA 18140 - middle-income tract)
- Cash-only ATM at 6000 Riverside Drive, Dublin, Ohio (MSA 18140 - middle-income tract)
- Branch and full-service ATM located at 67 North Stygler Road, Columbus, Ohio (MSA 18140 - middle-income tract)
- Cash-only ATM at 123 Mill Street, Columbus, Ohio (MSA 18140 - middle-income tract)
- Branch and full-service ATM located at 6887 East Main Street, Reynoldsburg, Ohio (MSA 18140 - middle-income tract)
- Branch and full-service ATM located at 2233 Stringtown Road, Grove City, Ohio (MSA 18140 - middle-income tract)
- Branch and full-service ATM located at 12 North Main Street, Croton, Ohio (MSA 18140 - middle-income tract)
- Branch and full-service ATM located at 730 West Coshocton Street, Johnstown, Ohio (MSA 18140 - middle-income tract)
- Cash-only ATM at 659 West Coshocton Street, Johnstown, Ohio (MSA 18140 - middle-income tract)
- Cash-only ATM at 11550 US Route 62, Orient, Ohio (MSA 18140 - middle-income tract)
- Branch and full-service ATM located at 130 North Wilson Road, Columbus, Ohio (MSA 18140 - moderate-income tract)
- Branch and cash-only ATM located at 6 North Park Place, Newark, Ohio (MSA 18140 - low-income tract)
- Cash-only ATM at 10 East 15th Avenue, Columbus, Ohio (MSA 18140 - low-income tract)

There are no legal or financial constraints preventing Heartland from meeting the credit needs of its assessment area consistent with its asset size, business strategy, resources, and local economy.

DESCRIPTION OF ASSESSMENT AREA IN COLUMBUS MSA 18140 IN THE STATE OF OHIO

The Columbus MSA is the third largest metropolitan area in the state of Ohio, behind Greater Cleveland and Greater Cincinnati. The Columbus MSA is comprised of the following eight counties: Delaware, Fairfield, Franklin, Licking, Madison, Morrow, Pickaway, and Union. As stated earlier, the bank's assessment area is comprised of the entireties of Franklin and Licking Counties, and portions of Delaware, Fairfield, and Pickaway. The Columbus MSA was the fastest growing region in Ohio, with a growth rate of 15 percent in the 1990s.² Based on 2000 Census information, the MSA's population totals 1.6 million residents, of which 1.1 million (69%) reside in Franklin County, making it the largest county in the Columbus MSA. Franklin County is the second largest county in Ohio after Cuyahoga County and the 34th largest county in population in the United States.

The city of Columbus, which is located in Franklin County, is the largest city in Ohio and the 15th largest city in the United States, according to the Census Bureau's 2006 population estimates. Columbus has over 700,000 residents or 66.56% of the population of the county.³ This urban core is separated by agriculture, forests, and scattered low-density residential development from the small- to medium-sized county seats of the seven surrounding counties. There are over 102 townships within the MSA, only six of which have over 10,000 residents and none of which have more than 20,000. Sixty-two townships have fewer than 25,000 residents.

Because Heartland's assessment area includes the city of Columbus, it is important to understand how the city's challenges impact Heartland's ability to serve its community. According to an article in the December 9, 2007 *Columbus Dispatch* by Joe Hallett, Alan Johnson, and Mark Niquette entitled, "On the Brink: Columbus,"⁴ "The bright spot among Ohio's biggest cities isn't immune to problems and isn't keeping up with its peers nationwide." According to Hallett, et al., "A closer look at Columbus' growth reveals an artificiality masking many of the same inner-city problems, such as population loss and decay, suffered by other big cities. While Columbus is thriving compared with other large Ohio cities, it does not perform as well when stacked up against growing cities nationwide. The nation has consistently outperformed Columbus and Ohio in job growth." Bill LaFayette, vice president of economic analysis for the Columbus Chamber of Commerce states in the article that, "Part of the problem is that the economic struggles of other Ohio cities and the state hurt Columbus because they limit the market for products and services here. Columbus needs the state and its big cities to do well."

Licking County is 25 miles east of Columbus. It is the second largest county by size in Ohio. According to the Census Bureau's 2006 population estimates, the population of Licking County is 156,287. Licking County is home to Ohio's largest orchard, Lynd Fruit Farm, where apples, pumpkins, and large fields of day lilies are the main attractions. The city of Newark is both its largest city and county seat. Eighty-nine percent of the county's land use consists of croplands, forests, and pastures.

² www.brookings.edu/metro/pubs

³ www.wikipedia.org/wiki/Franklin_County,_Ohio

⁴ www.dispatch.com

Delaware County is located 20 miles north of Columbus. According to the Census Bureau's 2006 population estimates, Delaware County's population of 156,697 makes it the fastest growing county in Ohio and the 11th fastest growing in the country. The city of Delaware is both its largest city and county seat. According to the June 30, 2008 issue of *Forbes Magazine*,⁵ Delaware County is the fifth best place in the United States to raise a family and the best place in the state of Ohio to reside. Seventy-nine percent of the county's land use consists of croplands and forests.

Fairfield County is located 30 miles southeast of Columbus. Fairfield County sits on the edge of Ohio's Appalachian region. According to the Census Bureau's 2006 population estimates, Fairfield's population is 140,591. The city of Lancaster is both its largest city and county seat. Fairfield County boasts the largest collection of authentic covered bridges in Ohio. Eighty-seven percent of the county's land use consists of croplands and forests.

Pickaway County is located 30 miles south of Columbus. Pickaway County's population is 53,606. The city of Circleville is both its largest city and county seat. Circleville was unique among early American towns. The town's streets radiated from an octagonal courthouse in the center of the circle. When the Ohio Canal reached Circleville, the shape of the town within the circle proved to be a hindrance, and in 1838, a group of businessmen began to "square the circle" over the next 20 years.⁶ Eighty-eight percent of the county's land use consists of croplands and pastures.

Six community contacts were conducted within the bank's assessment area. All but one of the community contacts served Franklin County and the other community contact served Licking County. The community contact in Licking County was a non-profit organization providing affordable housing to low- and moderate-income individuals. The community contact indicated that there is a large need for affordable housing in Licking County. Two other community contacts conducted in Franklin County were conducted with non-profit organizations providing affordable housing to low- and moderate-income individuals within Franklin County. While each organization was different, the need for affordable housing was echoed by each organization. In addition, one community contact was conducted with a local organization that provides services to low- and moderate-income individuals, as well as minorities in the community. This non-profit organization indicated that banks need to have more of a presence in the community, demonstrating to consumers the expert services that are offered through the banks in the assessment area. Lastly, two community contacts were conducted with non-profit organizations assisting minority small businesses. These organizations indicated that banks need to be more involved with the minority community by offering classes to small business owners, providing funding to some of the revolving loan funds designated for minority small business owners, and communicating to the community that they are there to meet the needs of the minority business owner community.

5 www.forbes.com/2008/06/27/schools-places-family-forbeslife-cz_zg_0630realestate.html

6 www.pickaway.com/history.html

Population

According to the 2000 U.S. Census, the population within Heartland's assessment area is approximately 1.3 million people. The population within the assessment area is 77.79% White-Not Hispanic, 15.73% Black-Not Hispanic, Asian-Not Hispanic 2.93%, and Hispanic 2.02%, with a total minority population of 22.21%. Of the assessment area's population, 25.42% are age 17 years and younger, 11.08% are age 18 to 24 years, 53.75% are age 25 to 64 years and 9.76% are age 65 and over.

The Ohio Department of Development's Office of Policy, Research and Strategic Planning projects the total population by county in Heartland's assessment area to increase as follows over the next 20 years:

County	Projected Population 2010	Projected Population 2020	Projected Population 2030
Franklin	1,155,910	1,238,250	1,326,180
Licking	161,280	179,050	198,760
Delaware	161,730	215,480	266,200
Fairfield	143,860	169,540	201,019
Pickaway	55,680	58,200	59,980

Income Characteristics

Based on the 2000 U.S. Census, the median family income for the bank's assessment area is \$55,201, which exceeded the state of Ohio's median family income of \$50,037.

Additionally, there are 524,540 households, with 329,597 designated as families. Of the families in the assessment area, 19.51% are low-income, 17.84% are moderate-income, 22.55% are middle-income, and 40.10% are upper-income. Of these, 24,462 families (7.42%) and 54,854 households (10.46%) are below the poverty level. According to the 2000 U.S. Census, the assessment area's household poverty level in MSA 18140 at 9.93% is lower than the state of Ohio's at 10.67%.

In addition, 27.89% of families who live below the poverty level in this assessment area reside in low-income tracts and 40.30% of families who live below the poverty level reside in moderate-income tracts. Only 24.24% and 7.57% of families living below the poverty level reside in middle- and upper-income tracts. Therefore, a higher percentage of families living below the poverty level are concentrated in low- and moderate-income tracts, which ultimately affects the bank's ability to lend to these families for all loan types.

Housing

According to the 2000 U.S. Census, there are 561,497 housing units in the assessment area, of which 76.71% are one-to-four family units, 56.3% are owner-occupied, 37.1% are rental, and 6.60% are vacant. In Franklin County, Ohio State University (the nation's largest public university) is located in a moderate-income tract (**11.200**)* where 76.5% of the housing units are rentals and only 18.7% are owner-occupied. As a result, the census tracts surrounding the university's campus also have limited owner-occupied housing as illustrated in the following table:

Ohio State University and Surrounding Census Tracts				
Tract Number	Tract Income	Owner Occupied %	Rental %	Vacant %
6.000	Moderate	23.20	67.00	9.80
10.000	Moderate	21.00	72.60	6.40
11.200*	Moderate	18.70	76.50	4.74
12.000	Low	5.40	85.70	8.90
13.000	Low	3.20	86.90	9.90
18.100	Low	2.60	91.70	5.70
18.200	Middle	21.30	71.00	7.80
19.000	Moderate	13.50	82.60	4.00
78.300	Moderate	18.20	78.00	3.80

However, while the university has an effect on the percentage of available owner-occupied housing in this portion of the assessment area, it does not significantly impact the bank's overall ability to make HMDA loans. The three low- and five moderate-income tracts highlighted above only represent 6.5% of the bank's total low- and moderate-income tracts within the bank's assessment area.

The median age of the housing stock is 30 years, with the oldest housing stock in low-income tracts and moderate-income tracts at 48 and 40 years, respectively. The age of housing stock for these areas indicates an opportunity for home improvement-type loans. Of the 561,497 housing units in the assessment area, 316,338 or 56.34% are considered owner-occupied units. Of the owner-occupied units, 23.7% are located in low-income tracts, 41.2% are located in moderate-income tracts, 62.1% are in middle-income tracts, and 72.0% are located in upper-income tracts. Therefore, there is an opportunity for banks to make refinance and home improvement loans to individuals living in low- and moderate-income tracts.

As of the 2000 Census, the median housing value in the assessment area was \$118,023. The median housing value in upper- (\$168,827) and middle-income census tracts (\$109,436) had a disparity with housing values in both moderate- (\$74,491) and low-income census tracts (\$58,637). According to Sperling's Best Places,⁷ as of 2008, the median home cost in the following cities throughout the assessment area was: Columbus - \$126,280; Newark - \$104,940; Delaware - \$152,940; Lancaster - \$112,810; and Circleville - \$115,960. Home appreciation decreased by an average of 4.66% in the last year.

⁷ www.bestplaces.net

Foreclosures have greatly affected the state of Ohio. According to RealtyTrac,⁸ in June 2008, foreclosure filings were reported on 13,194 Ohio properties, the nation's third highest state foreclosure total. Ohio's foreclosure activity increased 7.0% from the previous month and 11.0% from June 2007. One in every 382 Ohio households received a foreclosure filing in June 2008, the nation's sixth highest state foreclosure rate.

Economics

The largest type of employment and corresponding salary information for each county listed below is based on 2007 statistics obtained from the Ohio Department of Development.⁹

For Franklin County, the largest types of employment and corresponding salaries are retail trade, health care and social assistance, accommodation and food services, and administrative and waste services. The average annual salaries for these industries are retail trade, \$28,000; health care and social assistance, \$38,000; accommodation and food services, \$14,000; and administrative and waste services, \$26,000. In addition, some of the major employers in Franklin County are Limited Brands Inc., OhioHealth, Wendy's International Inc., and Cardinal Health Inc.

In Licking County, the largest industries by employment and corresponding salaries are manufacturing, \$44,000; retail trade, \$23,000; and state and local government, \$35,000. The major employers in this county are Boeing Co., Kroger Co., the Newark City Board of Education, and Owens-Corning. According to the community contact conducted in Licking County, the city of Newark has suffered large losses in employment, especially in the manufacturing sector. According to the contact, Boeing and Meritor have decreased shifts and hours offered. Other companies, such as Longaberger Basket Company, have also laid off a large amount of their employees. According to the contact, while Licking County does have a large number of jobs in the retail sector the fast-food industry, this type of employment normally does not pay high wages and it is often difficult for individuals to receive 40 hours of work.

⁸ www.realtytrac.com/contentmanagement/pressrelease

⁹ www.odod.gov

The largest types of employment in Delaware County are retail trade, with an average annual salary of \$21,000; state and local government, \$38,000; and manufacturing, with an average annual salary of \$48,000. The major employers within this county are McGraw Hill Companies, Delaware City Board of Education, and Kroger Co.

For Fairfield County, the largest types of employment and corresponding salaries are state and local government, \$35,000; retail trade, \$19,000; and manufacturing at \$38,000. The major employers in Fairfield County are Ralcorp/Ralston Foods, Anchor Hocking Corp., Kroger Co., and the Lancaster City Board of Education.

In Pickaway County, the largest industries by employment and corresponding salaries are state and local government, \$37,000; health care and social assistance, \$28,000; and retail trade, \$20,000. The major employers in Pickaway County are the Circleville City Board of Education, the Teays Valley Local Board of Education, the state of Ohio, Wal-Mart Stores Inc., and Berger Health System.

According to the Ohio Department of Job and Family Services,¹⁰ the unadjusted unemployment rate as of May 2008 for the counties included in the bank's assessment area are as follows: Delaware 4.2%; Fairfield 4.9%; Franklin 4.8%; and Pickaway 5.7%. The U.S. unadjusted unemployment rate is 5.2% and the state of Ohio unadjusted unemployment rate is 5.9%.

¹⁰ <http://jfs.ohio.gov>

The following demographic table illustrates the assessment area.

Combined Demographics Report

Heartland Bank

Analysis Year: 2006 & 2007

Assessment Area(s): MSA 18140

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	35	11.2	21,147	6.4	6,822	32.3	64,307	19.5
Moderate-income	89	28.4	72,697	22.1	9,859	13.6	58,786	17.8
Middle-income	108	34.5	126,726	38.4	5,929	4.7	74,336	22.6
Upper-income	80	25.6	109,027	33.1	1,852	1.7	132,168	40.1
Unknown-income	1	0.3	0	0.0	0	0.0	0	0.0
Total Assessment Area	313	100.0	329,597	100.0	24,462	7.4	329,597	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	48,627	11,521	3.6	23.7	30,323	62.4	6,783	13.9
Moderate-income	142,768	58,774	18.6	41.2	72,028	50.5	11,966	8.4
Middle-income	207,261	128,733	40.7	62.1	68,085	32.8	10,443	5.0
Upper-income	162,836	117,307	37.1	72.0	37,688	23.1	7,841	4.8
Unknown-income	5	3	0.0	60.0	0	0.0	2	40.0
Total Assessment Area	561,497	316,338	100.0	56.3	208,124	37.1	37,035	6.6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	3,941	8.3	3,226	7.8	572	11.8	143	12.0
Moderate-income	8,683	18.3	7,530	18.2	938	19.3	215	18.1
Middle-income	17,311	36.5	15,162	36.7	1,700	34.9	449	37.7
Upper-income	17,470	36.9	15,429	37.3	1,658	34.1	383	32.2
Unknown-income	2	0.0	2	0.0	0	0.0	0	0.0
Total Assessment Area	47,407	100.0	41,349	100.0	4,868	100.0	1,190	100.0
	Percentage of Total Businesses:			87.2		10.3		2.5

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

Heartland's record of meeting the credit needs of its assessment area is reasonable based on the factors in this evaluation.

Loan-to-Deposit Ratio

A financial institution's loan-to-deposit ratio (LTD) compares the institution's aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution's lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing by the total number of quarters.

Heartland averaged 82.5% over the past eight quarters of operation and is below the aggregate of all lenders group average ratio of 87.9%. The bank's LTD ratio consistently lagged the aggregate of all lenders over the eight quarters reviewed. The bank did not experience extreme fluctuations in its LTD ratio, as the bank's high LTD ratio was 83.4% and its low was 81.7%.

The table illustrates Heartland's quarterly-loan-to-deposit ratios for eight quarters since the previous evaluation, along with the average loan-to-deposit for the same period.

Loan-to-Deposit Ratios			
As of Date	Net Loans (000s)	Total Deposits (000s)	Ratio
March 31, 2008	360,374	441,047	81.7%
December 31, 2007	355,604	427,389	83.2%
September 30, 2007	349,985	421,120	83.1%
June 30, 2007	343,516	416,204	82.5%
March 31, 2007	340,502	414,178	82.2%
December 31, 2006	337,366	410,608	82.2%
September 30, 2006	327,842	392,354	83.6%
June 30, 2006	320,178	391,279	81.8%
Quarterly Loan-to-Deposit Ratio since previous examination			82.5%

Therefore, considering the bank's lending-related activity, size, financial condition, and assessment area credit needs, Heartland's LTD ratio is considered to be reasonable.

Lending in the Assessment Area

The bank's consumer lending, small business lending and mortgage lending were analyzed to determine the volume of lending inside and outside the bank's assessment area. Of the loans made to consumers, 88.8% by volume and 85.4% by dollar amount were made within the bank's assessment area. Of the loans made to small businesses, 92.6% of loans by volume and 92.9% by dollar amount were made within the bank's assessment area. Furthermore, the bank originated 85.2% of HMDA loans by volume and 81.8% by dollar amount within the bank's assessment area. Therefore, a substantial majority of the bank's loans by both volume and dollar amount were made inside its assessment area.

The following table illustrates the percentage of loans made inside and outside the bank's assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside the Assessment Area				Outside the Assessment Area			
	# of Loans	%	\$ (000s)	%	# of Loans	%	\$ (000s)	%
HMDA	241	85.2	24,915	81.8	42	14.8	5,536	18.2
Small Business	610	92.6	98,789	92.9	49	7.4	7,511	7.1
Consumer	947	88.8	42,215	85.4	119	11.2	7,197	14.6
Total	1,798	89.5	165,919	89.1	210	10.5	20,244	10.9

Geographic Distribution of Lending

Overall, the bank's geographic distribution of loans reflects a poor dispersion throughout the assessment area. The bank's lending distribution to small businesses and HMDA loans was considered good compared to the proxy and the aggregate of all HMDA lenders. Consumer lending, which was given the most weight in this analysis because it represents the bank's largest product by volume, was considered poor. In fact, the geographic distribution of all consumer loan type products was considered poor.

The assessment area consists of 313 total census tracts of which one census tract has an unknown income. The unknown income census tract was not included in the analysis of geographic distribution. Of the 312 census tracts, 124 (39.7%) are low- and moderate-income tracts and 188 (60.3%) are middle- and upper-income tracts.

Of note, 264 (84.6%) of the assessment area's census tracts are located within Franklin County, of which 113 (42.8%) are low- and moderate-income tracts and 151 (57.2%) are middle- and upper-income tracts. Franklin County contains the majority of the total census tracts and the low- and moderate-income tracts within the bank's assessment area.

Heartland experienced significant lending gaps within its assessment area, especially in low- and moderate-income geographies. Based on lending data, Heartland did not make loans in many of its census tracts, particularly in tracts designated as low- and moderate-income tracts. According to 2006 lending data, Heartland did not originate any type of loan in 24 out of 35 (68.6%) low-income tracts, 37 out of 89 (41.6%) moderate-income tracts, 33 out of 108 (30.6%) middle-income tracts, and 16 out of 80 (20.0%) upper-income tracts. According to 2007 lending data, the bank's lending activity is similar to 2006, with no lending occurring in 57.1% of low-income tracts, 51.7% in moderate-income tracts, 36.1% in middle-income tracts, and 27.5% in upper-income tracts.

In regards to HMDA lending, Heartland did not originate any loans in 31 out of 35 (88.6%) low-income tracts in 2006 and 32 out of 35 (91.4%) low-income tracts in 2007. In 2006, the bank did not originate any HMDA loans in 72 out of 89 (80.9%) moderate-income tracts and 79 out of 89 (88.8%) moderate-income tracts in 2007. While the lending gaps in middle- and upper-income tracts are not as large, these gaps in lending are still considerable. Heartland did not originate any HMDA loans in 69.4% of middle-income tracts and 67.5% of upper-income tracts in 2006 and 72.2% of middle-income and 78.8% of upper-income tracts in 2007.

It is acknowledged that there were limited opportunities to lend in some of the low- and moderate-income census tracts where the bank did not originate HMDA loans because the housing stock is predominantly rental property. This was the case in 29.0% of low-income tracts and 8.3% of moderate-income tracts where the bank did not originate loans for 2006 and 28.1% of low-income tracts and 7.6% of moderate-income tracts where the bank did not originate loans for 2007.

Even though some areas did not provide as much of an opportunity to originate HMDA loans, there was still a large number of tracts that presented opportunities for HMDA lending. As stated earlier, 23.69% of owner-occupied units are located in low-income tracts and 41.17% are located in moderate-income tracts.

Information from the FFIEC¹¹ demonstrates that HMDA lending is taking place in the tracts where Heartland did not originate HMDA loans. To illustrate, the table below provides examples of what the aggregate of all lenders' performance was in tracts where Heartland did not originate any HMDA loans. The data for the aggregate of all lenders is from 2006.

2006 HMDA Lending Performance of Aggregate of All Lenders			
Census Tract	Percentage of Owner Occupied	Census Demographic	Number of Loans Originated
7.20	55.50%	Low-income	161
9.10	58.20%	Low-income	201
26.00	38.60%	Low-income	94
23.00	33.60%	Low-income	66
37.00	24.10%	Low-income	195
3.10	53.90%	Moderate-income	117
3.20	86.40%	Moderate-income	125
8.10	72.20%	Moderate-income	133
25.10	64.30%	Moderate-income	114

This data supports the need for HMDA loans in these tracts, as well as opportunities for Heartland to lend in low- and moderate-income census tracts.

¹¹ Federal Financial Institutions Examination Council - The Council is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) and to make recommendations to promote uniformity in the supervision of financial institutions.

According to the 2000 U.S. Census, there are 47,407 businesses in the assessment area, of which 8.3% are located in low-income tracts and 18.3% are located in moderate-income tracts. In addition, two community contacts conducted with non-profit organizations focusing on minority small businesses stated that there is a great need for help with funding of businesses in the Columbus area. Therefore, there are lending opportunities in low- and moderate-income census tracts for small business loans.

In 2006, no small business (CRA) lending occurred in 27 of 35 low-income census tracts (77.1%), 58 out of 89 moderate-income tracts (65.2%), 65 out of 108 middle-income census tracts (60.2%), and 43 out of 80 upper-income census tracts (53.8%). In 2007, the number of census tracts with no originations of CRA loans was substantially similar. No CRA lending occurred in 24 out of 35 low-income census tracts (68.6%), 62 out of 89 moderate-income tracts (69.7%), 65 out of 108 middle-income tracts (60.2%), and 46 out of 80 upper-income census tracts (57.5%).

In 2006, Heartland originated a total of 976 loans. Of that total, 28 loans (2.9%) were made in low-income tracts, 120 loans (12.3%) were originated in moderate-income tracts, 54.6% of all loans originated were in middle-income tracts, and 30.3% were in upper-income tracts.

In 2007, the bank originated a total of 822 loans. Of that total, 30 loans (3.6%) were originated in low-income tracts, 104 loans (12.7%) were originated in moderate-income tracts, 53.0% in middle-income tracts, and 30.7% in upper-income tracts.

Therefore, in both years, Heartland originated 84%-85% of its loans in middle and upper-income geographies. This highlights a large disparity of lending in low and moderate-income tracts, especially since 39.7% of the bank's assessment area is comprised of low- and moderate-income geographies.

The volume of loans made in the various census tracts by income shows a disparity in the amount of loans made in low- and moderate-income geographies compared to the amount of loans made in middle- and upper-income geographies. Based on 2006 and 2007 lending activity, in low-income geographies the number of loans made in each low-income tract ranges from 1-10 loans originated per tract. In moderate-income tracts the numbers are not much better; they range from 1-11 loans originated per tract. The number of loans made in each middle-income tract ranges from 1-88 loans originated per tract. In upper-income tracts, the number of loans range from 1-32 loans originated per tract. Therefore, these numbers reflect that Heartland is penetrating its middle- and upper-income geographies to a greater extent than it is penetrating its low and moderate-income tracts.

Consumer Loans

Other Secured Loans

The geographic distribution of other secured loans was considered poor. The bank originated three loans (0.9%) within its low-income tracts, which was poor compared to the percent of households in these geographies at 8.0%. The bank originated 33 loans (10.3%) in moderate-income tracts, which was considered poor in comparison to the percent of households in these geographies at 25.0%. More loans were made in middle-income tracts by the bank at 62.9% than the percent of households at 37.5%. Loans made in upper-income tracts at 25.9% were below the percent of households in upper-income geographies at 29.5%.

Motor Vehicle Loans

The geographic distribution for motor vehicle loans was considered poor. Heartland originated four loans (1.3%) in low-income tracts, which was poor compared to the percent of households at 8.0%. The bank originated 24 loans (8.1%) in moderate-income tracts, which was poor when compared to the percent of households in moderate-income census tracts at 25.0%. The bank made 57.2% of its loans in middle-income tracts and 33.3% of its loans in upper-income tracts, which exceeded the percent of households for both middle- and upper-income tracts at 37.5% and 29.5%, respectively.

Home Equity Loans

The geographic distribution for home equity loans was considered poor. The bank made no loans in low-income geographies, which is considered poor. In moderate-income geographies, the bank made 11 loans (4.9%), which was significantly less than the percent of households at 25.0% and is considered poor. In middle- and upper-income geographies, the bank originated 49.8% and 45.3% of its home equity loans, which exceeded the percent of households at 37.5% and 29.5%, respectively.

Other Unsecured Loans

The geographic distribution for other unsecured loans was considered poor. The bank made no loans in low-income geographies, which is considered poor. The bank made 11 loans (10.4%) in moderate-income tracts, which was significantly lower than the percent of households at 25.0% and is considered poor. In middle-income geographies, the bank originated 67.0% of its loans, which exceeded the percent of households at 37.5%. In upper-income geographies, the bank originated 22.6% of its loans, which is less than the percent of households at 29.5%.

The following chart summarizes the distribution of Heartland's consumer lending compared to the percentage of households.

Geographic Distribution of Consumer Loans										
Assessment Area/Group: MSA 18140										
	Total Consumer Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	223	23.5	8.0	0.0	25.0	4.9	37.5	49.8	29.5	45.3
Motor Vehicle	297	31.4	8.0	1.3	25.0	8.1	37.5	57.2	29.5	33.3
Other - Secured	321	33.9	8.0	0.9	25.0	10.3	37.5	62.9	29.5	25.9
Other - Unsecured	106	11.2	8.0	0.0	25.0	10.4	37.5	67.0	29.5	22.6

Small Business Loans

The geographic distribution of lending to small businesses was considered good. The bank originated 20 small business loans (6.2%) in low-income census tracts, which is slightly less than the percent of total businesses by tract at 8.3%. Therefore, small business lending in low-income tracts was considered adequate. In moderate-income geographies, the bank originated 69 loans (20.4%), which is greater than the percent of total businesses in moderate-income tracts at 18.3%. Therefore, the bank’s small business lending in moderate-income tracts was considered excellent. The bank originated 54.1% of its small business loans in middle-income geographies, which exceeded the percent of total businesses at 36.5%. In upper-income tracts, the bank originated 19.2% of its small business loans, which is significantly less than the percent of total businesses at 36.9%.

The geographic distribution of lending to small businesses where the loans were secured by real estate was considered good. The bank originated 22 small business loans (8.1%) secured by real estate in low-income geographies, which almost equaled the percent of total businesses at 8.3%. Therefore, the bank’s lending in low-income census tracts is considered good. In moderate-income geographies, the bank originated 39 loans (14.3%), which was comparable to the percent of total businesses at 18.3%. Therefore, the bank’s lending in moderate-income census tracts is considered good. In middle-income geographies, the bank originated 42.1% of its real estate-secured loans, which exceeded the percent of total businesses at 36.5%. In upper-income geographies, the bank originated 35.5% of its loans, which was equivalent to the percent of total businesses at 36.9%.

The following chart summarizes the distribution of Heartland’s small business lending compared to the percentage of businesses.

Geographic Distribution of Small Loans to Businesses										
Assessment Area/Group: MSA 18140										
	Total Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Businesses/ Farms	% Bank Loans	% of Businesses/ Farms	% Bank Loans	% of Businesses/ Farms	% Bank Loans	% of Businesses/ Farms	% Bank Loans
Small Business	338	55.3%	8.3	6.2	18.3	20.4	36.5	54.1	36.9	19.2
Small Bus secured by RE	273	44.7%	8.3	8.1	18.3	14.3	36.5	42.1	36.9	35.5

Mortgage Loans (HMDA)

Refinance

The geographic distribution for refinance loans was considered adequate. The bank made no loans to low-income tracts compared to the percent of owner-occupied housing units at 3.6% and the aggregate of all lenders at 5.6%. Therefore, lending in low-income tracts was considered poor. The bank made 19 loans (18.1%) in moderate-income tracts, which was equivalent to the percent of owner-occupied housing units at 18.6% and the aggregate of all lenders at 18.6%. Therefore, the bank's lending in moderate-income tracts was considered good. In addition, the bank originated 51.4% of its refinance loans in middle-income tracts, which exceeded the percent of owner-occupied housing units at 40.7% and the aggregate of all lenders at 40.5%. In upper-income tracts, the bank originated 30.5%, which is below the percent of owner-occupied housing units at 37.1% and the aggregate of all lenders at 35.3%.

Home Improvement

The geographic distribution for home improvement loans was considered good. The bank made four loans (5.1%) in low-income tracts, which exceeded the percent of owner-occupied housing units at 3.6% and exceeded the aggregate of all lenders at 4.6%. Therefore, lending in low-income tracts was considered excellent. The bank made nine loans in moderate-income tracts (11.4%), which was considered adequate compared to the percent of owner-occupied housing units at 18.6% and the aggregate of all lenders at 19.6%. The bank originated 53.2% of its home improvement loans in middle-income tracts, which exceeded the percent of owner-occupied housing units at 40.7% and the aggregate of all lenders at 42.3%. In addition, the bank originated 30.4% of its loans in upper-income tracts, which is below the percent of owner-occupied units at 37.1% and the aggregate of all lenders at 33.5%.

Home Purchase

The geographic distribution for home purchase loans was considered excellent. The bank originated four loans (7.0%) in low-income tracts, which exceeded the percent of owner-occupied units at 3.6% and the aggregate of all lenders at 4.9%. Therefore, the bank's origination of home purchase loans in low-income tracts was considered excellent. The bank originated nine loans (15.8%) in moderate-income tracts, which was less than the percent of owner-occupied units at 18.6%. and equivalent to the aggregate of all lenders at 15.0%. Therefore, the bank's lending in moderate-income tracts was considered good. The bank originated 36.8% of its home purchase loans in middle-income geographies, which was less than the percent of owner-occupied units at 40.7% and the aggregate of all lenders at 39.5%. In upper-income tracts, the bank originated 40.4% of its loans, which exceeded the percent of owner-occupied units at 37.1% and is comparable to the aggregate of all lenders at 40.7%.

The following chart summarizes the distribution of Heartland's HMDA lending compared to the percentage of owner-occupied units.

Geographic Distribution of HMDA Loans Assessment Area/Group: MSA 18140										
	Total HMDA Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans
Home Purchase	57	23.7	3.6	7.0	18.6	15.8	40.7	36.8	37.1	40.4
Refinance	105	43.6	3.6	0.0	18.6	18.1	40.7	51.4	37.1	30.5
Home Improvement	79	32.8	3.6	5.1	18.6	11.4	40.7	53.2	37.1	30.4

Borrower Distribution

The distribution of borrowers reflected a reasonable penetration among borrowers of different income levels and an adequate distribution of lending to businesses with revenues of \$1 million or less.

Consumer Loans

Other Secured Loans

The borrower distribution for other secured loans was considered good. The bank originated 55 loans (17.1%) to low-income borrowers, which was considered adequate compared to the percent of households in the assessment area at 22.4%. The bank originated 67 loans (20.9%) to moderate-income borrowers, which was considered excellent and surpassed the percent of households at 17.5%. The bank originated 22.7% of its other secured loans to middle-income borrowers, which exceeded the percent of households at 19.3% and originated 36.1% of its loans to upper-income borrowers, which was less than the percent of households at 40.8%.

Motor Vehicle Loans

The borrower distribution for motor vehicle loans was considered excellent. The bank originated 72 motor vehicle loans (24.2%) to low-income borrowers, which exceeded the percent of households at 22.4% and was considered excellent. The bank made 57 loans (19.2%) to moderate-income borrowers, which also surpassed the percent of households at 17.5% and was considered excellent. The bank made 21.2% of its motor vehicle loans to middle-income borrowers and 30.6% of its lending to upper-income borrowers. The bank's lending to middle-income borrowers exceeded the percent of households at 19.3% and lending to upper-income borrowers was less than the percent of households at 40.8%.

Home Equity Loans

The borrower distribution for home equity loans was considered adequate. The bank originated 13 loans (5.8%) to low-income borrowers, which was significantly less than the percent of households at 22.4% and considered poor. However, Heartland originated 35 loans (15.7%) to moderate-income borrowers, which was considered good compared to the percent of households at 17.5%. The bank originated 19.3% of its home equity loans to middle-income borrowers and 58.3% of its loans to upper-income borrowers. Originations of home equity loans to middle-

income borrowers equaled the percent of households at 19.3% and loans made to upper-income borrowers greatly exceeded the percent of households at 40.8%.

Other Unsecured Loans

The borrower distribution for other unsecured loans was good. The bank originated 29 loans (27.4%) to low-income borrowers, which exceeded the percent of households in the assessment area at 22.4% and was considered excellent. In addition, the bank originated 19 loans (17.9%) to moderate-income borrowers, which was equivalent to the percent of households at 17.5% and was considered good. The bank made 17.9% of its loans to middle-income borrowers and 29.2% of its loans to upper-income borrowers. The bank’s lending to middle-income borrowers was below the percent of households at 19.3% and significantly below the percent of households at 40.8% to upper-income borrowers.

The following chart summarizes the distribution of Heartland’s consumer lending compared to the percentage of households by income level.

Borrower Distribution of Consumer Loans										
Assessment Area/Group: MSA 18140										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	223	23.5%	22.4	5.8	17.5	15.7	19.3	19.3	40.8	58.3
Motor Vehicle	297	31.4%	22.4	24.2	17.5	19.2	19.3	21.2	40.8	30.6
Other - Secured	321	33.9%	22.4	17.1	17.5	20.9	19.3	22.7	40.8	36.1
Other - Unsecured	106	11.2%	22.4	27.4	17.5	17.9	19.3	17.9	40.8	29.2

Small Business Loans

The bank originated 189 small business loans (55.9%), which fell below the percentage of total businesses with revenues of \$1 million or less (87.2%). According to lending data, 62.1% of the small business loans were \$100,000 or less. Therefore, the bank’s lending to small businesses was considered adequate.

The bank originated 144 small business loans secured by real estate (52.7%), which fell below the percentage of total businesses with revenues of \$1 million or less (87.2%). According to lending data, 65.6% of these loans made to businesses regardless of revenue size were loan amounts of \$100,000 or less. Therefore, the bank’s lending to small businesses secured by real estate was considered adequate.

The following chart summarizes the distribution of Heartland’s small business lending compared to the percentage of businesses by revenue size.

Borrower Distribution of Small Loans to Businesses							
Assessment Area/Group: MSA 18140							
	Total Loans		Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
	#	% of Total	% of Businesses	% Bank Loans	\$100,000 or Less	>\$100,001 to \$250,000	>\$250,001 to \$1,000,000
Small Business	338	55.3%	87.2	55.9	62.1	18.9	18.9
Small Bus secured by RE	273	44.7%	87.2	52.7	65.6	17.2	16.1

Mortgage Loans (HMDA)

Refinance Loans

The bank’s penetration to low- and moderate-income borrowers was considered good. The bank made five loans (4.8%) to low-income borrowers, which was significantly less than the percent of families in the assessment area at 19.5%, but considered comparable to the aggregate of all lenders at 7.7%. Therefore, lending to low-income families was considered adequate. The bank originated 19 loans (18.1%) to moderate-income borrowers, which slightly exceeded the percent of families in the assessment area at 17.8% and the aggregate of all lenders at 18.0%. Therefore, lending to moderate-income borrowers was considered excellent. In addition, the percent of families living below the poverty level was 7.42%, which also factored into the bank’s ability to lend. Middle-income borrowers received 25.7% of loans made in the assessment area, which exceeded the percent of families at 22.6% and the aggregate of all lenders at 22.1%. Upper-income borrowers received 51.4% of loans made in the assessment area, which exceeded both the percent of families at 40.1% and the aggregate of all lenders at 31.2%.

Home Improvement Loans

The bank’s penetration to low- and moderate-income borrowers was considered adequate. The bank made five loans (6.3%) to low-income borrowers, which was significantly less than the percent of families in the assessment area at 19.5% and the aggregate of all lenders at 11.2%. The bank’s lending to low-income borrowers was considered to be poor. The bank originated 14 loans (17.7%) to moderate-income borrowers in its assessment area, which was comparable to the percent of families at 17.8%. However the bank’s lending was significantly less when compared to the aggregate of all lenders at 24.2%, yet still considered adequate.

In addition, the percent of families living below the poverty level was 7.42%, which also factored into the bank’s ability to lend. Middle-income borrowers received 25.3% of loans made in the assessment area, which exceeded the percent of families at 22.6% and was slightly below the aggregate of all lenders at 26.6%. Upper-income borrowers received 48.1% of loans made in the assessment area, which significantly exceeded both the percent of families at 40.1% and the aggregate of all lenders at 34.1%.

Home Purchase Loans

The bank’s penetration to low- and moderate-income borrowers was considered adequate. The bank made three loans (5.3%) to low-income borrowers, which were significantly less than the percent of families at 19.5% and the aggregate of all lenders at 7.4%, making the lending to low-income borrowers poor. The bank made seven loans (12.3%) to moderate-income borrowers, which was less than the percent of families at 17.8% and the aggregate of all lenders at 19.9%, indicating that lending to moderate-income borrowers was adequate. Furthermore, the percentage of families living below the poverty level was 7.42%, which also factored into the bank’s ability to lend. Middle-income borrowers received 19.3% of lending, which was less than both the percent of families at 22.6% and the aggregate of all lenders at 21.7%. Upper-income borrowers received 57.9% of lending, which significantly exceeded both the percent of families at 40.1% and the aggregate of all lenders at 31.0%.

The following chart summarizes the distribution of Heartland’s HMDA lending compared to the percentage of families by income level.

Borrower Distribution of HMDA Loans										
Assessment Area/Group: MSA 18140										
	Total HMDA Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans
Home Purchase	57	23.7	19.5	5.3	17.8	12.3	22.6	19.3	40.1	57.9
Refinance	105	43.6	19.5	4.8	17.8	18.1	22.6	25.7	40.1	51.4
Home Improvement	79	32.8	19.5	6.3	17.8	17.7	22.6	25.3	40.1	48.1

Community Development Test

The bank’s performance demonstrated an excellent responsiveness to the community development needs of its assessment area through loans, investments, and services considering the capacity and the need and availability of community development opportunities in its assessment area.

Community Development Loans

Heartland originated six loans that qualified for community development purposes. The total loan amount extended for these loans was \$2.3 million. This was an excellent level of community development lending within the bank’s assessment area. The primary purpose for all six loans was for affordable housing of low- and moderate-income individuals. Three out of the six loans were used for the rehabilitation of residential properties located in low- and moderate-income areas to provide housing for low- and moderate-income individuals. One loan was used for the purchase of a multi-family dwelling located in a low-or moderate-income tract to provide affordable housing for low- or moderate-income individuals. The other loan was used for constructing a multi-family dwelling located in a low- or moderate-income tract with the intention of providing affordable housing. The last loan was used to purchase a HUD apartment complex in a middle-income tract that will be used for affordable housing to low- and moderate-income individuals.

Qualified Investments

For the evaluation period, the bank made ten new investments totaling \$1.5 million. The bank's investments consisted of a mortgage-backed security and donations. In addition, the bank had two outstanding mortgage-backed securities from the previous evaluation period with a current balance of \$612,334. This was an excellent level of qualified investments within the bank's assessment area.

The following list includes organizations where Heartland has made donations totaling \$3,400 during this evaluation period:

- Vining Sparks Loan MBS Pool (2007) – Provides affordable housing for low- and moderate-income individuals.
- Johnstown Food Pantry- (2006 and 2007) – Donated money to purchase food for the needy.
- Reynoldsburg Helping Hands (2006 and 2007) – Donated money to food pantry.
- Volunteers of America (2006 and 2007) – Organization provides outreach to homeless individuals.
- Women in Crisis (2006) – Organization provides services to low- and moderate-income women in need.
- Dublin Food Pantry (2007) – Donated money to food pantry for purchase of food.
- Y.E.S. (2007) – Organization provides services to low- and moderate-income youths.
- Gahanna Residents in Need (2006 and 2007) – Organization provides food and services to needy Gahanna residents.
- Westerville Area Resource Ministry (2006 and 2007) – Organization provides food and services to low- and moderate-income individuals.
- Triedstone Missionary Baptist Church (2008) – Organization provides services to low-and moderate-income individuals, such as tutoring to students and housing for young women. The organization is also located in a low- and moderate-income tract.
- Increase (2006) – Community development corporation provides training, networking opportunities, and capital for existing and start-up businesses.

Community Development Services

The bank has a total of 11 branch offices within its assessment area. The main office and full-service ATM are located in an upper-income census tract. One branch is located in a low-income tract and has a cash-only ATM, one is located in a moderate-income tract and has a full-service ATM, six are located in middle-income tracts, and two are located in upper-income tracts. All have full-service ATMs. The bank also has seven stand-alone cash-only ATMs, of which one is located in a low-income tract, four in moderate-income tracts, and two in upper-income tracts.

In general, the branch distribution was not representative of the overall makeup of geographies in the assessment area, as 39.6% of the tracts are designated as low- and moderate-income tracts and only 18.2% of the bank's branches are located in low- and moderate-income tracts. For a map of the bank's assessment area detailing its branch distribution, see Appendix A of this report.

In addition, the following table shows the total distribution of Heartland's branches and full-service ATMs compared to families by tract income:

Geography	Number of Branches	Percent	Number of ATMs (full-service)	Percent	Percent Families by Tract Income
Low-income	1	9.09%	0	0.00%	6.4%
Moderate-income	1	9.09%	1	10.0%	22.1%
Middle-income	6	54.55%	6	60.0%	38.4%
Upper-income	3	27.27%	3	30.0%	33.1%
Totals	11	100.0%	10	100%	100%

The following are services that bank staff provided that benefited the assessment area during this evaluation period:

- *Increase Christian Development Corporation* – Bank employee provides technical assistance on the loan committee, which provides loans to start-up businesses located in low- and moderate-income areas.
- *Columbus Chamber Member Reception* – Bank employee provided technical assistance to small business owners.
- *Grove City Branch of Heartland Bank “Open House”* – Bank employee hosted seminar for small business owners.
- *Salvation Army* – Bank employee serves on board.
- *Downtown Newark Association* – Bank employees provide financial expertise to revitalize downtown Newark and promote new businesses in the Newark area.
- *Gahanna Community Investment Corporation* – Bank employee is a treasurer for the organization that promotes economic development.
- *Stygler Village* – Bank employee conducted financial seminar at the government-subsidized home for the elderly.
- *Franklinton Board of Trade* – Bank employee is a board member for this organization that promotes economic development.
- *Volunteers of America National organization and Volunteers of America Ohio Charter* – Bank employee is a board member that provides affordable housing and services to low- and moderate-income individuals.
- *Grove City Chamber of Commerce* – Bank employee serves as an “Ambassador” and a board member and helps promote economic development.

- *Columbus Chamber of Commerce*- Bank employee serves as an “Ambassador” and helps promote economic development in the Columbus area.
- *Youth Education Services* – Bank employee gave seminar on money to low- and moderate-income youth.
- *Columbus House of Urban Development* – Bank employee teaches financial classes to low- and moderate-income individuals.
- *Literature Based Alternative at Hubbard Elementary* – Bank employee taught a class on banking to students.
- *Community Connection* – Bank employee teaches banking classes to individuals who are re-entering society after being incarcerated.
- *Ohio’s Grow Now* – Bank employee is a board member for this organization that promotes economic development.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

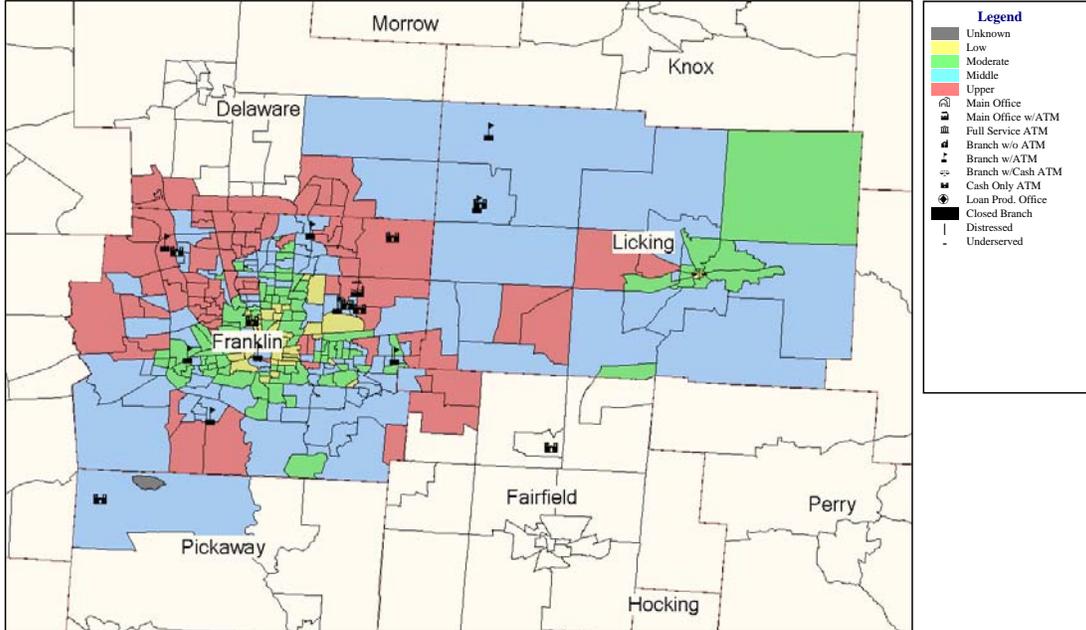
Substantive violations of the Equal Credit Opportunity Act and the Fair Housing Act involving discriminatory credit practices have been identified during the concurrent consumer compliance examination.

The fair lending violations caused Heartland's CRA rating to be adjusted downward from "Satisfactory" to "Needs to Improve." The impact of these violations was limited to one county.

APPENDIX A

ASSESSMENT AREA MAP

Heartland Bank
Assessment Area: MSA 18140



APPENDIX B

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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All agencies have adopted the following language. 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

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 (for example, geographic distribution, borrower distribution, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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 (for example, geographic distribution, borrower distribution, 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.

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.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

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.

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) and the Thrift Financial Reporting (TFR) 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as small business loans if the loans are reported on the TFR as non-mortgage, commercial 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.

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