

Annual Report 2010



 **Heartland
Bank** and Trust
Company
MEMBER FDIC



Fred L. Drake
Chairman and CEO

Viewpoint

Dear Friends,

It is my pleasure to report to you that 2010 was another good year for Heartland Bank. And thankfully, the banking industry as a whole is healthier as we move into 2011. Large banks have added capital to bolster their strength and have mostly returned to profitability, although some smaller banks continue to struggle in certain areas of the country.

The economy is showing signs of improvement. We are quite fortunate to be located in the heartland of America, where our markets have very strong employers. I have often said that when people are working, they pay their bills. Although most of our communities still have higher unemployment than is typical, we are better off than much of the country.

In 2010, Heartland's total assets increased from \$1.45 billion to \$1.64 billion, largely due to our acquisition of Bank of Illinois in Normal, Illinois. Total assets include cash, investments in bonds, and buildings and equipment, yet the biggest component is customer loans. Heartland Bank's total loan portfolio increased from \$1.08 billion

to \$1.22 billion. Virtually all of our loans are made to borrowers in our local communities. It's a strong testament to our role as a true community bank.

Because of record-low mortgage rates in 2010 we handled a significant volume of mortgage refinances. Our loan originators (together with our entire loan support team of underwriting, processing, and servicing) did an excellent job serving our customers with the quality and personal care that is expected from Heartland Bank.

Our capital ratio is a solid 10.5% of total assets. Our earnings in 2010 were strong with a Return on Average Assets (ROAA) of 1.30%, which is up from approximately 1.16% in 2009. Generally, 1.0% ROAA is a target for good bank performance, and we strive to continually outperform that benchmark.

Our core deposit base continued to grow as customers referred their friends and associates. The integration of Bank of Illinois into Heartland Bank took place in record time, which was helpful in moving past an unfortunate situation.

A big reason for our overall success is our efficiency compared to many other community banks. Our network of branches allows us to spread senior management and back office overhead over a broad base. We also have excellent people in all our locations whom we support with top-notch technology. Most importantly, we focus on serving our local communities across the heartland! Our strong customer base has made us the solid bank that we are.

Looking ahead, I remain confident that our team will manage future challenges successfully, just as we have in times past. We have longevity and experience throughout our organization. In my 30 years of banking, we have managed through incredible change. Rest assured, we will stay focused on our customers and our solid banking principles. Our mission remains: Create value for our customers, earn a profit for the bank, and have fun doing it!

Best regards,

Fred L. Drake
Chairman and CEO

Leadership with latitude

Our focus on steady growth and continuity in the way we serve our communities means providing our people with the best training, tools, autonomy, and leadership. With decades of combined experience and knowledge of the ever-changing banking industry, our senior managers provide local direction and accountability to over 450 employees in 25 communities. Committed to remaining a strong, independent bank, we are focused on the basics of banking.

Key Management



Fred L. Drake
Chairman and CEO



Patrick F. Busch
President



Lance Carter
Executive Vice President
Chief Credit Officer



Matt Doherty
Executive Vice President
Chief Financial Officer



Stephen P. Drake
Executive Vice President
Champaign-Urbana



Martin Dudley
Executive Vice President
Data Services



Larry Heacock
Executive Vice President
Gibson City / Rural Markets



Larry Horvath
Senior Vice President
Commercial Lending



Diane Lanier
Executive Vice President
Chief Retail Officer



Jim Lyons
Vice President
Controller



Patty Parette
Vice President
Human Resources



Damon Piper
Senior Vice President
Washington / Pekin / Morton



Don Shafer
Senior Vice President
Peoria



Marty Thornton
Senior Vice President
Agricultural Services



Mark Tyrpin
Senior Vice President
Quincy / Western Region



Don Wettstein
Senior Vice President
Asset Management & Trust Svcs.

Board of Directors:

Fred Drake
Allen Drake

Patrick F. Busch
George Drake

Terry Brown
Stephen P. Drake

Eric Burwell
Dale Strassheim

Miles of customer service

Whether customers simply need a branch right down the street or the convenience of multiple locations, Heartland Bank is positioned to meet a variety of banking needs. We remain dedicated to supporting local families and businesses with products, services, and locations that make it easier than ever to bank with us.

In 2010, we added the Uptown Normal office to our group of branches in Bloomington-Normal, providing better opportunities to serve the community, as well as the nearby student body and businesses. We also opened a new retail banking office on the east side of Macomb.

Remodeling took place at several offices – from a simple fresh coat of paint to the complete installation of new technology. Such improvements help our employees serve customers more efficiently and make them feel good about coming to work. For our customers, it shows we care about them too!



Cycle of community banking

Headquartered in Bloomington, Illinois, Heartland Bank is proud to serve the heartland with 42 locations in 25 communities. A true community bank, we offer not only deposit and loan services, but also agriculture and asset management services built on a strong foundation of trust and experience. We have a long history of giving local managers the power to manage and make loans in their own market areas. This dedication to reinvesting local deposits back into the local community is what brings continued success. The neighbors, farmers, and businesses are a vital part of the local economy, and we are honored to share the spotlight with them.



Measuring service

In Hours Volunteered



In Smiles Made



In Funds Raised



In Knowledge Passed



Keeping "community" in banking.

Heartland Bank's commitment to community extends far beyond our offices. As a caring community bank, we routinely support endeavors to better the lives and economic health of our markets by investing in education, housing, and economic development. Our employees also actively volunteer their time, talents, knowledge, and financial support by serving meals with a side of smiles, raising money for local organizations in "Dr. Seussian style", and teaching financial "cents."

10.54% Capital to Assets
is the strong capital base that provides
our safe and secure foundation



42 Offices
in 25 communities



467 Employees
providing superior
customer service



\$1.4 Billion
total deposits



53 ATMs
for more banking
convenience



\$1.2 Billion in loans to local
businesses, farmers, and homeowners

Energizing local business

In a year where some banks began to lose focus on lending, our lenders continued to do what we do best—making good loans to strong local businesses. Lenders in each of the Heartland Bank communities drew from strong experience, solid lending practices and knowledge of our local area to make loans for construction, manufacturing, agriculture, municipalities, and small businesses. With an understanding that small businesses are the backbone of the communities in which we operate, local loans to local businesses mean local jobs, and that is a win-win for everyone! Our customers know that banking with Heartland means personal service and banking that's simple—that's what they expect from a local community bank.



Lance Carter
Executive Vice President



Stephen P. Drake
Executive Vice President



Larry Horvath
Senior Vice President



Damon Piper
Senior Vice President



Don Shafer
Executive Vice President



Mark Tyrpin
Senior Vice President

Patrick F. Busch
President
Chief Lending Officer

New tools for business speak volumes

As the industry trend shifted toward more fee-based services, Heartland Bank proudly continued to offer Totally Free Business Checking designed specifically for small businesses. With no minimum balance or monthly service fees and up to 500 free monthly transactions, our business checking remains one of the most comprehensive free business accounts in our footprint.

In 2010, uncertainty about the economy continued to drive consumer financial decision making. Our lenders know that successfully serving our customers means understanding how, when, and where they want to get information so that we make it easy and efficient for them to transact their

financial business. Partnering locally with business development centers, economic development councils and SCORE, we focused on supporting our small business customers with both financial and consultative resources to help them grow. In September, the Small Business Jobs Act was signed into law permitting us to do more SBA lending than ever before.

Providing electronic solutions for cash flow management and fraud detection in an environment where suppliers across the country are financially unstable became

essential to our customer base. For this purpose, we continue to invest in technology and services to fit their growing needs.

In 2010, we added the Lockbox Service through Treasury Management to automate the collection and processing of payments for our business customers. Our Treasury Management team is committed to providing many

smart, turnkey solutions to help our business customers spend more time running their business and less time on banking.

*I spend more time
running
my business and
less time
on banking!*

- A Satisfied Customer



Barb Carr
Assistant Vice President
Customer Care / Online



Cheryl Dawson
Vice President
Peoria



Jeff Damler
Champaign-Urbana



Nick Esser
Vice President
Morton



Cindy Greene
Vice President
Treasury Services



Cassie Mosley
Assistant Vice President
Quincy



Mark Wagner
Bloomington-Normal

Short distance, long haul

Oil prices, emerging markets, and tax-law extensions. Our Asset Management and Trust Services division spent much of 2010 looking beyond the headlines to what all this meant for our customers and their investment goals. Understanding the impact these factors had on our clients' investment goals means our Trust Officers focused their time, training, and experience to ensure long and short-term client goals met with measurable success. Providing professional experience like this, along with personal attention on a local level, is what sets us apart.

This year we focused on removing financial planning road blocks by introducing Silver Planner. This new service takes current situations and financial goals into account, and then develops a thorough analysis complete with solid recommendations. At Heartland Bank and Trust, it still comes down to easy to understand explanations across a table in an office near you. We look forward to working closely with our clients and their trusted friends in 2011 to build customized portfolios including a full range of investment management, retirement plans, and trust services.

Don Wettstein
Senior Vice President
Senior Trust Administrator



Jennifer Kampwerth



Gregg McElroy



Kerry O'Connor



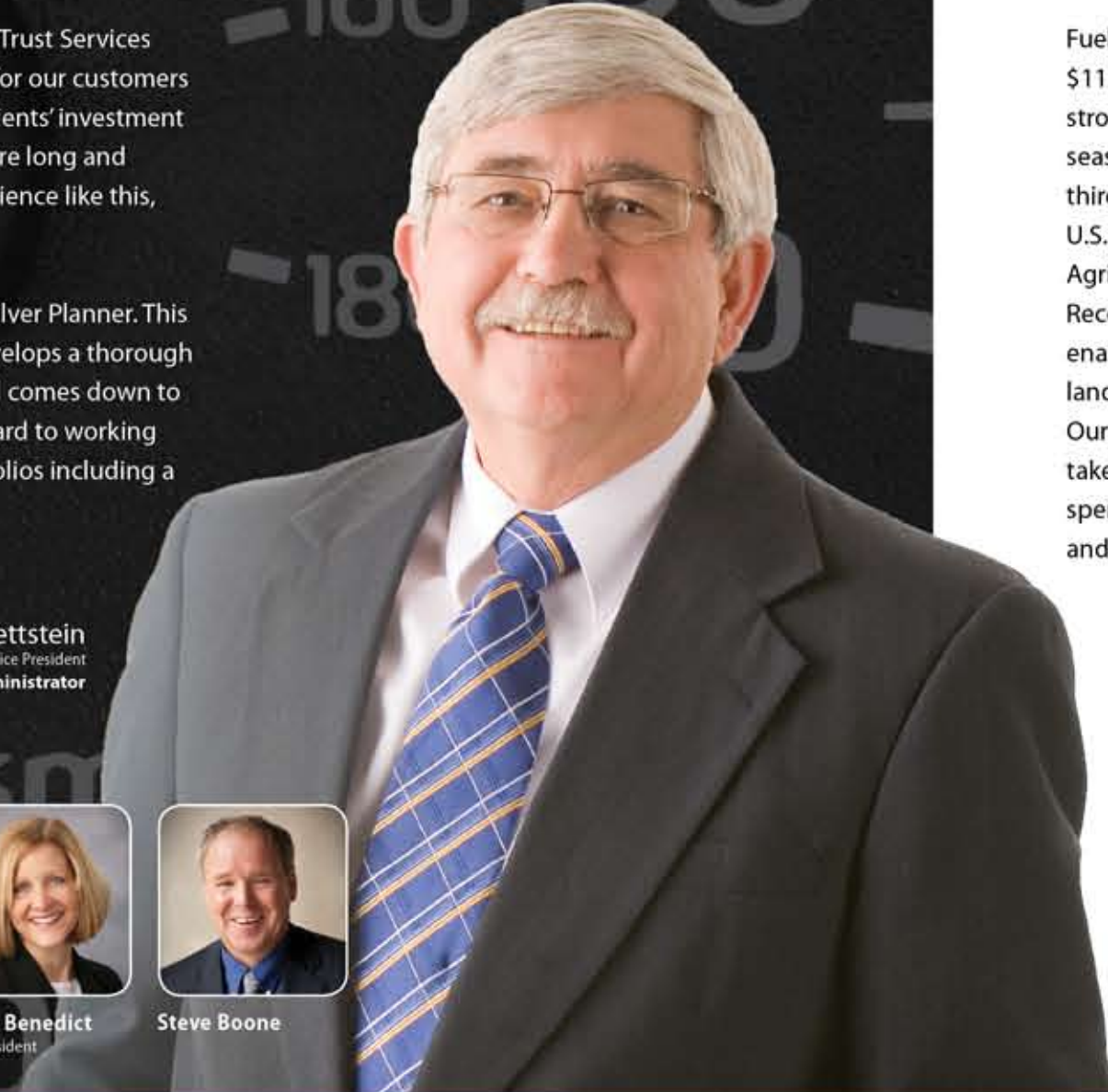
Barb Adams



Cathy Benedict
Vice President



Steve Boone



Strong ag roots mean strong customer yields

Fueled by cash corn at \$5 and soybeans at \$11.50 per bushel, local land values remained strong in 2010. During the 2010 growing season, U.S. corn growers harvested the third largest crop on record according to the U.S. Department of Agriculture's National Agricultural Statistics Service (NASS). Record pricing and strong land values enabled farm operation expansion and land acquisition in many of our markets. Our Ag Lending team helped customers take advantage of these conditions by spending time with our clients in the field and at the office, working on loans to meet

their individualized needs for equipment purchases, improvements, and expansion.

Heartland Bank's Ag Services Department continues to focus on farm management and real estate services for landowners. In 2010, they helped to increase income, conserve assets, and maximize customer profits across the heartland. Keeping client objectives in mind, our farm management team handles all of the day-to-day operations of farm management, and informs clients about

changes in agriculture and the impact on their farm operations on a regular basis.

Our customers also come to us for the knowledge and experience of our licensed real estate professionals and to take advantage of strong pricing. Heartland Bank clients know that working with a local community bank means they will receive personal attention from professionals with experience in analysis, appraisals, marketing and pricing to accomplish their goals.



Marty Thornton
Senior Vice President



Warren Basting
Vice President



Tom Hand
Senior Vice President



Larry Heacock
Executive Vice President



Randy Jacobs
Vice President



Tom Kahle
Executive Vice President



Kregg Ummel
Vice President



Tim Woods



Matt Wyss

Mortgage lending levels

In 2010, average mortgage rates were the lowest we have seen since 1955. Mortgage originators together with our entire loan support team of processing, underwriting, and servicing worked tirelessly to keep up with the customer demand for refinancing. Loan application volumes were a testament to the strong relationships our lenders have built based on experience, trust, and fast local decision making, which is characteristic of our community bank model.

Home loans come in all shapes and sizes. We increased our efforts for lending outreach and financial education in our communities to help home buyers choose a loan that's right for them. Nationally, the FHA (Federal Housing Administration) loans comprised approximately 40 percent of all mortgage loan transactions in 2010. In our markets, the combination of great rates, low fees, quick decisions, excellent customer service, and conservative lending practices, have helped our lenders become community home loan leaders.



Aaron Johnson
Senior Vice President
Champaign - Urbana



Mary Asbell
Morton



Samantha Brown
Bloomington - Normal



Amanda Blythe
Champaign - Urbana



Christie Cook
Peoria



Linda Haas
El Paso



Kelli Hinton
Missouri



Doug Koonce
Bloomington - Normal



Tina Marlett
Bloomington - Normal



Margo Martin
Rural Markets



Shelley Miller
Quincy



Aaron Rose
Washington



Paul Scherer
Pekin

Banking worth telling a friend about

Trust is important at Heartland Bank and to our customers. That's why our customers continue to refer their friends and family to Heartland and why our bank continues to stand out as one of the strongest banks around. We are honored by the trust placed in us by our customers who say, "Go to Heartland. That's my bank!"



Diane Lanier
Executive Vice President
Chief Retail Officer

Several regulatory and market changes took place in 2010. The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law July 21. And in a long anticipated move, the FDIC permanently increased the deposit insurance coverage limit to \$250,000 per depositor.

Interest rates on deposit accounts continued their decline. While hard to fathom rates would continue to fall, Heartland remained

We are honored by the trust placed in us by our customers who say, "Go to Heartland. That's my bank!"

true to its history of offering rates that were competitive and fair for the current rate environment. And while some banks rushed to add fees to previously free checking accounts, our line of checking products – including Totally Free Checking – remained unchanged and a good value.

We will continue to invest in our people and our technology to provide the services our customers value...and that's banking worth telling a friend about!



Cindy Rahn
Assistant Vice President
Peoria



Laura Russell
Vice President
Champaign - Urbana



Millie Shields
Vice President
Western IL / Northeast MO



Diana Witte
Vice President
Bloomington - Normal

Measures of progress

Statement of Condition

Heartland Bank and Trust Company

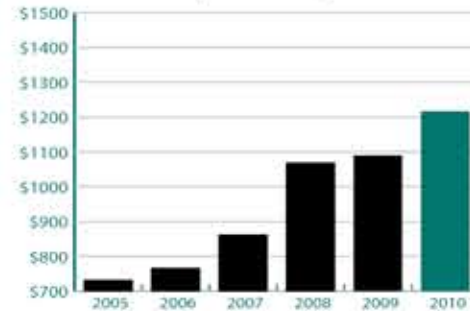
December 31, 2010
(in thousands)

Assets	2010	2009
Cash and Equivalents	\$33,690	\$33,479
Fed Funds Sold	3,761	732
Fixed Income Securities	269,748	232,451
Loans, Net of Reserves	1,217,225	1,090,048
Fixed and Other Assets	114,722	91,560
TOTAL ASSETS	\$ 1,639,146	\$ 1,448,270

Liabilities & Capital	2010	2009
Total Deposits	\$1,400,761	\$1,253,608
Fed Funds/Repurchase Agreements	9,098	9,104
FHLB Advances	38,501	10,992
Other Liabilities	17,941	13,597
Total Capital	172,845	160,969
TOTAL LIABILITIES & CAPITAL	\$ 1,639,146	\$ 1,448,270

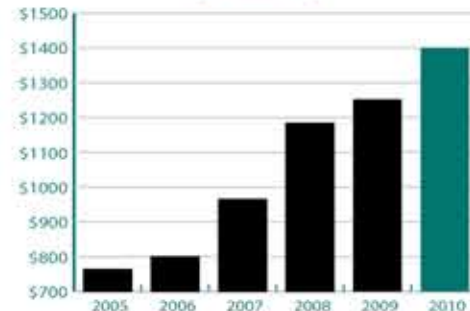
LOANS

(in millions)



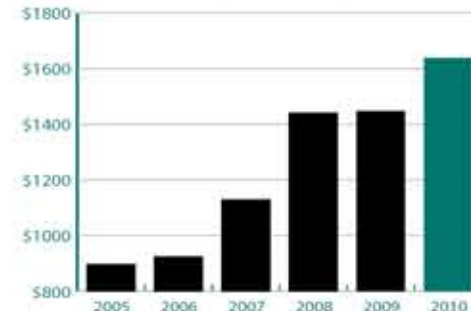
DEPOSITS

(in millions)



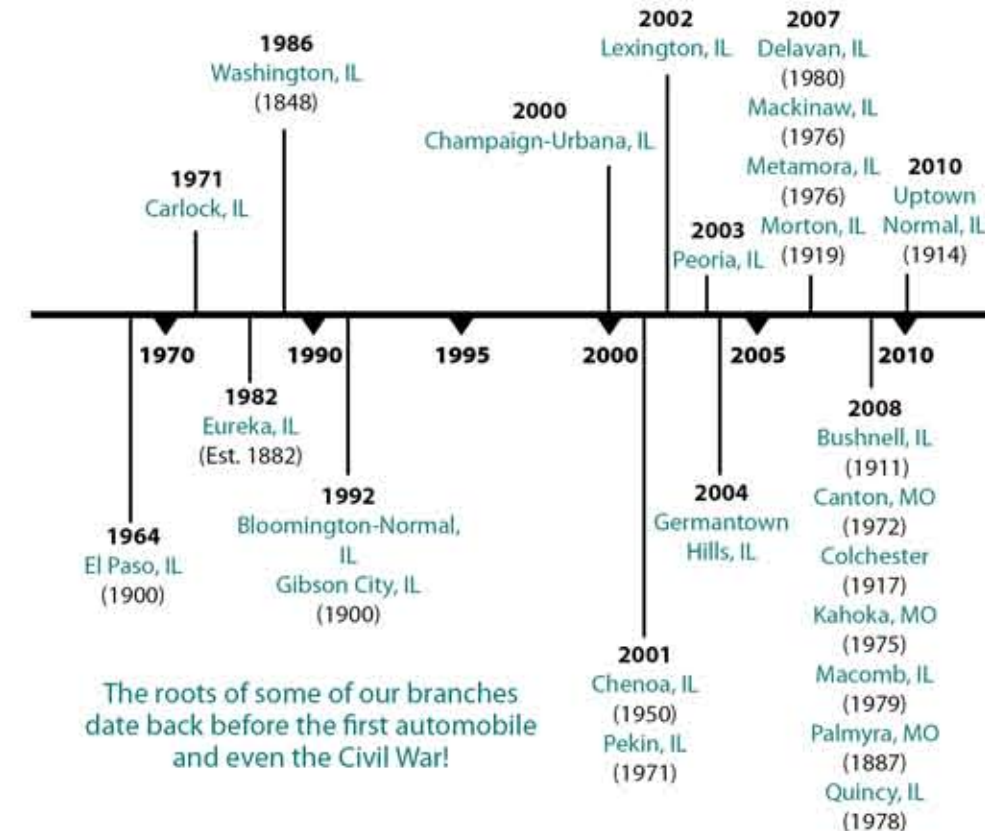
ASSETS

(in millions)



Our philosophy remains steadfast

Our philosophy of helping people dates back to the early 1900's in a small rural town in Central Illinois. Life was slower and simpler then, but needs were the same: people needed a place to live, money to live on or to run a business, and investments for a secure future.



With strong and conservative roots, we look forward to continued success as a leading community bank. Our customers benefit from knowledgeable, hard-working leaders who are passionate about banking. We've remained committed to communities that fit our mission – those who value what a true community bank can bring. Our staff of well-qualified, experienced bankers will keep Heartland Bank on the right track for a successful future.

As we move into 2011, we're exploring new avenues to bring banking to our ever mobile customers, more opportunities to help citizens achieve the dream of home ownership, and adding additional Treasury Management services for businesses. We are excited about the road ahead and what it means to the people and communities we serve.

Our focus remains the same today as it was nearly 90 years ago: provide quality service and products customers expect and deserve. *We're here for you!*

Heartland Bank and Trust Company is a wholly owned subsidiary of Heartland Bancorp, Inc. Heartland Bancorp, Inc. is a privately held company headquartered in Bloomington, IL.

***We're here
for you!***

Central Illinois

Bloomington-Normal
Carlock
Champaign-Urbana
Chenoa
Delavan
El Paso
Eureka
Germantown Hills
Gibson City
Lexington
Mackinaw
Metamora
Morton
Pekin
Peoria
Washington

Western Illinois

Bushnell
Colchester
Macomb
Quincy

Northeast Missouri

Canton
Kahoka
Palmyra

Customer Care Center

888-897-2276

Locations and ATMs

hbtbank.com



Heartland Bank

and Trust
Company

MEMBER FDIC