



*Original Croton Bank 1911*



*Our Past has Prepared us well for  
Today and Tomorrow.*

*Celebrating 100 years  
of Community Banking in the Heartland*

**HEARTLAND BANCCORP  
2010 ANNUAL REPORT**

*Celebrating  
100  
years*



**Tiney M. McComb**  
Chairman & CEO  
of Heartland BancCorp  
Chairman of  
Heartland Bank

## To Our Shareholders, Customers, and Friends:

Congratulations on our Centennial!! It was 100 years ago that The Croton Bank Co. was incorporated by Jason Potter, George B. Van Fossen, Clarence W. Wells, Otis H. Davidson, John M. Curry, and Stanton E. Hoover, the original stockholders, and George Van Fossen was the first President. A great deal has changed in banking since the birth of your community bank. The first deposits were made by traveling by horse and buggy to the one bank branch and then came the expansion of the bank's footprint to all of central Ohio and now we can make our deposits from our desktops via the Internet. However, one thing has not changed and that is our commitment to the community in which this bank was founded, which remains as strong as ever and continues to be the guidance for our existence.

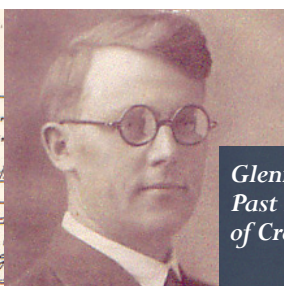
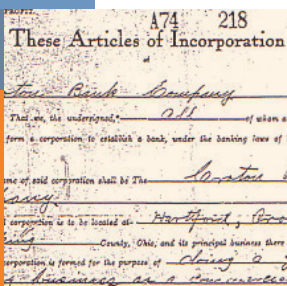
I am pleased to announce another successful year for Heartland. This year we were honored by US Banker Magazine by improving our ranking from 159 to 112 in the "Top 200" community banks nationwide based on ROAE (return on average equity). This achievement continues to be a true indication of the prudent underwriting standards, dedication to technology and efficiency, and management of risk that is Heartland Bank. Strong and prudent banks continue to emerge as the survivors of this industry and these banks will reap the benefits of a shrinking legion of banks as the economy and financial reform continue to be a major focus. Heartland was also recognized by Business First of Columbus as the #3 SBA Lender in Central Ohio, placing it above many far larger institutions. This is another indication that further demonstrates the creativity, flexibility, and risk management of the institution. Heartland is proud to receive these honors and is dedicated to remaining focused on prudent banking principles to benefit our communities and maximize shareholder value.

We are seeing signs that our economy is recovering. Unemployment in central Ohio is beginning to decline slightly, consumer spending seems to be picking up, and businesses are starting to seek growth strategies to further their business plans. While there are some good signs, we remain cautiously optimistic about the local and national economy and have advised our clients that we are not on the road to complete recovery just yet. Housing starts are at a 23-year low, housing values are still settling in at the floor, and the consumer is, for the most part, still on the sidelines as they build up their savings and/or retire debt. Our country's national debt is at an all time high and needs to be dealt with very soon. Until this occurs with just prudence, the economy will remain very fragile and extremely vulnerable to world events and economies abroad.

2010 was a banner year for Heartland BancCorp as we continued our mission to be Central Ohio's Community Bank. The bank achieved record earnings of \$4.6 million for the first time. We solidified our commitment to the Westside of Columbus, and the Hilltop Community, by renovating our Wilson Road Office to look and feel like all of the other Heartland Offices. In a year that found many consumers and businesses searching for a relationship with a bank, we focused on introducing those displaced customers to Heartland. Growing core banking relationships was again the focus for the entire year, and I'm proud to report we were very successful in growing our client base.

The massive Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (FinReg Bill) was passed and we are beginning to see the effects of this legislation in the market place. While the Act contains a multitude of new regulations, we feel that compliance with these new rules will be a competitive strength of our enterprise. Regulating non-bank financial companies such as mortgage lenders, new FDIC premium guidelines, and tighter controls of the securitization markets are all things that are positive to community banks. Our entire staff has also participated in this effort by repeatedly writing and calling their respective members of Congress to voice their opinion on these issues and how it will affect their personal lives and their bank. One of the many items that were not a benefit, the Durbin Amendment on debit card interchange fees, is most likely going to be delayed until a proper study of the measure and its effects on community banks can be studied further. In short, the FinReg Bill was in some ways a victory for community banks and we feel that our adaptability to comply with this new legislation is a competitive strength as many of our competitors find it easier to be a part of the consolidation wave.

Ultimately, our success flows directly from the quality of our employees and their commitment to delivering superior service to our customers. We continue to invest in our "people portfolio," growing Heartland Community Bankers throughout our enterprise. Our internal training department has enhanced its course offerings, we have record enrollment in the Bank's Principles of Banking program, several associates are attending secondary industry education, and our front line Client Service Representative (CSR) movement to encourage consultative interaction has been a great success. Management has reinforced the theme of personal empowerment across all departments, recognizing that client satisfaction is a direct result of their experience. Investing in this strength to become a "best of breed organization" is the goal and we are well on our way to achieving this distinction. Now here are the financial highlights of 2010.



**Glenn S. Potter**  
Past President  
of Croton Bank Co.



**Heartland BancCorp**  
**Consolidated Balance Sheets**  
**December 31, 2010 and 2009**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	\$ 7,825,727	\$ 10,432,823
Available-for-sale securities	115,223,173	95,408,139
Held-to-maturity securities	5,756,962	5,905,720
Loans, net of allowance for loan losses of \$3,871,640 and \$3,244,003 at December 31, 2010 and 2009, respectively	387,867,015	392,969,857
Premises and equipment	9,479,273	9,670,790
Federal Reserve and Federal Home Loan Bank stock	1,230,450	1,230,300
Foreclosed assets held for sale	2,615,688	1,468,093
Interest receivable	1,804,636	1,973,311
Goodwill	417,353	417,353
Prepaid FDIC insurance premium	1,770,653	2,605,235
Other	2,756,864	1,853,552
<b>Total assets</b>	<b>\$ 536,747,794</b>	<b>\$ 523,935,173</b>

**Liabilities and Shareholders' Equity**

**Liabilities**

<b>Deposits</b>		
Demand	\$ 50,519,453	\$ 42,795,604
Savings, NOW and money market	159,720,953	130,752,542
Time	251,484,773	280,372,012
<b>Total deposits</b>	<b>461,725,179</b>	<b>453,920,158</b>
Short-term borrowings	23,500,430	19,601,594
Long-term debt	3,093,000	3,093,000
Interest payable and other liabilities	3,185,929	3,064,088
<b>Total liabilities</b>	<b>491,504,538</b>	<b>479,678,840</b>

**Shareholders' Equity**

Common stock, without par value; authorized 5,000,000 shares; issued 2010 - 1,535,832 shares, 2009 - 1,535,224 shares	23,047,347	23,038,474
Retained earnings	21,282,467	18,691,579
Accumulated other comprehensive income	913,442	2,532,118
Treasury stock, at cost		
Common; 2009 - 139 shares	-	(5,838)
<b>Total shareholders' equity</b>	<b>45,243,256</b>	<b>44,256,333</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 536,747,794</b>	<b>\$ 523,935,173</b>



**Heartland BancCorp**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Interest Income</b>		
Loans	\$ 23,893,785	\$ 24,490,400
Securities		
Taxable	2,676,959	3,500,090
Tax-exempt	1,394,671	1,172,805
Other	44,540	40,286
Federal funds sold	161	123
Total interest income	<u>28,010,116</u>	<u>29,203,704</u>
<b>Interest Expense</b>		
Deposits	7,244,675	9,974,546
Borrowings	382,357	413,723
Total interest expense	<u>7,627,032</u>	<u>10,388,269</u>
<b>Net Interest Income</b>	20,383,084	18,815,435
<b>Provision for Loan Losses</b>	<u>1,921,000</u>	<u>1,625,000</u>
<b>Net Interest Income After Provision for Loan Losses</b>	<u>18,462,084</u>	<u>17,190,435</u>
<b>Noninterest Income</b>		
Service charges	2,287,251	2,316,108
Net gains and commissions on loan sales	99,020	54,242
Net realized gains on sales of available-for-sale securities	274,350	210,993
Net realized (losses) gains on sales of foreclosed assets	(373,261)	49,558
Other-than-temporary impairment loss on available-for-sale security	-	(989,559)
Other	445,295	247,658
Total noninterest income	<u>2,732,655</u>	<u>1,889,000</u>
<b>Noninterest Expense</b>		
Salaries and employee benefits	8,030,257	7,717,296
Net occupancy and equipment expense	1,828,933	1,736,900
Data processing fees	754,310	798,562
Professional fees	616,568	520,142
Marketing expense	407,902	379,654
Printing and office supplies	220,232	196,717
State franchise taxes	539,393	522,030
FDIC Insurance premiums	908,756	913,865
Other	1,565,490	1,255,476
Total noninterest expense	<u>14,871,841</u>	<u>14,040,642</u>
Income Before Income Tax	6,322,898	5,038,793
Provision for Income Taxes	1,753,258	1,447,114
Net Income	<u>\$ 4,569,640</u>	<u>\$ 3,591,679</u>
Basic Earnings Per Share	<u>\$ 2.98</u>	<u>\$ 2.33</u>
Diluted Earnings Per Share	<u>\$ 2.96</u>	<u>\$ 2.32</u>

**Heartland Locations**

**CORPORATE OFFICE**  
850 North Hamilton Road  
Gahanna, Ohio 43230  
(614) 337-4600

**COLUMBUS**  
CAPITOL SQUARE  
65 East State Street  
Columbus, Ohio 43215  
(614) 416-0244

**CROTON**  
12 North Main Street  
Croton, Ohio 43013  
(740) 893-2191

**DUBLIN**  
6500 Frantz Road  
Dublin, Ohio 43017  
(614) 798-8818

**FRIENDSHIP VILLAGE OF DUBLIN**  
6000 Riverside Drive  
Dublin, Ohio 43017  
(614) 923-0575

**GAHANNA**  
850 North Hamilton Road  
Gahanna, Ohio 43230  
(614) 337-4605

**GAHANNA**  
NORTH STYGLER ROAD  
67 North Stygler Road  
Gahanna, Ohio 43230  
(614) 475-7024

**GROVE CITY**  
2365 Old Stringtown Road  
Grove City, Ohio 43123  
(614) 875-1884

**JOHNSTOWN**  
730 West Coshocton Street  
Johnstown, Ohio 43031  
(740) 967-6500

**NEWARK**  
6 North Park Place  
Newark, Ohio 43055  
(740) 349-7888

**REYNOLDSBURG**  
6887 East Main Street  
Reynoldsburg, Ohio 43068  
(614) 416-0400

**WEST COLUMBUS**  
130 North Wilson Road  
Columbus, Ohio 43204  
(614) 351-2100

**WESTERVILLE**  
450 South State Street  
Westerville, Ohio 43081  
(614) 839-2265

*Since 1911*

## 2010 Financial Review

Net income for the year ended December 31, 2010 was \$4.6 million or \$2.96 per share compared to net income of \$3.6 million or \$2.32 per share for the year ended December 31, 2009. The primary source of Heartland BancCorp's revenue is net interest income from its investment and loan portfolios less its cost of deposits and borrowings. Net interest income before provision for loan loss for 2010 grew 8% to \$20.4 million compared to \$18.8 million for 2009. Provision for loan loss of \$1.9 million for the full year 2010 compared to \$1.6 million for all of 2009. The added provision in 2010 was used to increase the Bank's allowance for loan loss while 2010 loan charge-offs at .32% of average loans outstanding remained at 2009 levels. The improvement in net interest income resulted from the combined effect of a 27% decline in the Bank's cost of funds less a 4% drop in the yield on earning assets. Lower funding cost resulted from a positive shift in deposit mix to lower cost non-interest bearing transaction and money market accounts that increased from 2009 18% and 22% respectively. This increase in lower cost deposits enabled Heartland Bank to drive significant reductions in its funding cost and improvement in its net interest income. These favorable contributors to net interest income were partially offset by a reduction in the yield in the loan portfolio and an increase in lower yielding securities both the result of continuation of the low interest rate environment during 2010.

Total non-interest income of \$2.7 million in 2010 compares to \$1.9 million for 2009. The lower level of non-interest income in 2009 was due to a one time charge to earnings totaling \$990 thousand resulting from the mark-to-market of an other than temporarily impaired investment security. The decline in service charges during 2010 resulted from the implementation of changes to Regulation E during the third quarter of 2010. Regulation E restricts banking institutions from charging overdraft fees on ATM and debit card transactions absent a customer's opt-in to overdraft coverage.


Non-interest or operating expense of \$14.9 million in 2010 increased 6% over non-interest expense of \$14.0 million in 2009. Salary and employee benefits expense for 2010 increased \$313 thousand or 4% versus the year ended 2009. The increase was partially attributable to a 2% increase in staffing added due to the increasing banking related regulatory requirements and higher health insurance costs in 2010. Other operating expense increased \$310 thousand year-over-year due to increased loan related collection expenses in 2010.

Total assets outstanding increased 2% to \$537 million at year-end 2010, an increase of \$13 million from assets of \$524 million at the end of 2009. Loan and deposit volumes have been influenced significantly during 2010 and 2009 by overall economic factors including market interest rates, consumer confidence, fluctuations in the unemployment rate, lower levels of business and consumer spending as well as changes in regulations affecting banking institutions. We continued to implement initiatives to enhance our loan quality and grow our retail deposit relationships while improving our productivity during 2010. Net loans outstanding declined slightly to \$388 million, down 1% under loans of \$393 million at the end of 2009. The decline in loans outstanding resulted from continued weak demand in both the commercial and retail lending sectors. Deposits increased 2% to \$462 million at December 31, 2010. A key element of Heartland's deposit strategy was focused on growing our transaction account deposit base while reducing our dependence on public funds and larger non-core certificate of deposit accounts in 2010.

Total shareholders' equity remained strong growing to \$45.2 million, up 2% from \$44.3 million at year-end 2009. Based upon shares outstanding the book value of shareholders' equity increased from \$28.83 at year-end 2009 to \$29.46 per share at December 31, 2010. Among the financial strengths of Heartland BancCorp is our capital position, which exceeds regulatory guidelines and compares favorably to our peers and other Ohio based banks. Tier1 leverage, Tier 1 Risk based and Total Risk Based Capital ratios were 8.6%, 12.4%, and 13.4% respectively as of December 31, 2010. Regulatory requirements for a well-capitalized bank are 5%, 6%, and 10% for Tier 1 Leverage; Tier 1 Risk based and Total Risk Based Capital Ratios respectively. Further enhancing shareholder value dividends per share of common stock totaled \$1.28 representing a dividend yield of 5.63% on the average market price of \$22.73 per share for 2010. Dividends paid resulted in a dividend payout ratio of 43% for 2010.

Our conservative culture, risk management practices, and quality people throughout the last 100 years have enabled Heartland BancCorp to successfully reach and celebrate our Centennial. We believe Heartland BancCorp continues to be strategically positioned to capitalize on opportunities enhancing our shareholders' interest as the economy improves. I would like to take this opportunity to thank our shareholders, directors, ambassadors, customers and employees for their continued support and confidence in Heartland BancCorp. We truly value your business and look forward to serving you for another 100 years.

Best personal regards,



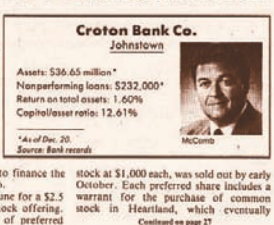
Tiney M. McComb  
Chairman and CEO

Heartland BancCorp is a registered Ohio Bank Holding company and the parent of Heartland Bank, which operates eleven full-service banking offices. Alternative investment services are provided through Infinex Financial Group. Heartland Bank is a member of the Federal Reserve, a member of the FDIC, and an Equal Housing Lender. Heartland BancCorp is currently quoted on the over-the-counter (OTC) Bulletin Board Service under the symbol HLAN. Worldwide access at [heartlandbank.com](http://heartlandbank.com).

### Croton Bank plans to open Columbus office

By WILLIAM JACKSON  
Licking County's 77-year-old Croton Bank Co., now under new ownership, is planning to expand into the Columbus area in the coming year.  
"In early January we will open up a loan production office in Grove City," said Tiney M. McComb, president and chairman both of the bank and of the holding company that purchased it earlier this year. "And he added that the company also will be looking for a site for a full-service branch. "Our plans are to apply for a branch in Columbus in the very near future. We are still trying to determine the site of that branch."  
Croton Bank has its main office in Johnstown with one branch office in Cro-

ton. McComb said several areas are under consideration for the proposed new branch, including Grove City, where Heartland BancCorp is headquartered, and near Interstate 270 between Westerville and Gahanna.  
McComb, a former executive vice president of Society Bank of Columbus, formed Heartland BancCorp earlier this year to finance the purchase of Croton Bank Co.  
He received approval in June for a \$2.5 million private placement stock offering. The offering, 2,500 shares of preferred



**Croton Bank Co.**  
Johnstown

Assets: \$36.65 million\*  
Nonperforming loans: \$232,000\*  
Return on total assets: 1.60%  
Capital/asset ratio: 12.61%

\*As of Dec. 20  
Source: Bank records

McComb

stock at \$1,000 each, was sold out by early October. Each preferred share includes a warrant for the purchase of common stock in Heartland, which eventually

Continued on page 27

### 1996 Groundbreaking of Corporate Office in Gahanna



Heartland Bank  
Launches iPhone  
App! Feb. 2, 2011

## Heartland BancCorp and Bank Directors

I. Robert Amerine  
Chairman, ISCO, Inc.

Arthur G.H. Bing M.D.  
Plastic & Reconstructive Surgeon

Jay B. Eggspuehler, Esq.  
Wiles, Boyle, Burkholder & Bringardner Co., L.P.A.

Jodi L Garrison, CPA  
Partner, Hirth, Norris & Garrsion, LLP

John R. Haines  
Retired, John R. Haines Insurance Agency

David C. Kotary  
Principal, Brower Insurance Agency, LLC

Gerald K. McClain  
President, The Jerry McClain Company, Inc.

G. Scott McComb  
President & CEO, Heartland Bank

Tiney M. McComb  
Chairman of the Board

Jack J. Eggspuehler  
President, Aerosafe, Inc., Director Emeritus

Cheryl C. Poulton  
President, Tech International, Director Emeritus

## Heartland Investment Services

Mark Posey  
Investment Representative

Jason Ellinger  
Investment Representative



[heartlandbank.com](http://heartlandbank.com)

## Heartland BancCorp Officers

Tiney M. McComb  
Chairman & CEO

G. Scott McComb  
Vice Chairman & President

I. Robert Amerine  
Secretary

George R. Smith  
Executive Vice President, Chief Financial Officer

## Heartland Bank Senior Management

Tiney M. McComb  
Chairman

G. Scott McComb  
President and CEO

George R. Smith  
Executive Vice President, Chief Financial Officer

David P. Curby  
Senior Vice President, Mortgage Lending

Robert F. Halley  
Senior Vice President,  
Commercial Relationship Manager

Steven C. Hines  
Senior Vice President,  
Commercial Relationship Manager

Mark S. Kelly  
Senior Vice President,  
Business Development & Support Services

Donna J. Holycross  
Vice President, Director of Marketing

Cheryl L. Krouse  
Vice President, Retail Administration Manager

Mark A. Matthews  
Vice President, Credit Review

Linda E. Miller  
Vice President, Corporate Secretary

Edmund W. Smallwood, Jr.  
Vice President, Retail Sales Administrative Officer

Stephanie W. Toalston  
Vice President, Director of Human Resources

Lois E. Ellis  
Assistant Vice President, Compliance Officer