

Heartland BancCorp
Consolidated Balance Sheets
June 30, 2013 and 2012

| Assets | 2013 | 2012 |
|--|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 16,331,682 | \$ 10,775,012 |
| Available-for-sale securities | 120,697,279 | 144,751,190 |
| Held-to-maturity securities | 6,862,401 | 6,779,874 |
| Loans, net of allowance for loan losses of \$5,740,538 and \$3,898,496 at June 30, 2013 and 2012, respectively | 399,523,265 | 389,362,888 |
| Premises and equipment | 11,958,372 | 10,443,512 |
| Federal Reserve and Federal Home Loan Bank stock | 1,889,950 | 1,889,050 |
| Foreclosed assets held for sale | 2,698,538 | 2,521,882 |
| Interest receivable | 1,828,989 | 2,119,235 |
| Goodwill | 417,353 | 417,353 |
| Prepaid FDIC Insurance premium | - | 1,093,267 |
| Other | 4,646,052 | 1,532,951 |
| Total assets | \$ 566,853,881 | \$ 571,686,214 |
| Liabilities and Shareholders' Equity | | |
| Liabilities | | |
| Deposits | | |
| Demand | \$ 75,070,247 | \$ 66,710,814 |
| Saving, NOW and money market | 178,395,138 | 172,094,692 |
| Time | 223,268,199 | 246,197,104 |
| Total deposits | 476,733,584 | 485,002,610 |
| Short-term borrowing | 31,586,097 | 25,552,362 |
| Long-term debt | - | 3,093,000 |
| Interest payable and other liabilities | 4,780,452 | 3,407,253 |
| Total liabilities | 513,100,133 | 517,055,225 |
| Shareholders' Equity | | |
| Common stock, without par value; authorized 5,000,000 shares; issued 2013-1,544,922, 2012-1,540,207 shares | 23,203,659 | 23,094,861 |
| Retained earnings | 30,465,416 | 27,881,140 |
| Accumulated other comprehensive income | 84,673 | 3,654,988 |
| Total shareholders' equity | 53,753,748 | 54,630,989 |
| Total liabilities and shareholders' equity | \$ 566,853,881 | \$ 571,686,214 |

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

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 EthicalEnterprisingSM.



Member FDIC

HEARTLAND BANCCORP
2013 SECOND QUARTER REPORT

To Our Shareholders, Clients, and Friends:

I am pleased to report to you earnings for the second quarter and six months ending June 30, 2013. Net income for the second quarter 2013 totaled \$1.282 million or \$0.82 per diluted share compared to net income of \$3.225 million or \$2.08 per diluted share for the three months ended June 30, 2012.

Year to date 2013 net income of \$2.372 million or \$1.52 per diluted share compares to earnings of \$4.501 million or \$2.90 per diluted share for the first six months of 2012. Both second quarter and year to date 2012 earnings include net tax exempt life insurance proceeds totaling \$1.983 million recorded in other non-interest income from Heartland Bank's key-man insurance policies on its former Chairman and Founder. As of June 30, 2013 year to date net income of \$2.372 million declined \$146 thousand or 6% compared to net income of \$2.518 million excluding the one-time net insurance benefit.

Excluding the one-time net insurance benefit of \$1.983 million during the second quarter of 2012 Non-interest income of \$1.161 million for the second quarter of 2013 increased \$407 thousand or 54%. The increase in 2013 resulted from gains recorded on the sales of investment securities totaling \$465 thousand. Non-interest or operating expenses of \$4.232 million increased \$251 thousand or 7% over \$3.981 million for second quarter of 2012.

Net interest income after provision of \$4.772 million for the second quarter of 2013 trailed the prior year second quarter amount by 3% or \$146 thousand. Provision expense increased 16% totaling \$555 thousand, \$75 thousand higher than the \$480 thousand for second quarter 2012.

As of June 30, 2013 year to date net income of \$2.372 million declined \$146 thousand or 6% compared to net income of \$2.518 million (excluding the one-time net insurance benefit of \$1.983 million during the second quarter of 2012.)

Net interest income after provision expense was \$9.301 million for the first six months of 2013 representing a decline of 4% compared to net interest income after provision of \$9.729 million for the same period in 2012. The decline in net interest income was due to a 6% or \$767 thousand decline in interest income partially offset by a 23% or \$523 thousand decrease in interest expense. Both declined as a result of continued low market interest rates during this period. Non-interest income totaled \$2.012 million for the first six months of 2013 and includes gains recorded from the sale of investment securities totaling \$684 thousand.

I am pleased to share with you that our board declared a third quarter cash dividend of \$0.3217 per share to shareholders of record September 25, 2013, payable October 10, 2013. This dividend represents an annualized dividend yield of 3.83%. The consistent performance of fair returns on your investment shows the level of risk management and the strength of our franchise.

There remain significant challenges for the banking industry. Amongst them is the pressure on net interest margins from competitive refinancing terms being offered in the marketplace and higher operating cost resulting from increasing regulation. We believe interest rates are poised to increase and therefore we have positioned the bank to protect its net interest margin even at the sacrifice of some asset growth. With the local economy improving and an increase in loan demand we have deflated some of our investment portfolio and redeployed these funds into higher yielding loans. An improving economy will contribute to loan growth while reducing the downside risk of redeploying capital at unprofitable levels.

We thank you for your continued investment in Heartland BancCorp.

Sincerely,



G. Scott McComb
Chairman, President & CEO

Consolidated Financials

Heartland BancCorp Consolidated Statements of Income Three and Six Months ended June 30, 2013 and 2012

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|---------------------|------------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Interest Income | | | | |
| Loans | \$ 5,299,863 | \$ 5,457,605 | \$ 10,463,711 | \$ 10,948,274 |
| Securities | | | | |
| Taxable | 338,986 | 564,667 | 784,311 | 1,108,869 |
| Tax-exempt | 452,625 | 448,053 | 916,176 | 873,093 |
| Other | 4,462 | 9,501 | 22,799 | 24,064 |
| Total interest income | <u>6,095,936</u> | <u>6,479,826</u> | <u>12,186,997</u> | <u>12,954,300</u> |
| Interest Expense | | | | |
| Deposits | 764,338 | 992,783 | 1,550,657 | 2,122,472 |
| Borrowings | 4,443 | 88,881 | 224,915 | 176,338 |
| Total interest expense | <u>768,781</u> | <u>1,081,664</u> | <u>1,775,572</u> | <u>2,298,810</u> |
| Net Interest Income | <u>5,327,155</u> | <u>5,398,162</u> | <u>10,411,425</u> | <u>10,655,490</u> |
| Provision for Loan Losses | <u>555,000</u> | <u>480,000</u> | <u>1,110,000</u> | <u>926,100</u> |
| Net Interest Income After Provision for Loan Losses | <u>4,772,155</u> | <u>4,918,162</u> | <u>9,301,425</u> | <u>9,729,390</u> |
| Noninterest income | | | | |
| Service charges | 479,372 | 535,829 | 943,482 | 1,012,042 |
| Net Gains (losses) and commissions on loan sales | 17,500 | (519) | 33,954 | 5,167 |
| Net realized gains on available-for-sale securities | 464,943 | 25,460 | 684,103 | 172,805 |
| Net Realized Gain, (loss) on sale of foreclosed assets | 22,008 | 2,378 | (40,919) | 3,078 |
| Benefit in excess of life insurance cash value | - | 1,983,025 | - | 1,983,025 |
| Other | 177,369 | 190,785 | 391,644 | 395,701 |
| Total noninterest income | <u>1,161,192</u> | <u>2,736,958</u> | <u>2,012,264</u> | <u>3,571,818</u> |
| Noninterest Expense | | | | |
| Salaries and employee benefits | 2,166,188 | 2,088,073 | 4,344,330 | 4,296,691 |
| Net Occupancy and equipment expense | 453,428 | 449,155 | 926,043 | 870,601 |
| Data processing fees | 220,790 | 209,792 | 445,523 | 413,249 |
| Professional fees | 252,940 | 152,784 | 448,975 | 401,198 |
| Marketing Expense | 99,999 | 100,050 | 199,998 | 200,100 |
| Printing and office supplies | 42,030 | 52,454 | 81,368 | 91,517 |
| State franchise taxes | 153,725 | 145,013 | 312,115 | 292,382 |
| FDIC Insurance premiums | 118,503 | 115,095 | 237,006 | 229,713 |
| Other | 724,541 | 668,391 | 1,206,470 | 1,098,572 |
| Total noninterest expense | <u>4,232,144</u> | <u>3,980,807</u> | <u>8,201,828</u> | <u>7,894,023</u> |
| Income before Income Tax | <u>1,701,203</u> | <u>3,674,313</u> | <u>3,111,861</u> | <u>5,407,185</u> |
| Provision for Income Taxes | <u>419,550</u> | <u>448,871</u> | <u>739,653</u> | <u>905,775</u> |
| Net Income | <u>\$ 1,281,653</u> | <u>\$ 3,225,442</u> | <u>\$ 2,372,208</u> | <u>\$ 4,501,410</u> |
| Basic Earnings Per Share | <u>\$ 0.83</u> | <u>\$ 2.09</u> | <u>\$ 1.54</u> | <u>\$ 2.92</u> |
| Diluted Earnings Per Share | <u>\$ 0.82</u> | <u>\$ 2.08</u> | <u>\$ 1.52</u> | <u>\$ 2.90</u> |