

Heartland BancCorp
Consolidated Balance Sheets
September 30, 2013 and 2012

Assets	2013	2012
Cash and cash equivalents	\$ 20,679,384	\$ 14,184,494
Available-for-sale securities	111,220,096	143,718,509
Held-to-maturity securities	6,959,072	7,128,340
Loans, net of allowance for loan losses of \$5,357,008 and \$4,045,617 at September 30, 2013 and 2012, respectively	420,919,004	392,743,391
Premises and equipment	11,943,694	10,814,455
Federal Reserve and Federal Home Loan Bank stock	1,889,950	1,889,050
Foreclosed assets held for sale	3,089,100	1,944,904
Interest receivable	1,994,068	2,347,403
Goodwill	417,353	417,353
Prepaid FDIC insurance premium	-	987,317
Other	4,597,436	1,613,414
Total assets	\$ 583,709,157	\$ 577,788,630
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Demand	\$ 89,651,217	\$ 73,252,872
Saving, NOW and money market	191,625,207	176,353,145
Time	218,292,225	240,058,434
Total deposits	499,568,649	489,664,451
Short-term borrowing	26,448,018	25,586,483
Long-term debt	-	3,093,000
Interest payable and other liabilities	3,929,336	3,527,578
Total liabilities	529,946,003	521,871,512
Shareholders' Equity		
Common stock, without par value; authorized 5,000,000 shares; issued 2013- 1,547,922, 2012- 1,541,207 shares	23,275,659	23,119,070
Retained earnings	31,407,292	28,797,732
Accumulated other comprehensive income (expense)	(919,797)	4,000,316
Total shareholders' equity	53,763,154	55,917,118
Total liabilities and shareholders' equity	\$ 583,709,157	\$ 577,788,630
Book value per share	\$ 34.73	\$ 36.28

Heartland BancCorp and Bank Directors

Arthur G.H. Bing M.D., Plastic & Reconstructive Surgeon
 William A. Dodson, Jr., EVP/Community Relations Director, Rhema Christian Center
 Jay B. Eggspuehler, Esq., Isaac Wiles
 Jodi L. Garrison, CPA, Partner, Hirth, Norris & Garrison, LLP
 John R. Haines, Retired, John R. Haines Insurance Agency
 David C. Kotary, Senior Vice President, Brower Insurance
 Gerald K. McClain, President, The Jerry McClain Company, Inc.
 G. Scott McComb, Chairman, President and CEO
 Robert C. Overs, EVP & COO, Technical Rubber Company, Inc.
 Gary D. Paine, Owner, Pilot Freight Services
 Richard A. Vincent, President & CEO, Osteopathic Heritage Foundation and Osteopathic Heritage Foundation of Nelsonville

Directors Emeritus

I. Robert Amerine, Chairman, American Apex Corporation
 Jack J. Eggspuehler, President, Aerosafe, Inc.
 Cheryl C. Poulton, Executive Chairman, Tech International

Heartland BancCorp Officers

G. Scott McComb, Chairman, President and CEO
 Jay B. Eggspuehler, Esq., Vice Chairman
 Jodi L. Garrison, Secretary
 George R. Smith, Executive Vice President, Chief Financial Officer

Heartland Locations to Serve You

Corporate Office, Gahanna (614) 337-4600
Columbus, Capitol Square, 65 East State Street (614) 416-0244
Croton, 12 North Main Street (740) 893-2191
Dublin, 6500 Frantz Road (614) 798-8818
Gahanna, 850 North Hamilton Road (614) 337-4605
Gahanna, 67 North Stygler Road (614) 475-7024
Grove City, 2365 Old Stringtown Road (614) 875-1884
Johnstown, 730 West Coshocton Street (740) 967-6500
Newark, 44 West Locust Street (740) 349-7888
Reynoldsburg, 6887 East Main Street (614) 416-0400
West Columbus, 130 North Wilson Road (614) 351-2100
Westerville, 450 South State Street (614) 839-2265

Heartland Client Services, (614) 416-BANK (2265), (800) 697-0049
Heartland Insurance Services, LLC, (614) 918-2272
Heartland Investment Services, (614) 839-2265



heartlandbank.com

Member FDIC

Heartland BancCorp Ranked 62nd Best Community Bank in the Nation

American Banker Magazine Top 200 Community Banks



New office built to better serve the Newark community.



Heartland Bank recipient of the Better Business Bureau of Central Ohio Torch Award for Ethical Enterprise™.

HEARTLAND BANCCORP
2013 THIRD QUARTER REPORT

To Our Shareholders, Clients, and Friends:

I am pleased to report to you a 2% increase in third quarter 2013 earnings over the third quarter of 2012. Net income of \$1.440 million or \$0.92 per diluted share for the three months ended September 30, 2013 compares to net income of \$1.412 million or \$0.91 per diluted share for the third quarter of 2012.

Earnings were higher for the third quarter of 2013 as a result of higher net interest income, lower provision expense and higher non-interest income. Net interest income before provision increased \$95 thousand or 2% to \$5.486 million for the third quarter of 2013 over net interest income before provision of \$5.391 million for the third quarter of 2012. Interest income totaled \$6.227 million during the third quarter of 2013 a decrease of 3% compared to interest income of \$6.407 million for the same period in 2012. Interest expense declined to \$742 thousand, a decrease of 27% for the third quarter of 2013 compared to interest expense of \$1.016 million for the third quarter of 2012. Overall, short-term interest rates remained at historically low levels since 2007 resulting in the downward re-pricing of both earning assets as well as interest bearing liabilities throughout 2013 and 2012. Provision expense during the third quarter of 2013 totaled \$455 thousand down \$25 thousand over provision expense of \$480 thousand in 2012.

Other Financial highlights for the third quarter 2013 compared to the same period in 2012 include:

- Net loans increased 7% or \$28.2 million to \$420.9 million
- Total Assets increased \$5.9 million to \$584 million
- Deposits increased 2% or \$10 million to \$500 million
- Shareholders' equity declined \$2.2 million or 4% to \$53.8 million

The decline in shareholders' equity reflects a \$4.9 million decline in accumulated other comprehensive income ("OCI") as a result of higher long-term interest rates during 2013 compared to the same period in 2012. OCI represents the market value adjustment to the bank's available for sale securities portfolio.

Our solid third quarter and year-to-date 2013 performance was achieved through our continued focus on attracting and enhancing new and current customer relationships. Heartland Bank remains a "Well Capitalized" banking institution for regulatory capital purposes which put us in a good position to take advantage of strategic opportunities that may arise. The upward shift in long-term interest rates has allowed us to grow profitably and more businesses and consumers seeking the benefits of community banking, as opposed to mega banking, are filling our branches.

I am further pleased to announce, in recognition of our strong financial performance through the first nine months of 2013, Heartland BancCorp's Board of Directors approved a 5% increase in Heartland BancCorp's quarterly cash dividend and declared a fourth quarter cash dividend of \$0.3378 per share to shareholders of record December 25, 2013 payable January 10, 2014. A share of Heartland BancCorp common stock has produced a dividend yield of 4.50% over the seven year period beginning in 2007, the beginning of the U.S. economic collapse, projected through 2013.

Thank you for investing in and banking with Heartland. We value your business and look forward to serving you.

Sincerely,



G. Scott McComb
Chairman, President & CEO

Consolidated Financials

Heartland BancCorp Consolidated Statements of Income Three and Nine Months ended September 30, 2013 and 2012

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest Income				
Loans	\$ 5,460,075	\$ 5,400,443	\$ 15,923,786	\$ 16,348,717
Securities				
Taxable	316,211	542,729	1,100,522	1,651,598
Tax-exempt	438,345	454,627	1,354,521	1,327,720
Other	12,763	9,257	35,562	33,321
Total interest income	<u>6,227,394</u>	<u>6,407,056</u>	<u>18,414,391</u>	<u>19,361,356</u>
Interest Expense				
Deposits	738,555	929,969	2,289,212	3,052,441
Borrowings	2,973	85,971	227,888	262,309
Total interest expense	<u>741,528</u>	<u>1,015,940</u>	<u>2,517,100</u>	<u>3,314,750</u>
Net Interest Income	5,485,866	5,391,116	15,897,291	16,046,606
Provision for Loan Losses	455,000	480,000	1,565,000	1,406,100
Net Interest Income After Provision for Loan Losses	<u>5,030,866</u>	<u>4,911,116</u>	<u>14,332,291</u>	<u>14,640,506</u>
Noninterest income				
Service charges	511,623	479,519	1,455,105	1,491,561
Net gains and commissions on loan sales	18,388	21,099	52,342	26,266
Net realized gains on available-for-sale securities	6,692	-	690,795	172,805
Net realized gains/(losses) on sales of foreclosed assets	20,188	7,173	(20,731)	10,251
Benefit in excess of life insurance cash value	-	-	-	1,983,025
Other	294,459	202,934	686,103	598,635
Total noninterest income	<u>851,350</u>	<u>710,725</u>	<u>2,863,614</u>	<u>4,282,543</u>
Noninterest Expense				
Salaries and employee benefits	2,157,018	2,061,726	6,501,348	6,358,417
Net occupancy and equipment expense	432,284	424,947	1,358,327	1,295,548
Data processing fees	221,496	216,328	667,019	629,577
Professional fees	167,147	163,278	616,122	564,476
Marketing expense	99,999	100,110	299,997	300,210
Printing and office supplies	38,194	44,350	119,562	135,867
State franchise taxes	153,726	145,516	465,841	437,898
FDIC Insurance premiums	120,491	114,618	357,497	344,331
Other	540,766	395,228	1,747,236	1,493,800
Total noninterest expense	<u>3,931,121</u>	<u>3,666,101</u>	<u>12,132,949</u>	<u>11,560,124</u>
Income before Income Tax	1,951,095	1,955,740	5,062,956	7,362,925
Provision for Income Taxes	511,252	543,342	1,250,905	1,449,117
Net Income	<u>\$ 1,439,843</u>	<u>\$ 1,412,398</u>	<u>\$ 3,812,051</u>	<u>\$ 5,913,808</u>
Basic Earnings Per Share	<u>\$ 0.93</u>	<u>\$ 0.92</u>	<u>\$ 2.47</u>	<u>\$ 3.84</u>
Diluted Earnings Per Share	<u>\$ 0.92</u>	<u>\$ 0.91</u>	<u>\$ 2.44</u>	<u>\$ 3.80</u>