PUBLIC DISCLOSURE

July 19, 2010

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Heartland Bank
850 North Hamilton Road
Gahanna, Ohio
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: "Satisfactory"
The Lending Test is rated: "Satisfactory"
The Community Development Test is rated: "Outstanding"

The major factors and criteria contributing to this rating include:

- 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 reasonable dispersion throughout the assessment area;
- A reasonable penetration among individuals of different income (including low- and moderate-income individuals) levels and businesses of different sizes;
- No complaints filed against the bank since the previous CRA examination; and,
- 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.

The previous CRA examination (July 28, 2008) resulted in a rating of "Needs to Improve."

SCOPE OF EXAMINATION

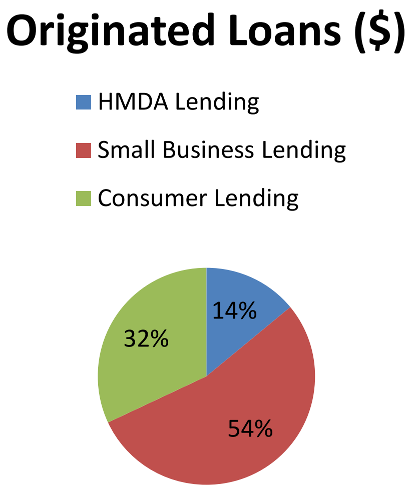
The CRA public evaluation was based on the level of the bank's lending within its assessment area, including the distribution to borrowers of different income levels and to small businesses of different revenue sizes based on loans originated from January 1, 2008 through December 31, 2009. In addition, the bank's community development activity from August 1, 2008 through July 19, 2010 was evaluated using the interagency intermediate small bank examination procedures. Under this examination method, the bank's lending and community development activity was evaluated. The lending test included the analysis of:

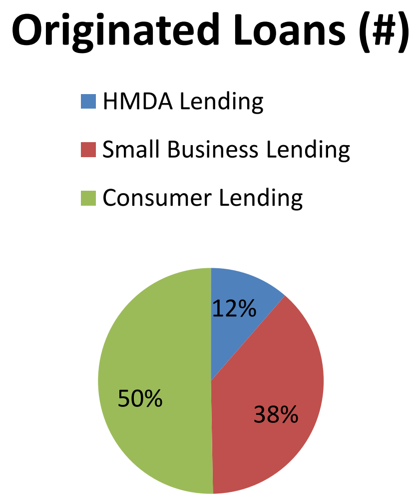
- The loan-to-deposit ratio;
- The volume of loans extended inside and outside of the bank's assessment area;
- The geographic distribution of loans in the bank's assessment area, including low- and moderate-income census tracts;
- The extent of lending to borrowers of different income levels, including 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, small business loans, and mortgage loans reported under the Home Mortgage Act (HMDA). Consumer loans are comprised of motor vehicle, home equity, credit card, and other secured and unsecured loan types. Small business loans are comprised of loans not secured by real estate and small business secured by real estate. Mortgage loans are comprised of home purchase and refinance loans. Home improvement loans were not included in the evaluation because there was not enough volume to conduct a meaningful analysis.

The following table and charts illustrate the volume and distribution of loans originated during the evaluation period:

Loan Type	Number of Loans	Dollar Amount of Loans (000's)
HMDA Lending	182	$26,962
Small Business Lending	613	$104,865
Consumer Lending	805	$60,930





Given the above distribution, small business lending received the greatest weight in this analysis because these loans make up the bank's primary product line and comprise 54.0% of the loans originated by dollar volume during this evaluation period, followed by consumer lending and mortgage (HMDA) lending.

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 2008 (the most recent 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 Bank ranks within their respective market area. Lastly, the geographic distribution of loans was evaluated using data from the 2000 United States Census Bureau report. If more recent data was available, it is referenced accordingly.

DESCRIPTION OF INSTITUTION

Heartland Bank (Heartland) is a full-service retail bank and the sole banking subsidiary for Heartland Bancorp, both of which are headquartered in Gahanna, Ohio. Other subsidiaries include All Ohio Title Agency, LLC and Heartland Investments, Inc. The holding company had consolidated assets of $542 million as of March 31, 2010.

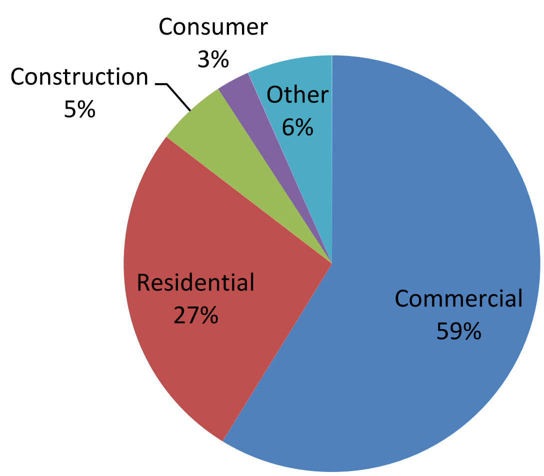
According to the March 31, 2010 Uniform Bank Performance Report (UBPR), Heartland had total assets of $541 million, an 8.9% increase from the $497 million as of March 31, 2008. As of March 31, 2010, loans represent 73.3% of total assets with investments in U.S. government securities and other securities representing approximately 21.2% of the remaining assets. The following table and chart demonstrates the bank's loan portfolio composition as of March 31, 2010.

COMPOSITION OF LOAN PORTFOLIO

Loan Type	3/31/2010		12/31/2009		12/31/2008	
	$ (000s)	Percent	$ (000s)	Percent	$ (000s)	Percent
Construction and Development	21,521	5.4%	19,960	5.0%	18,611	4.9%
Secured by One- to Four- Family Dwellings	105,550	26.6%	106,461	26.9%	104,964	27.7%
Other Real Estate:						
Farmland	1,701	0.4%	1,686	0.4%	1,783	0.5%
Multifamily	24,377	6.2%	24,971	6.3%	20,188	5.3%
Nonfarm nonresidential	201,162	50.8%	202,689	51.2%	194,359	51.2%
Commercial and Industrial	31,712	8.0%	29,091	7.4%	27,980	7.4%
Loans to Individuals	10,288	2.6%	10,687	2.7%	11,524	3.0%
Agricultural Loans	15	0.0%	21	0.0%	26	0.0%
Total	*$396,326*	*100.00%*	*$395,566*	*100.00%*	*$379,435*	*100.00%*

* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

Loan Portfolio Distribution



There is a significant amount of competition throughout the bank's assessment area from both large- and peer-sized banks. According to the FDIC Deposit Market Share Report,[1] as of June 30, 2009, Heartland's market share of deposits accounts for 1.3% of the market and Heartland ranks 13th out of 52 institutions, operating 526 offices within the bank's assessment area. By way of comparison, within the Columbus MSA, there are 57 institutions operating 559 offices and Heartland ranks 13th with a deposit market share of 1.3%. In Franklin County, Heartland ranks 11th out of 38 institutions with a deposit market share of 1.5% and in Licking County, Heartland ranks sixth out of 11 institutions with a deposit share of 4.3%. The top five institutions, including Huntington National Bank, JP Morgan Chase Bank NA, Fifth Third Bank, National City Bank (now PNC Bank NA), and Park National Bank, hold a combined 72.0% market share and account for 55.7% of the offices within this market. Heartland also competes with several peer banks, including The Delaware County Bank and Trust Company, The Arlington Bank, First Federal Savings and Loan Association, and United Midwest Savings Bank. These peer banks hold a combined 2.7% market share and account for 5.1% of the offices within this market.

Heartland's assessment area is comprised of the entireties of Franklin and Licking Counties and contiguous portions of Delaware, Fairfield, and Pickaway Counties. The assessment area consists of 313 total census tracts, of which 35 are designated as low-income (11.2%) and 89 as moderate-income (28.4%) census tracts, 108 middle-income (34.5%) and 80 upper-income (25.6%) census tracts, and one unknown income tract.

Heartland serves its assessment area through one main office and ten branch offices. The majority of the bank's branches and full-service ATMs are located in Franklin County, primarily surrounding the city of Columbus. The remaining branches and ATMs are located in Licking County. Of the eight branch offices located in Franklin County, each one has a full-service ATM. Of the remaining three branches located in Licking County, two have full-service ATMs and one has a cash-dispensing-only ATM. In addition, Heartland has seven stand-alone, cash dispensing-only ATMs within its assessment area (five in Franklin County, one in Licking County, and one in Pickaway County). Heartland also has a stand-alone, cash-dispensing-only ATM just outside its assessment area located in Baltimore, Ohio. The bank has not opened or closed any branches since the previous evaluation.

Of the bank's 11 offices and ten 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.

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.

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

DESCRIPTION OF ASSESSMENT AREA IN COLUMBUS MSA 18140

The Columbus MSA is comprised of the following eight counties: Delaware, Fairfield, Franklin, Licking, Madison, Morrow, Pickaway, and Union. Heartland's assessment area is comprised of the entireties of Franklin and Licking Counties and contiguous portions of Delaware, Fairfield, and Pickaway Counties.

According to the U.S. Census Bureau's annual estimates of population change for metropolitan statistical areas and rankings,[2] the Columbus MSA is the third largest metropolitan area in the state of Ohio, behind Greater Cincinnati and Greater Cleveland. The Columbus MSA experienced the greatest percent growth from July 1, 2008 to July 1, 2009 at 1.2%. The Columbus MSA is the nation's 32nd largest MSA.

The MSA's population totals 1.8 million residents, of which 1.2 million (66.7%) reside in Franklin County, making it the largest county in the Columbus MSA. The city of Columbus, located in Franklin County, is the largest city in Ohio. However, Columbus dropped from the nation's 15th largest city in 2005 to the 16th largest city in 2009, according to the Census Bureau's most recent population estimates.[3] Columbus has approximately 769,360 residents, which represents about 65% of county's total population.

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 June 5, 2010 *Columbus Dispatch* by Dan Gearino,[4] "Ohio's economy has suffered more than the country as a whole, largely because of the state's heavy reliance on manufacturing." In the article, Mayor Michael B. Coleman states that he sees signs of progress in the local economy, "it's improving faster than the rest of the state," he said during a recent speech in Grove City. Ohio Secretary of State Jennifer Brunner stated in an April 20, 2010 *Columbus Dispatch* article by Tracy Turner,[5] "In addition to manufacturing jobs, Columbus has been a real driver in creating high-tech jobs…Columbus has a more diverse mix of jobs and has fared better than the rest of the state. Industries that call for many of the same worker skills but focus on clean-energy production and biomedical innovation are already showing promise for Ohio."

Licking County is 25 miles east of Columbus. It is the second largest county by size in Ohio. The city of Newark is both its largest city and county seat. Approximately 89.0% of the county's land use consists of croplands, forests, and pastures.

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2 www.census.gov/popest/metro/CBSA-est2009-pop-chg.html
3 www.infoplease.com/ipa/A0763098.html
4 www.dispatch.com/live/content/business/stories/2010/06/05/market-dives-on-lackluster-jobs-data.html?sid=101
5 www.dispatch.com/live/content/business/stories/2010/04/20/more-business-forming.html?sid=101

Delaware County is located 20 miles north of Columbus. The city of Delaware is both its largest city and county seat. According to a February 1, 2010 article in *Forbes.com,*[6] with three years of income growth of 11% between 2007 and 2009, Delaware County is one of ten places *Forbes* found best for professionals to get ahead. As the fastest-growing county in the state, it has both a diverse mix of jobs and family-friendly neighborhoods. About 79.0% 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. The city of Lancaster is both its largest city and county seat and 87.0% of the county's land use consists of croplands and forests.

Pickaway County is located 30 miles south of Columbus. The city of Circleville is both its largest city and county seat and 88.0% of the county's land use consists of croplands and pastures.

Five community contacts were conducted in order to provide additional information regarding the assessment area. The community contacts provided context to the demographic and economic characteristics discussed below. Four of the community contacts serve Franklin County and the remaining community contact serves Licking County. The community contact in Licking County was conducted with an economic development organization. The contact indicated in a recently conducted survey, the organization found that 85.0% of small businesses in the area are doing well and 90.0% feel small business financing is adequate, while 11.0% anticipate some type of job cutback within the next three to six months. Employers in the area anticipated an increase in hiring within the next year. The contact also indicated that small businesses in the area have a very good working relationship with local financial institutions.

In Franklin County, one community contact was conducted with a non-profit organization that provides affordable housing to low- and moderate-income individuals. The contact stated Columbus has several high-minority, low-income, blighted neighborhoods that tend to have high vacancy rates, very little affordable housing that is livable (up-to-code), high unemployment rates, and high crime rates. The contact indicated that large financial institutions have a presence in the area and have provided funding for the rehabilitation and renovation of existing properties. According to the contact, there is a great need for affordable housing in the Columbus area. The contact also stated that several large financial institutions participate in the organization's affordable housing program. This program assists low-income women and minorities in particular become first-time homeowners by obtaining access to low-interest loans and homeownership counseling and education.

Two community contacts were conducted with non-profit organizations that develop affordable housing by buying and improving homes for the purpose of resale or rental in blighted areas of Columbus. Both organizations indicated that, at present, their organizations are focusing more on renovating homes for rental versus homeownership based on the current economy. The focus changed as the foreclosure rate increased.

6 www.forbes.com/2010/02/01/jobs-income-growth-lifestyle-real-estate-get-ahead.html

Both organizations provide homeownership counseling for first-time homebuyers and foreclosure assistance. One contact indicated that as a result of the weak economy, more financial institutions are unwilling to make commercial real estate loans to small businesses and underwriting guidelines for both low- and moderate-income homebuyers and small business owners has become more restrictive. The other contact mentioned there is a need for local financial institutions to become more involved in the effort to clean up and renovate the large number of vacant homes in certain neighborhoods and continue to provide first-time homebuyer and foreclosure prevention education. This contact also stated there is a need for financial institutions to provide revolving lines of credit to assist organizations, buy clusters of vacant homes in blighted areas, and redevelop the properties for either resale or rental to low- and moderate-income individuals.

The remaining interview was conducted with an economic development organization in the Columbus area. The contact stated that tax incentives to local businesses are an effective means to create jobs and stimulate economic growth in the area. Tax incentives are also an effective means to encourage local residents to renovate homes in declining areas. The contact said there is a need for down-payment assistance programs for low-income borrowers with steady employment, but limited funds for down payments. The contact also mentioned there is still a need for first-time homebuyer education and foreclosure prevention counseling.

Population Characteristics

According to the 2000 U.S. Census, the population within Heartland's assessment area was approximately 1.3 million people. About 32.1% of the population lived in either low- or moderate-income census tracts. In addition, 74.4% of the population is 18 years of age or older, which is the legal age to enter into a contract.

By far, the largest county in the assessment area by population is Franklin County, which includes the city of Columbus within its boundaries. Shown in the table below is the projected population by county in Heartland's assessment area and how it is expected to increase over the next 20 years. This information was obtained from the Ohio Department of Development's Office of Policy, Research and Strategic Planning.[7]

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	201,010
Pickaway	55,680	58,200	59,980

7 www.development.ohio.gov/research/CountyTrends.htm

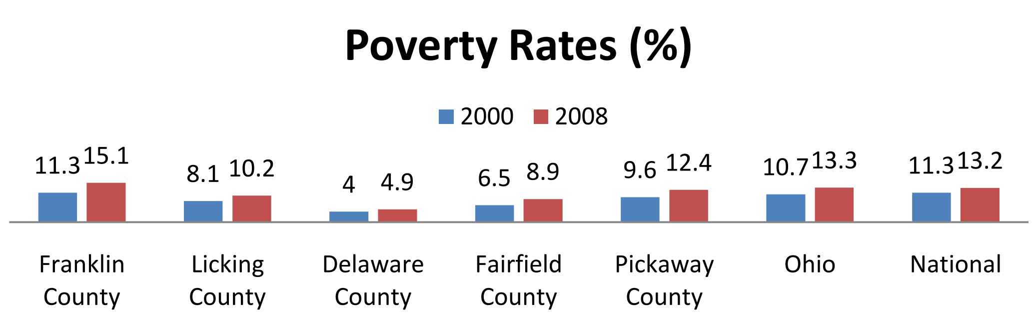
According to an article in the March 19, 2009, *Columbus Dispatch* by Bill Bush entitled, "A Bright Spot in Ohio,"[8] "The babies just keep coming in Franklin and Delaware Counties, again making central Ohio the growth region in a state that's barely been avoiding a population decline." He went on to state that "Franklin County alone added more people than Ohio did last year…. The natural increase for Franklin and Delaware Counties combined was 11,617 between July 2007 and July 2008, …together these two central Ohio counties added almost 16,800 people. No other Ohio counties grew by more in terms of raw numbers of people." Mr. Bush goes on to state, "Almost half of Ohio counties lost population, and six were among the country's largest losers." According to the article, Delaware County's population grew by 50.0% between 2000 and 2008, making it the 21st fastest-growing county in the nation. No other Ohio county made the top 100 list.

Income Characteristics

The assessment area was comprised of 524,540 households of which 329,597 are families. The 2000 median family income as of the 2000 Census was $55,201, with 10.5% of the households having income below the poverty level. The median family income for the counties in the assessment area fluctuated between a high of $76,453 in Delaware County to approximately $49,259 in Pickaway County. Franklin County's median family income was reported to be $53,905. Fairfield's median family income was $55,539 and Licking's median family income was $51,969. For comparison, the Columbus MSA's median income has increased to $68,600 and Ohio's has increased to $61,400, based on more recent 2009 HUD data.

Low- and moderate-income families represented approximately 19.5% and 17.8%, respectively, of all families in the assessment area as of the 2000 Census. The percentages of low- and moderate-income families were approximately the same within Franklin, Licking, Fairfield, and Pickaway Counties. Delaware County was the exception, as the percentage of low- and moderate-income families was only 9.4% and 11.9%, respectively.

Based on 2008 data from the Economic Research Service of the United States Department of Agriculture (USDA),[9] poverty rates for the counties in the assessment area were:



8 www.dispatch.com/live/content/local_news/stories/2009/03/19/grow.ART_ART_03-19-09_A1_F6D9J13.html?sid=101
9 www.ers.usda.gov/Data/PovertyRates

Housing Characteristics

There were 561,497 housing units in the assessment area, with the vast majority of units (471,016) or 83.9% located in Franklin County based on the 2000 Census. Within the assessment area, 56.3% of the units were owner-occupied, 37.1% were rental, and 6.60% were vacant. Franklin County had the lowest owner-occupancy rate at 53.0%. Each of the remaining counties in the assessment area had owner-occupancy rates over 70.5%. For comparison, the owner-occupancy rate in the Columbus MSA was 59.0% and 64.3% in the state of Ohio. From an income perspective, 34.1% of housing units and 22.2% of owner-occupied homes were located in either low- or moderate-income census tracts. These figures suggest mortgage credit demand in Franklin County and low- and moderate-income areas might be lower. Additionally, a significant concentration of multi-family homes is located in low- (32.5%) and moderate-income (27.1%) census tracts, with 24.1% of all multi-family housing located in Franklin County.

The median age of housing stock was 30 years as of the 2000 Census, with 19.3% of housing built prior to 1950. The median age of housing stock ranged from a high of 31 years in Licking County to a low of 11 years in Delaware County. A higher percentage of older homes, as evidenced by the median age of such stock, are indicative of needs relating to repairs and rehabilitation.

According to the 2000 Census data, the median housing value in the assessment area was $118,023 with an affordability ratio of 36.0%; the higher the affordability ratio, the more affordable a home is considered. Affordability ratios fluctuated from a high of 40.0% in Pickaway County, 39.0% in Licking County, 37.0% in both Franklin and Fairfield Counties, to 35.0% in Delaware County.

According to Sperling's Best Places,[10] the 2010 median home cost in the following cities throughout the assessment area is provided in the table below. Even home values that experienced an increase from last year are still below 2008 home values when compared to home values from the previous evaluation period.

Major City in Each County	2008 Home Values	2010 Home Values	% Appreciation in Last Year
Columbus (Franklin)	$126,280	$114,440	+ 0.8%
Newark (Licking)	$104,940	$79,890	- 1.3%
Delaware (Delaware)	$152,940	$147,810	- 2.3%
Lancaster (Fairfield)	$112,810	$95,930	+ 1.6%
Circleville (Pickaway)	$115,960	$88,310	- 17.9%

10 www.bestplaces.net

According to RealtyTrac,[11] an online real estate marketplace and data company that tracks foreclosure statistics among other data, foreclosure filings were reported on 10,639 Ohio properties in June 2010. While Ohio's rate has dropped over the past few years, Ohio still had the nation's ninth highest state overall foreclosure total. One in every 477 Ohio households received a foreclosure notice in June 2010 (compared to one in every 382 Ohio households in June 2008). Franklin County continues to rank second in the overall number of foreclosure filings in the state (Cuyahoga County remains first); however, in the bank's assessment area, Delaware County had the highest foreclosure rate. The following table shows the rank and foreclosure rates by county in the bank's assessment area as of June 2010:

County Rank by Number of Foreclosures[12]	Number of Foreclosures	Housing Units Received a Foreclosure Filing[13]	Rank by Foreclosure Rate
02. Franklin	1,286	1 in 411	#2
13. Delaware	171	1 in 374	#1
17. Fairfield	126	1 in 418	#3
19. Licking	118	1 in 513	#4
64. Pickaway	24	1 in 788	#5

From a rental perspective, the median gross rent in the assessment area was $592, with 10.9% of the rental units having rents of less than $350 a month according to the 2000 Census. Another 19.7% of rental units had rents of $350 to less than $500 per month. The majority of rents in the assessment area were $500-$699 or greater than $700 at 37.7% and 28.9%, respectively. Additionally, 34.5% of renters have rent costs greater than 30.0% of their income. Franklin County had the highest rent costs in which 35.1% of renters have rent costs greater than 30.0% of their income.

In Franklin County, 23 tracts (8.7%) of the county's 264 total census tracts consist of Ohio State University (OSU, the nation's largest public university), the airport, and the Easton Town Center (large mixed-use complex). These tracts are illustrated in the following table:

Location	Tract Number	Tract Income	Population	Owner Occupied %	Rental %	Vacant %
OSU	6.000	Moderate	3,681	23.2	67.0	9.8
OSU	10.000	Moderate	5,404	21.0	72.6	6.4
OSU	11.200	Moderate	10,118	18.7	76.5	4.7
OSU	12.000	Low	4,372	5.4	85.7	8.9
OSU	13.000	Low	5,672	3.2	86.9	9.9
OSU	17.00	Low	2,733	5.9	76.6	17.5
OSU	18.100	Low	3,838	2.6	91.7	5.7

11 www.realtytrac.com/trendcenter/oh-trend.html
12 There are 88 counties in the State of Ohio
13 The foreclosure rate is calculated by dividing the total housing units in the county by the total number of properties that received foreclosure filings during the month and that number is expressed as a ratio (i.e., 1 in 100). The lower the second number in the ratio, the higher the foreclosure rate

Location	Tract Number	Tract Income	Population	Owner Occupied %	Rental %	Vacant %
OSU	18.200	Middle	2,450	21.3	71.0	7.8
OSU	19.000	Moderate	4,601	13.5	82.6	4.0
OSU	20.00	Moderate	3,137	34.3	59.7	6.0
OSU	21.00	Moderate	1,487	8.9	79.7	11.4
OSU	22.00	Moderate	1,404	20.8	48.7	30.6
Airport	27.10	Low	4,242	1.2	83.5	15.3
Airport	27.30	Moderate	2,269	23.8	68.9	7.3
Airport	68.30	Middle	19	None	100.0% (7 units)	None
Airport	74.10	Low	78	None	100.0% (32 units)	None
Easton	75.32	Low	2,245	19.38	74.95	5.67
Easton	75.34	Moderate	3,556	39.18	49.47	11.35
Easton	75.40	Low	3,852	36.80	50.52	12.68
OSU	78.30	Moderate	2,649	18.20	78.00	3.80
Airport	92.10	Moderate	4,235	4.90	83.50	11.60
Airport	93.40	Moderate	2,864	37.00	57.56	5.42
Airport	93.50	Middle	2,712	33.33	60.14	6.56

The impact of the bank's ability to extend mortgage and/or consumer loans in some of these particular tracts is discussed in more detail in the Geographic Distribution of Lending section of this report.

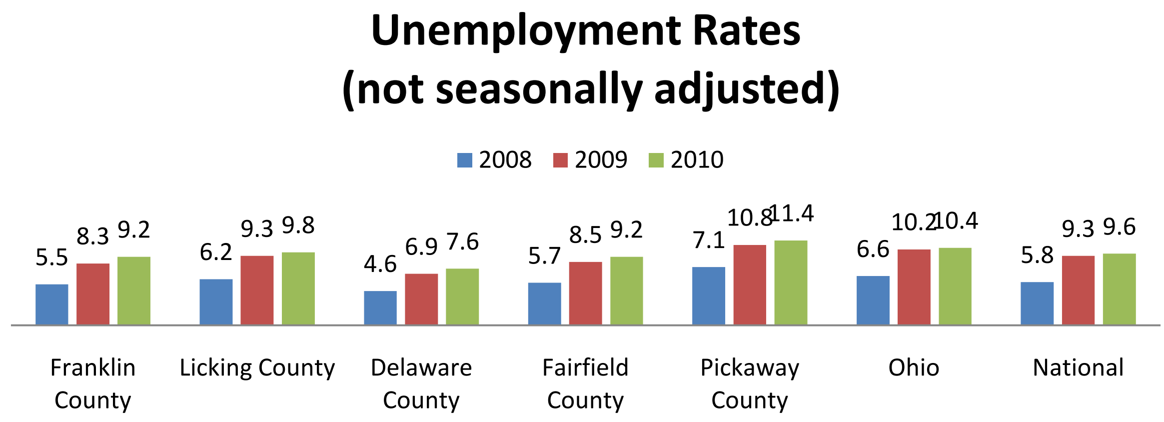
Labor, Employment, and Economic Characteristics

In 2009, Ohio is home to 27 Fortune 500 companies, an increase from 24 in 2008. Central Ohio's share stands at six of these companies. Cardinal Health of Dublin, an $87 billion manufacturer and distributor of medical and surgical supplies and pharmaceuticals, remains the state's biggest company. It moved up one spot this year to No. 18.

Nationwide, the Columbus-based insurance company, is No. 124. Other central Ohio companies listed are American Electric Power, Limited Brands, Hexion Specialty Chemicals, and Big Lots[14.]

The following table outlines the unadjusted unemployment rate for the bank's assessment area according to the Ohio Department of Job and Family Services:[15]

14 www.money.cnn.com/magazines/fortune/fortune500/2009/states/OH.html
15 www.lmi.state.oh.us/laus/laus.html



According to Nancy Reger, a demographer at the Mid-Ohio Regional Planning Commission, the same March 19, 2009 *Columbus Dispatch*[16] article cited earlier in this report, "Central Ohio is younger than a lot of the rest of the state, which might be a reflection of the national economy." The numbers show that central Ohio jobs are attracting young people and keeping them here. Ohio's median age (at 37.8) is older than the national median age (36.7), while Franklin and Delaware Counties are much younger (34.5 and 33.4, respectively).

Bill LaFayette, vice president for economic analysis of the Columbus Chamber, said in the same article, "It is inevitable that Franklin will overtake Cuyahoga in population in the next several years. Cuyahoga lost more than 11,000 residents during the year, while Franklin gained more than 12,000. The likely culprit, again, jobs: People who can't find work don't tend to stick around long…if there are no jobs to be had; you're not going to stay. You can't. Franklin County is one of the few central counties (of an urban area) of greater than a million in the Midwest that is actually growing."

The following demographic table illustrates the assessment area.

16 Refer to footnote #6

Combined Demographics Report

Heartland Bank

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	4,820	8.8	4,058	8.4	553	12.0	209	13.3
Moderate-income	10,093	18.5	8,881	18.3	895	19.4	317	20.1
Middle-income	19,484	35.7	17,339	35.8	1,580	34.2	565	35.9
Upper-income	20,226	37.0	18,149	37.5	1,593	34.5	484	30.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**54,623**	**100.0**	**48,427**	**100.0**	**4,621**	**100.0**	**1,575**	**100.0**
	Percentage of Total Businesses:			**88.7**		**8.5**		**2.9**

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The bank is rated satisfactory under the lending test.

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 LTD ratios and dividing by the total number of quarters. Below Heartland's LTD ratio is compared to both the bank's aggregate peer group, which consists of all insured commercial banks having assets between $300 and $1 billion, and to four local peer banks selected from the Deposit Market Share Report.

Heartland averaged 84.5% over the past nine quarters of operation and is slightly below the aggregate of all lenders group average ratio of 85.8%. While the bank's LTD ratio has been fairly consistent over the past nine quarters, in the most recent four quarters, Heartland's ratio has been increasing, which reflects the general increase in the LTD ratio for its peer group and the selected local peers.

The following table illustrates Heartland's quarterly LTD ratios for nine quarters since the previous evaluation, along with the average LTD ratio for the same period for the bank and the peer.

Heartland - Aggregate Peer Bank Loan-to-Deposit Ratios				
As of Date	**Net Loans(000s)**	**Total Deposits (000s)**	**Bank Ratio**	**Peer Ratio**
June 30, 2010	396,361	459,888	86.2	79.6
March 31, 2010	393,002	465,925	84.4	80.9
December 31, 2009	392,487	454,610	86.3	82.7
September 30, 2009	388,611	456,232	85.2	84.8
June 30, 2009	387,007	466,809	82.9	86.0
March 31, 2009	382,466	465,818	82.1	86.8
December 31, 2008	376,715	444,318	84.8	89.3
September 30, 2008	373,065	446,540	83.6	91.1
June 30, 2008	366,130	430,014	85.1	91.0
Quarterly Loan-to-Deposit Ratio Average Since Previous Evaluation			**84.5**	**85.8**

Heartland's LTD ratio is taken from the above table and compared to the following local peer banks: The Delaware County Bank and Trust Company, Lewis Center, Ohio; The Arlington Bank, Upper Arlington, Ohio; First Federal Savings and Loan Association, Newark, Ohio; and United Midwest Savings Bank, De Graff, Ohio. The Delaware County Bank and Trust Company had 1.5% of the deposit market share, and the remaining three peer banks each has less than 1% of the market share. Reviewing the ratios below, it appears Heartland is extending more loans relative to its capacity to lend compared to these local peer banks.

Institution Name	RSSD ID	# of Branches	Financial Information As of June 30, 2010		
			Total Assets	Net Loans and Leases	Total Deposits
Heartland Bank	853112	11	$529,862	$396,391	$459,888
Delaware County B&T	616410	19	$643,826	$452,585	$532,583
Arlington Bank	2781152	3	$229,770	$187,611	$186,398
			Financial Information As of March 31, 2010		
First FS&LA	623874	6	$188,376	$151,492	$144,583
United Midwest Savings	809276	1	$268,540	$229,673	$220,924

Heartland – Local Peer Bank Loan-to-Deposit Ratios					
As of Date	Heartland's Ratio	Delaware's Ratio	Arlington's Ratio	First's Ratio	Midwest's Ratio
June 30, 2010	86.2	85.0	100.7	NA	NA
March 31, 2010	84.4	82.1	103.8	104.8	104.0
December 31, 2009	86.3	86.2	103.3	105.4	105.2
September 30, 2009	85.2	82.3	99.2	107.9	103.8
June 30, 2009	82.9	88.0	98.0	108.6	114.5
March 31, 2009	82.1	87.0	96.7	110.0	114.3
December 31, 2008	84.8	90.0	98.9	113.8	109.7
September 30, 2008	83.6	91.2	98.6	116.7	114.6
June 30, 2008	85.1	92.6	101.9	110.9	115.4
Quarterly LTD Average Ratio	**84.5**	**87.1**	**100.11**	**109.8**	**110.2**

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 small business lending, consumer lending, and mortgage lending was analyzed to determine the volume of lending inside and outside the bank's assessment area. Of the bank's total loans, 90.4% by volume and 91.7% by dollar amount were made inside the 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	182	82.7	26,962	80.9	38	17.3	6,375	19.1
Consumer	805	90.1	60,930	95.6	88	9.9	2,832	4.4
Small Business	613	93.3	104,685	92.7	44	6.7	8,249	7.3
Total	**1,600**	**90.4**	**192,577**	**91.7**	**170**	**9.6**	**17,456**	**8.3**

A substantial majority of the bank's loans by both volume and dollar amount were made inside its assessment area.

Geographic Distribution of Lending

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 number of low- and moderate-income tracts. Also, lending patterns in low- and moderate-income geographies are always given more weight than lending in middle- and upper-income geographies.

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. For comparison, 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.

The bank's distribution of loans reflects a reasonable dispersion throughout the assessment area, considering that Heartland is not among the top competitors in this market and that the top five competitors have approximately 55.7% of the offices in the market. For the geographic distribution, the small business lending was given the most weight and was considered good. Consumer lending was weighted next and was considered poor. Finally, HMDA lending, given the least weight in this analysis because it represents less than 12.0% of lending by volume, was considered adequate when compared to the proxy and the aggregate of all HMDA lenders.

The table below outlines the bank's penetration of lending throughout its assessment area compared to the percentage of its geographies and number of originated loans made during this review period.

Total Loan Types Originated in Assessment Area in 2008 and 2009					
Geographies	**Low-Income**	**Moderate-Income**	**Middle-Income**	**Upper-Income**	**Totals**
#/% Tracts in Assessment Area	35 (11.2%)	89 (28.5%)	108 (34.6%)	80 (25.6%)	312
Total (#/%) Originated Loans	55 (3.4%)	191 (11.9%)	839 (52.4%)	516 (32.2%)	1,601 (100.0%)
#/% Tracts With Lending	17 (48.6%)	50 (56.2%)	88 (81.5%)	66 (82.5%)	221 (70.8%)
#/% Tracts Without Lending	18 (51.4%)	39 (43.8%)	20 (18.5%)	14 (17.5%)	91 (29.2%)

Clearly, Heartland is penetrating the middle- and upper-income geographies at a much higher rate than low- and moderate-income geographies because the majority of the bank's branches is located in middle- and upper-income geographies and a considerable distance from the low- and moderate-income geographies. With regard to the total number of loans originated during this review period, only 3.4% of the bank's loans were made in low-income geographies and only 11.9% were made in moderate-income geographies. By comparison, over half (52.4%) of the bank's loans were originated in middle- income tracts and a third (32.2%) in upper-income tracts. Overall, Heartland was able to make loans in 17 out of 35 of its low-income tracts for a penetration rate of 48.6% and in 50 out of 89 of its moderate-income tracts for a penetration rate of 56.2% during this review period.

In regards to mortgage lending, no mortgage loans were originated in 94.3% low-, 80.9% moderate-, 64.8% middle-, and 57.5% upper-income tracts. These gaps seem reasonable due to the low volume of mortgage lending (less than 12.0% by volume). In addition, of the census tracts identified earlier in this evaluation that make up OSU, the airport, and the Easton Town Center, there are seven low- and five moderate-income tracts that have owner-occupancy rates under 20.0% and renter-occupancy rates of 75.0% or greater. As a result, there are limited opportunities for the bank to make mortgage loans in these areas. These 12 tracts account for 20.0% of the bank's low-income tracts and 5.6% of the bank's moderate-income tracts within the assessment area.

Lastly, no consumer loans were originated in 57.1% low-income, 64.1% moderate-income, 47.2% middle-income, and 45.0% upper-income tracts. Of the census tracts that comprise OSU, there are four low- and eight moderate-income tracts that have owner-occupancy rates ranging from 2.6%-23.2% and renter-occupancy rates ranging from 48.7%-91.7%. As a result, there are limited opportunities for Heartland to make consumer loans in these areas, primarily because college students are the predominate residents and typically are not taking out loans. These 12 tracts represent 11.4% of bank's low-income tracts and 9.0% of bank's moderate-income tracts within the assessment area.

Small Business Loans

The bank originated 25 small business loans (7.8%) in low-income census tracts, which is slightly less than the percent of total businesses by tract at 8.8%. In moderate-income geographies, the bank originated 50 loans (15.6%), which is less than the percent of total businesses in moderate-income tracts at 18.5%. The bank originated 53.3% of its small business loans in middle-income geographies, which exceeded the percent of total businesses at 35.7%. In upper-income tracts, the bank originated 23.4% of its small business loans, which is less than the percent of total businesses at 37.0%.

The geographic distribution of small business loans is considered good because the bank's percentage of loans, especially in low- and moderate-income geographies, was similar to the percentage of businesses in each tract category.

The bank originated 25 small business loans (8.5%) secured by real estate in low-income geographies, which is comparable to the percent of total businesses at 8.8%. In moderate-income geographies, the bank originated 39 loans (13.3%), which was less than the percent of total businesses at 18.5%.

In middle-income geographies, the bank originated 39.2% of its real estate- secured loans, which exceeded the percent of total businesses at 35.7%. In upper-income geographies, the bank originated 38.9% of its loans, which exceeded the percent of total businesses at 37.0%.

The geographic distribution of small business loans secured by real estate is good because of Heartland's lending performance is commensurate to the percentage of businesses in low-income geographies and only slightly below proxy in the moderate-income tracts.

The following table 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	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans
Small Business	321	52.3	8.8	7.8	18.5	15.6	35.7	53.3	37.0	23.4
Small Bus secured by RE	293	47.7	8.8	8.5	18.5	13.3	35.7	39.2	37.0	38.9

Consumer Loans

Other Secured Loans

In 2008 and 2009, Heartland originated a total of 249 other secured loans within its assessment area. The bank originated one loan (0.4%) within its low-income tracts, which was less than the percent of households in these geographies at 8.0%. The bank originated 28 loans (11.2%) in moderate-income tracts, which was lower than the percent of households in these geographies at 25.0%.

More loans were made in middle-income tracts at 59.8% than the percent of households at 37.5%. Loans made in upper-income tracts at 28.5% were slightly below the percent of households in upper-income geographies at 29.5%.

The geographic distribution of other secured loans is considered poor because the percentage of loans made in low- and moderate-income tracts was significantly lower than the percentage of households in these geographies.

Motor Vehicle Loans

In 2008 and 2009, Heartland originated a total of 220 motor vehicle loans within its assessment area. Heartland originated two loans (0.9%) in low-income tracts, which was lower than the percent of households at 8.0%. The bank originated 17 loans (7.7%) in moderate-income tracts, which was less than the percent of households in moderate-income census tracts at 25.0%.

The bank made 59.5% of its loans in middle-income tracts and 31.8% 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.

The geographic distribution of motor vehicle loans is considered poor because the percentage of loans made in low- and moderate-income geographies was significantly lower than the percentage of households in these tracts.

Home Equity Loans

In 2008 and 2009, Heartland originated a total of 165 home equity loans within its assessment area. The bank made no loans in low-income geographies. In moderate-income geographies, the bank made 11 loans (6.7%), which was significantly less than the percent of households at 25.0%

In middle- and upper-income geographies, the bank originated 60.0% and 33.3% of its home equity loans, which exceeded the percent of households at 37.5% and 29.5%, respectively.

The geographic distribution of home equity loans is considered poor because the percentage of loans made in low- and moderate-income tracts was substantially lower than the percentage of households in these geographies.

Credit Card Loans

In 2008 and 2009, Heartland originated a total of 99 credit card loans within its assessment area. The bank made no loans in low-income geographies. The bank made 14 loans (14.1%) in moderate-income tracts, which was less than the percent of households at 25.0%

In middle-income geographies, the bank originated 51.5% of its loans, which exceeded the percent of households at 37.5%. In upper-income geographies, the bank originated 34.3% of its loans, which also exceeded the percent of households at 29.5%.

The geographic distribution of credit card loans is poor because the percentage of loans made in low- and moderate-income tracts was significantly lower than the percentage of households in these geographies.

Other Unsecured Loans

In 2008 and 2009, Heartland originated a total of 72 other unsecured loans within its assessment area. The bank made 7 loans (9.7%) in moderate-income tracts, which was significantly lower than the percent of households at 25.0%.

In middle-income geographies, the bank originated 55.6% of its loans, which exceeded the percent of households at 37.5%. In upper-income geographies, the bank originated 34.7% of its loans, which also exceeded the percent of households at 29.5%.

The geographic distribution of other unsecured loans is poor because the percentage of loans made in low- and moderate-income geographies was substantially lower than the percentage of households in these tracts.

The following table 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
Credit Card	99	12.3	8.0	0.0	25.0	14.1	37.5	51.5	29.5	34.3
Home Equity	165	20.5	8.0	0.0	25.0	6.7	37.5	60.0	29.5	33.3
Motor Vehicle	220	27.3	8.0	0.9	25.0	7.7	37.5	59.5	29.5	31.8
Other - Secured	249	30.9	8.0	0.4	25.0	11.2	37.5	59.8	29.5	28.5
Other - Unsecured	72	8.9	8.0	0.0	25.0	9.7	37.5	55.6	29.5	34.7

Mortgage Loans (HMDA)

Refinance Loans

Between 2008 and 2009, Heartland originated a total of 116 refinance loans within its assessment area. The bank made one loan in a low-income tract (0.9%) compared to the percent of owner-occupied housing units at 3.6% and the aggregate of all lenders at 3.4%. The bank made 16 loans (13.8%) in moderate-income tracts, which was less than the percent of owner-occupied housing units at 18.6%, but equivalent to the aggregate of all lenders at 13.7%.

In addition, the bank originated 49.1% 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 38.1%. In upper-income tracts, the bank originated 36.2% of refinance loans, which is below the percent of owner-occupied housing units at 37.1% and the aggregate of all lenders at 44.9%.

The geographic distribution of refinance loans is adequate in low- and moderate-income geographies based on the lending opportunities and the bank's performance against the proxies and the aggregate of all lenders.

Home Purchase Loans

In 2008 and 2009, Heartland originated a total of 66 home purchase loans within its assessment area. The bank originated one loan (1.5%) in low-income tracts, which was less than the percent of owner-occupied units at 3.6% and the aggregate of all lenders at 2.5%. The bank originated nine loans (13.6%) in moderate-income tracts, which was less than the percent of owner-occupied housing units at 18.6%, but greater than the aggregate of all lenders at 12.9%.

The bank originated 39.4% 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 41.3%. In upper-income tracts, the bank originated 45.5% of its home purchase loans, which exceeded the percent of owner-occupied units at 37.1% and exceeded the aggregate of all lenders at 43.4%.

The geographic distribution of home purchase loans is adequate. While Heartland's percentage of lending was less than the percentage of owner-occupied units in moderate-income tracts, its lending was greater than the aggregate of all lenders. However, the bank's lending fell below both the percentage of owner-occupied units and the aggregate of all lenders in the low-income geographies.

The following table 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	66	36.3	3.6	1.5	18.6	13.6	40.7	39.4	37.1	45.5
Refinance	116	63.7	3.6	0.9	18.6	13.8	40.7	49.1	37.1	36.2

Borrower Distribution

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

Heartland offers lower income individuals the opportunity to purchase a home with lower down payments and closing costs, higher debt and loan-to-value ratios, and lower interest rates, depending on income levels through the following first-time homebuyers programs: the Federal Home Loan Bank's Welcome Home program, the Columbus Board of Realtors Affordable Housing Committee's preferred lenders list, the Columbus Housing Partnership's Homeport program, and the Greater Linden Development Corporation's program. Heartland has established a relationship with another lender originating loans under this program in order to refer interested customers. These programs demonstrate Heartland's flexibility in providing loan programs outside of traditional credit products

Small Business Loans

Heartland originated 26 Small Business Administration (SBA) loans, aggregating $5.2 million during this review period. SBA loans help small businesses increase their borrowing power by directly granting loans and also guaranteeing loans that banks and other lenders make to small businesses. SBA loans enhance Heartland's efforts in addressing the credit needs of small businesses in its assessment area.

Of the 321 small business loans, 192 (59.8%) were originated to businesses with revenues of $1 million or less which was less compared to the proxy at 88.7%. Therefore, the bank's lending to small businesses was considered adequate.

Further analysis shows that 62.0% of the bank's small business loans were extended in an amount of $100,000 or less. Since smaller-size loans are generally commensurate with the borrowing needs of smaller businesses, Heartland's lending activity demonstrates that the bank is adequately meeting the credit needs of such businesses.

Of the 293 small business loans secured by real estate, 141 (48.1%) were originated to businesses with revenues of $1 million or less, compared to the proxy at 88.7%. Therefore, the bank's lending to small businesses secured by real estate is considered adequate.

Further analysis shows that 61.1% of the bank's small business loans secured by real estate were extended in an amount of $100,000 or less. Since smaller-size loans are generally commensurate with the borrowing needs of smaller businesses, Heartland's lending activity demonstrates that the bank is adequately meeting the credit needs of such businesses.

The following table 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	321	52.3	88.7	59.8	62.0	22.7	15.3
Small Bus secured by RE	293	47.7	88.7	48.1	61.1	19.5	18.4

Consumer Loans

Other Secured Loans

The bank originated 46 loans (18.5%) to low-income borrowers, which was lower than the percent of households in the assessment area at 22.4%. The bank originated 57 loans (22.9%) to moderate-income borrowers which surpassed the percent of households at 17.5%.

The bank originated 20.5% of its other secured loans to middle-income borrowers, which exceeded the percent of households at 19.3% and originated 36.9% of its loans to upper-income borrowers, which was less than the percent of households at 40.8%. Three loans (1.2%) were made to borrowers with unknown incomes.

The borrower distribution of other secured loans is considered good because of the lending levels to low- and moderate-income borrowers.

Motor Vehicle Loans

The bank originated 48 motor vehicle loans (21.8%) to low-income borrowers, which was slightly below the percent of households at 22.4%. The bank made 50 loans (22.7%) to moderate-income borrowers, which exceeded the percent of households at 17.5%.

The bank made 18.2% of its motor vehicle loans to middle-income borrowers and 29.1% of its lending to upper-income borrowers. The bank's lending to middle- and upper-income borrowers was below the percent of households at 19.3% and 40.8%, respectively. Eighteen loans (8.2%) were made to borrowers with unknown incomes.

The borrower distribution of motor vehicle loans is considered good because of the lending levels to low- and moderate-income borrowers, considering the substantial increases in the poverty and unemployment rates in the assessment area.

Home Equity Loans

The bank originated 12 (7.3%) home equity loans to low-income borrowers, which was below the percent of households at 22.4%. Heartland originated 29 home equity loans (17.6%) to moderate-income borrowers, which was equivalent to the percent of households at 17.5%.

The bank originated 26.7% of its home equity loans to middle-income borrowers and 47.3% of its loans to upper-income borrowers. Originations of home equity loans to middle-income borrowers exceeded the percent of households at 19.3% and 40.8% to upper-income borrowers. Two loans (1.2%) were made to borrowers with unknown incomes.

The borrower distribution of home equity loans to low- and moderate-income borrowers is considered adequate considering the substantial increases in the poverty and unemployment rates in the assessment area.

Credit Card Loans

Heartland originated 46 loans (46.5%) to low-income borrowers, which exceeded the percent of households in the assessment area at 22.4%. In addition, the bank originated 19 loans (19.2%) to moderate-income borrowers, which also exceeded the percent of households at 17.5%.

The bank made 15.2% of its loans to middle-income borrowers and 19.2% 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% for upper-income borrowers, respectively.

The borrower distribution of credit card loans is considered excellent to low- and moderate-income borrowers because both exceeded the demographic indicators.

Other Unsecured Loans

Heartland originated 15 loans (20.8%) to low-income borrowers, which fell below the percent of households in the assessment area at 22.4%. In addition, the bank originated 13 loans (18.1%) to moderate-income borrowers, which exceeded the percent of households at 17.5%.

The bank made 15.3% of its loans to middle-income borrowers and 37.5% of its loans to upper-income borrowers. The bank's lending to middle- and upper-income borrowers was below the percent of households at 19.3% and 40.8%, respectively. Six loans (8.3%) were made to borrowers with unknown incomes.

The borrower distribution of other unsecured loans to low- and moderate-income borrowers is considered good.

The following table 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
Credit Card	99	12.3	22.4	46.5	17.5	19.2	19.3	15.2	40.8	19.2
Home Equity	165	20.5	22.4	7.3	17.5	17.6	19.3	26.7	40.8	47.3
Motor Vehicle	220	27.3	22.4	21.8	17.5	22.7	19.3	18.2	40.8	29.1
Other - Secured	249	30.9	22.4	18.5	17.5	22.9	19.3	20.5	40.8	36.9
Other - Unsecured	72	8.9	22.4	20.8	17.5	18.1	19.3	15.3	40.8	37.5

Mortgage Loans (HMDA)

Refinance Loans

The bank made nine loans (7.8%) to low-income borrowers, which is significantly less than the percent of families in the assessment area at 19.5%, but exceeded the aggregate of all lenders at 6.3%. The bank originated 17 loans (14.7%) to moderate-income borrowers, which is below the percent of families in the assessment area at 17.8% and the aggregate of all lenders at 16.8%.

Middle-income borrowers received 26.7% of loans made in the assessment area, which exceeded the percent of families at 22.6% and the aggregate of all lenders at 21.9%. Upper-income borrowers received 49.1% of loans made in the assessment area, which exceeded both the percent of families at 40.1% and the aggregate of all lenders at 38.8%. Two loans (1.7%) were made to borrowers with unknown incomes.

Lending to low- and moderate-borrowers is considered adequate, Also, Heartland exceeded the lending of the aggregate of all lenders in each income category and the percentage of families at a poverty level of 7.4% was also taken into consideration.

Home Purchase Loans

The bank made seven loans (10.6%) to low-income borrowers, which was less than the percent of families at 19.5%, but greater than the aggregate of all lenders at 8.2%. The bank made 14 loans (21.2%) to moderate-income borrowers, which was greater than the percent of families at 17.8% and below the aggregate of all lenders at 23.0%.

Middle-income borrowers received 12.1% of lending, which was less than both the percent of families and the aggregate of all lenders each at 22.6%. Upper-income borrowers received 56.1% of lending, which significantly exceeded both the percent of families at 40.1% and the aggregate of all lenders at 31.6%.

Based on the bank's lending to low- and moderate-income borrowers, the borrower distribution of home purchase loans is considered good.

The following table 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	66	36.3	19.5	10.6	17.8	21.2	22.6	12.1	40.1	56.1
Refinance	116	63.7	19.5	7.8	17.8	14.7	22.6	26.7	40.1	49.1

<u>Community Development Test</u>

The bank is rated outstanding under the community development test.

Heartland's community development 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's community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area through community development loans considering its capacity and the needs and availability of such opportunities for community development in its assessment. Heartland originated nine loans totaling $3.2 million that qualified for community development purposes.

The primary purpose for five of the nine loans was to provide affordable housing for low- and moderate-income individuals, of which two were used to purchase and renovate a foreclosed multi-family residential complex. The remaining three loans were used to purchase and renovate multi-family residential properties located in low- and moderate-income areas. The primary purpose for one of the other nine loans was for economic development to revitalize and stabilize a low-income area by funding the rehabilitation of condemned properties. The small business receiving the loan provided jobs to low-income individuals. Two of the other nine loans were to revitalize and stabilize low- and moderate-income areas, of which one was for refurbishing homes for resale in a moderate-income neighborhood and the other was to assist a township that serves low- and moderate-income areas through a reciprocal agreement with neighboring counties to purchase a fire truck. The primary purpose of the remaining loan was to provide funding to a CDC Head Start program that provides affordable daycare services to low- and moderate-income families.

Heartland also extended one community development loan for $1.1 million outside of its assessment area. This loan was used to refinance the land contract agreement for a 48-unit affordable housing apartment complex in Zanesville, Ohio.

Qualified Investments

Heartland demonstrated an excellent responsiveness to the community development needs of its assessment area. During this evaluation period, the bank made ten new investments totaling $1.1 million. The bank's investments consisted of a mortgage-backed security ($1.08 million) and multiple donations. In addition, the bank had two outstanding mortgage-backed securities from the previous evaluation period with a current balance of $599,231. In addition, the bank made 12 qualified donations totaling $33,239.

Community Development Services

Heartland has demonstrated an adequate responsiveness to community development services throughout its assessment area.

In general, the branch distribution is not representative of the overall makeup of geographies in the assessment area, as 39.7% 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	9.1%	0	0.00%	6.4%
Moderate-income	1	9.1%	1	10.0%	22.1%
Middle-income	6	54.5%	6	60.0%	38.4%
Upper-income	3	27.3%	3	30.0%	33.1%
Totals	11	100.0%	10	100.0%	100.0%

In addition to branch delivery systems; Heartland offers alternative delivery systems such as ATMs, telephone, and internet banking. Since the previous evaluation, Heartland implemented an on-line mortgage application, which can be accessible to essentially all portions of the bank's assessment area.

Bank employees provided their financial expertise in the following forums:

- *2009 Money Matters Summit*.
- *2010 Money Matters Summit*
- *2010 Money Matters Summit #2*

Heartland's Money Matters summits offer the following sessions:

- Buying Your First Home
- Is Refinancing Right For Me?
- Budgeting & Living Within Your Means
- How To Manage Your Credit Card Debt
- Using Technology To Save Time & Money
- How To Increase Your Savings
- Has Your 401k Become A 201k?
- Facts For Dealing With Foreclosure
- Understand Your Credit Score & How To Improve It
- Teaching Your Kids About Money Or Youth And Money
- Investment Basics And Retirement Planning
- 2010 Financial Checkup
- Church Leadership Finance
- Small Business Finance

The following are examples of other qualified community development services provided by Heartland employees (SVP = senior vice president, VP = vice president; AVP = assistant vice president):

- *Affordable Housing Committee* – An employee is a committee member which helps to set the standard for lenders who want to become certified by the Columbus Board of Realtors as Affordable Housing Lenders.
- *Business First Expo* – An SVP presented at two separate expos regarding survival tips (for small businesses) during these economic times and how to grow your business, respectively.
- *Columbus Board of Realtors* – An employee participated in a round table discussion on how to help low-income borrowers buy a home. Discussions were also held regarding how to promote available lower-priced housing in the area.
- *Columbus Christian Center* – A VP made a presentation about budgeting and managing your personal finances. The center is located in a moderate-income tract and the majority of attendees were low- and moderate-income individuals.
- *Columbus Housing Partnership* – An employee taught classes that prepare low- and moderate-income individuals to become first-time homebuyers. Once attendees pass the class, they are eligible for government programs to assist them in obtaining a mortgage.
- *Columbus State University* – Bank employee made a presentation at an SBA seminar discussing what financial help is available for small businesses in the community.
- *Community Housing Improvement* – An employee discussed barriers in affordable housing in the area. This organization supports affordable housing in the city of Newark in Licking County.
- *Dublin Entrepreneurial Center* – A VP spoke to the area's small businesses about small business lending and different programs available to assist in the development of new small businesses.
- *Farmers Market* – Bank employee provides technical assistance to local farmers regarding how to sell/market their produce.

- *First Church of Christ Apostolic* – A VP made a presentation to low- and moderate-income senior citizens about managing fixed income funds.
- *Gahanna Area Chamber* – An SVP was a panel discussion member who addressed the topic of financing your small business.
- *Gahanna CVB* – A non-profit that helps bring small businesses to the Gahanna area. A VP is a board member and treasurer for the organization.
- *Greater Linden Development Corporation* – An employee taught two six-week sessions that prepares low- and moderate-income individuals to become first-time homebuyers. Once attendees pass the class, they are eligible for government programs to assist them in obtaining a mortgage.
- *Hilltop Business Association* – An employee discussed budgeting for a small business and SBA loans. The organization works to achieve economic development on the Westside (of Columbus) and supports neighborhood commercial revitalization initiatives. The Hilltop neighborhood is a low- and moderate-income neighborhood.
- *Increase CDC* – Four bank employees provided technical assistance at a business expo for small business owners on banking, checking accounts, and lending needs and opportunities. One bank employee serves as a board member on the loan committee. This organization makes small commercial loans to new start-up businesses. Many of these businesses are located in low- and moderate-income areas within Columbus.
- *Little Rock Church* – Two employees participated in a roundtable discussion on buying a home, budgeting, and understanding credit. The church is located in a low-income area.
- *Lower Lights Christian Health Center* – A VP conducted personal financial counseling at the center. This organization is located in a low-income tract.
- *Small Biz Boot Camp* – A SVP discussed SBA loans and the lending processes. 24 small business owners attended the boot camp.
- *Small Business Development Center (SBDC)* – An SVP participated in a panel discussion for SBDC advisors with Ohio Department of Development regarding access to capital.

Response to Consumer Complaints

The bank has not received any CRA-related complaints since the previous examination.

Fair Lending or Other Illegal Credit Practices Review

A fair lending review was completed in conjunction with the compliance and CRA examinations. No evidence of discrimination or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Heartland Bank maintains fair lending policies and procedures and provides bank staff with fair lending training.

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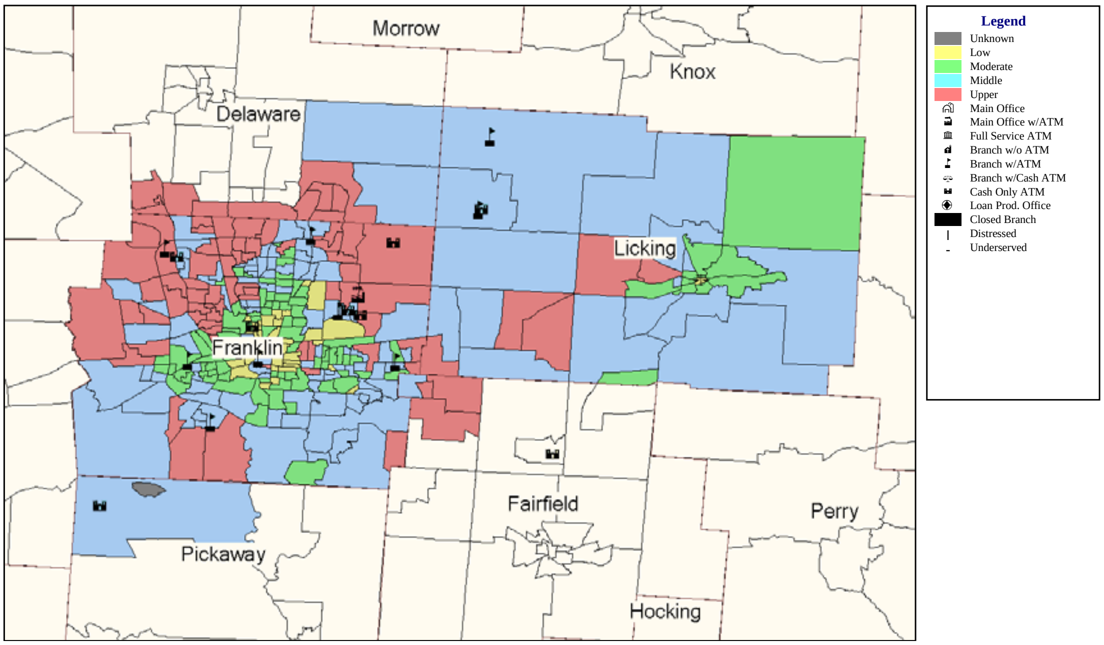
APPENDIX A

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.