Heartland BancCorp

Consolidated Balance Sheets March 31, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	\$ 23,273,664	\$ 20,285,505
Available-for-sale securities	140,758,430	118,689,547
Held-to-maturity securities	6,781,242	5,755,516
Loans, net of allowance for loan		
losses of \$4,085,747 and		
\$3,860,079 at March 31, 2012 and 2011	205 040 750	394.241.662
Premises and equipment	385,849,758 10,173,186	9,420,239
Federal Reserve and Federal	10,175,100	9,420,239
Home Loan Bank stock	1,230,650	1,230,450
Foreclosed assets held for sale	2,594,195	2,424,782
Interest receivable	2,263,225	2,151,570
Goodwill	417,353	417,353
Prepaid FDIC Insurance premium	1,199,733	1,648,649
Other	2,151,097	2,732,120
Total assets	\$ 576,692,533	\$ <u>558,997,393</u>
Liabilities and Shareholders' Equity Liabilities Deposits	Ċ (0 152 145	ć 47 420 772
Demand Saving, NOW and money market	\$ 68,153,145 175,108,943	\$ 47,420,773 168,123,713
Time	249,880,734	253,193,450
Total deposits	493,142,822	468,737,936
•		
Short-term borrowing	24,911,009 3,093,000	31,815,888
Long-term debt Interest payable and other liabilities		3,093,000 9,250,796
. ,		
Total liabilities	525,115,383	512,897,620
Shareholders' Equity Common stock, without par value; authorized 5,000,000 shares; issued 2012-1,540,207,		
2011-1,535,832 shares	23,087,151	23,047,347
Retained earnings	25,151,182	22,047,850
Accumulated other comprehensive income	3,338,817	1,004,576
Total shareholders' equity	51,577,150	46,099,773
Total liabilities and		
shareholders' equity	\$ 576,692,533	\$ 558,997,393

Heartland BancCorp and Bank Directors

 Robert Amerine, Chairman, ISCO, Inc.
 Arthur G.H. Bing, M.D. Plastic & Reconstructive Surgeon
 William A. Dodson, Jr., Executive Vice President and Director of Community Relations for Rhema Christian Center
 Jay B. Eggspuehler, Esq. Wiles, Boyle, Burkholder & Bringardener 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 & CEO, Heartland BancCorp

Jack J. Eggspuehler, President, Aerosafe, Inc., Director Emeritus Cheryl C. Poulton, President, Tech International, Director Emeritus

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 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, 6 North Park Place (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 Investment Services,** (614) 839-2265



heartlandbank.com

Over 100 Years of Community Banking



HEARTLAND BANCCORP 2012 FIRST QUARTER REPORT

To Our Shareholders, Customers, and Friends:

I am pleased to report to you strong year-over-year and record earnings for this 1st guarter of 2012. Net income for the guarter ending March 31, 2012 of \$1.276 million or \$0.82 per diluted share increased over earnings of \$1.260 million or \$0.81 per diluted share for the 1st quarter of 2011. The increase in 1st guarter 2012 earnings, as compared with 1st guarter 2011, reflects lower interest expense and provision for loan loss resulting in a widening of our net interest margin, higher non-interest income, and an increase of 7% in operating expense over the prior year's 1st quarter. Net interest income, after provision for loan loss, increased \$176 thousand or 4% for the 1st guarter of 2012 over the prior year 1st quarter. The increase in net interest income was due to a 19% decline in cost of funds, partially offset by a 3% decline in interest income, and an 18% decline in the provision for loan loss. The improved margin for the 1st quarter of 2012 reflects the continued low and stable interest rates in effect during the quarter. Non-interest income of \$835 thousand for the 1st guarter of 2012 increased \$80 thousand or 11% over the prior year 1st quarter. Operating expenses for 2012 increased \$248 thousand or 7% compared to the 1st quarter of 2011, reflecting higher compliance related costs resulting from the increase burden of banking regulations such as Dodd-Frank and expanded human resources and audit costs to comply with this and other emerging regulatory requirements.

Other Financial highlights for the $1^{\rm st}$ quarter 2012 compared to the same period in 2011 include:

- Total assets increased \$17.7 million or 3% to \$577 million,
- Net loans declined 2% or \$8.4 million to \$386 million.
- Deposits increased 5% or \$24.4 million to \$493 million,
- Shareholders' equity increased \$5.5 million or 12% to \$51.6 million,
- Book value per share increased to \$33.49 up 12% from \$30.02 in 2011.

We continue to build on the execution of our strategic objectives by optimizing our existing business lines through leveraging our brand in Central Ohio markets and efficiently deploying our capital, while maintaining a safe, sound and well capitalized financial institution. Several new and exciting things are happening at Heartland this year including the building of a new Newark Office, a new online account opening platform, a new enhanced Client Services Call Center, and our launching of the banks social media strategy. All of these initiatives are designed to give you, our loyal clients, the latest in banking technology and communication, and the convenience you desire.

I am pleased to share with you that our Board declared a 2nd quarter 2012 cash dividend of \$0.3217 per share to shareholders of record June 25, 2012, payable July 10, 2012. This dividend results in a dividend payout ratio of 39% of earnings and based upon the closing value of Heartland BancCorp stock on March 31, 2012 a dividend yield of 4.89%.

This quarter saw our Founder and Former Chairman Tiney M. McComb lose his courageous battle with cancer. The bank and the Board of Directors would like to thank you for the outpouring of support. The McComb Family also is very thankful for your condolences. Thank you for investing in and banking with Heartland. We value your business and look forward to serving you.

Sincerely,

G. Scott McComb Vice Chairman & President

Heartland BancCorp

Consolidated Statements of Income Three Months ended March 31, 2012 and 2011

	Three Months Ended March 31, 2012 2011	
Interest Income Loans Securities	\$ 5,490,669	\$ 5,658,430
Taxable Tax-exempt Other Federal funds sold	544,202 425,040 14,543 20	611,423 405,108 6,873 15
Total interest income	6,474,474	6,681,849
Interest Expense		
Deposits Borrowings	1,129,689 87,457	1,408,672 93,243
Total interest expense	1,217,146	1,501,915
Net Interest Income Provision for Loan Losses	5,257,328 446,100	5,179,934 544,500
Net Interest Income After Provision for Loan Losses	4,811,228	4,635,434
Noninterest Income Service charges Net gains and commissions on loan sales Net realized gains on available for sale securities Net realized gain on sale of foreclosed assets Other	476,213 5,686 147,345 700 204,916	548,331 8,615 96 24,794 172,686
Total noninterest income	834,860	754,522
Noninterest Expense Salaries and employee benefits Net occupancy and equipment expense Data processing fees Professional fees Marketing expense Printing and office supplies State franchise taxes FDIC Insurance premiums Other	2,208,618 421,446 203,457 248,414 100,050 39,063 147,369 114,618 430,181	2,098,422 420,196 188,537 135,006 107,505 48,743 146,847 121,500 398,847
Total noninterest expense	3,913,216	3,665,603
Income Before Income Tax	1,732,872	1,724,353
Provision for Income Taxes	456,904	464,811
Net Income	\$ 1,275,968	\$ 1,259,542
Basic Earnings Per Share	\$ 0.83	\$ 0.82
Diluted Earnings Per Share	\$ 0.82	\$ 0.81