



PUBLIC DISCLOSURE

August 29, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Heartland Bank
Charter Number 702165

212 South Central Street, Suite 200
St. Louis, MO 63105-3506

Office of the Comptroller of the Currency

St. Louis Field Office
2350 Market Street, Suite 100
St. Louis, MO 63103

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING 1

SCOPE OF EXAMINATION..... 1

DESCRIPTION OF INSTITUTION 2

RATINGS 3

LOAN-TO-DEPOSIT RATIO 3

LENDING IN ASSESSMENT AREA..... 3

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW..... 4

MULTISTATE METROPOLITAN AREA RATING 5

 ST. LOUIS MO-IL MULTISTATE MSA # 41180..... 5

STATE RATING..... 13

 STATE OF COLORADO..... 13

APPENDIX A: SCOPE OF EXAMINATION..... 1

APPENDIX B: SUMMARY OF MULTISTATE METROPOLITAN AREA AND STATE RATINGS 1

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The bank's overall rating is a blend of Heartland Bank's two assessment areas (AAs). The primary factors supporting this rating are:

- Lending to individuals with different income levels is reasonable. Lending to businesses of different sizes is reasonable.
- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the AAs credit needs.
- The distribution of loans among geographies reflects reasonable dispersion.
- A majority of loans are originated or purchased within its AAs.
- Community development activities demonstrate adequate responsiveness to the needs of its AAs.

Scope of Examination

Heartland Bank (HB) was evaluated under the Intermediate Small Bank performance criteria, which include a lending test and a community development (CD) test. The lending test evaluates HB's record of helping to meet the credit needs of its AAs through its lending activities. The CD test evaluates HB's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services.

HB has two AAs in two states, the St. Louis AA in Missouri, and the Denver AA in Colorado. The St. Louis AA includes Franklin, Jefferson, St. Charles, and St. Louis Counties and the city of St. Louis, which are part of the multi-state St. Louis MO-IL Metropolitan Statistical Area (MSA) #41180. The Denver AA includes all of Denver County, which is part of the Denver-Aurora-Broomfield, CO MSA #19740. Both AAs received full-scope reviews, but examiners placed the greatest weight on HB's performance in the St. Louis AA.

The evaluation period is from June 17, 2008 through August 29, 2013. Conclusions regarding the bank's lending performance are based on HB's primary loan products: residential real estate (RRE) and business (non-agricultural) loans. Equal weight was placed on each loan product. We conducted data integrity reviews of the RRE loans reported under the Home Mortgage Disclosure Act (HMDA) and all business loans originated or purchased in 2011 and 2012. We found the HMDA and business data to be accurate and reliable.

We analyzed all HMDA and all business loans that HB originated or purchased from January 1, 2011 through December 31, 2012, and CD activities from June 17, 2008 through August 29, 2013. Loans originated or purchased in 2011 were analyzed using 2000 Census information and 2011 aggregate peer data. Loans originated or purchased in 2012 were analyzed using 2010 Census information and 2012 aggregate peer data.

Description of Institution

Heartland Bank (HB) is wholly owned by Love Savings Holding Company, located in St. Louis, MO. The bank has three operating subsidiaries:

- Hallmark Financial Services in St. Louis, MO sells non-deposit investment products;
- Heartland Business Credit Corporation is a lease finance company headquartered in Denver, CO; and
- Love Funding Corporation, headquartered in Washington D.C. with offices in St. Louis, MO and Cincinnati OH. It is a HUD MAP & LEAN approved lender, offering financing for multifamily housing, healthcare facilities and hospitals.

HB also has two joint ventures with Heartland Preferred Mortgage Company, LLC and Heartland Premier, LLC. Heartland Preferred is a joint venture with McBride Home Builders to finance McBride's real estate, and Heartland Premier is a joint venture with Coldwell Banker to originate 1-4 family homes that HB underwrites, books, and then may sell.

HB also has an affiliate named Heartland Premier Investments, LLC, which owns 51% of Heartland Premier, LLC. HB Realty, a bank servicing company, buys HB's other real estate owned to manage and/or dispose of.

HB offers a full range of loan and deposit products and services to its customers. As of September 30, 2013, HB has total assets of \$867 million, total deposits of \$694 million, net loans of \$634 million, and a net Tier 1 Capital of \$85 million. Net loans represent 73% of total assets.

HB's business strategy focuses on the origination of RRE loans and commercial loans. The loan portfolio is comprised of commercial loans (51%), residential real estate loans (26%), leases (18%), and other loans (5%).

HB is an interstate federally chartered stock institution with eleven branches in Missouri and one branch in Colorado. One branch in Missouri is located in a moderate-income geography. The other ten branches in Missouri and the one branch in Denver are located in either middle- or upper-income geographies. Each branch has an automated teller machine (ATM) on the premises. In December 2012, HB closed a limited-service branch in Missouri that was in an upper-income geography. This branch served residents of the Friendship Village of South County retirement community only, and was three miles from another branch in a middle-income geography. There were no acquisitions, mergers, or branch openings during the evaluation period.

HB received a satisfactory rating at its last CRA examination dated June 17, 2008. There are no legal, financial, or other factors impeding HB's ability to help meet the credit needs of the AAs it serves.

Ratings

The bank's overall rating is a blend of the multistate St. Louis MO-IL MSA #41180 rating and the State of Colorado rating. Both AAs received full-scope reviews. Examiners placed the greatest weight on HB's performance in the St. Louis AA because this AA holds 97% of HB's total deposit base, represents 98% of all loan originations and purchases, and contains 92% of the bank's branches. Little weight was placed on HB's performance in the Denver AA.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

HB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, its financial condition, and credit needs of the AAs.

The quarterly average LTD ratio since the last evaluation is 80%, with a quarterly low of 62% and a quarterly high of 102%. This ratio is above two banks and below twenty-two other banks comparable in size and location. The average quarterly LTD for these similarly situated banks ranges from 68% to 122% for the same period.

Lending in Assessment Area

HB originated a majority of its loans inside the AAs. Based on all HMDA data and business loans made in 2011 and 2012, 73% by number and 83% by dollar amount are made within the bank's AAs.

During the period from January 1, 2011 through December 31, 2012, HB made 4,036 home mortgage loans and 258 business loans in the AAs, totaling \$73 million.

Approximately 94% by number of loans originated or purchased in the AAs are home mortgage loans and 6% are business loans. A substantial majority (98%) of the home mortgage and business loans are made in the St. Louis AA. Only 2% of the home mortgage and business loans are made in the Denver AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

Multistate Metropolitan Area Rating

St. Louis MO-IL Multistate MSA

CRA Rating for the St. Louis MO-IL Multistate MSA¹: Satisfactory.

The Lending test is rated: Satisfactory.

The Community Development test is rated: Outstanding.

The major factors that support the overall rating include:

- The borrower income distribution reflects excellent penetration for RRE loans and reasonable penetration of loans to small businesses.
- The geographic distribution reflects reasonable dispersion for RRE loans and excellent dispersion for loans to small businesses.
- HB demonstrates excellent responsiveness to the CD needs of the AA.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ST. LOUIS AA

The St. Louis AA includes Franklin, Jefferson, St. Charles, and St. Louis Counties and the city of St. Louis, which are a portion of the multi-state St. Louis MO-IL MSA #41180. HB has eleven branch offices located in the St. Louis AA. St. Louis AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

HB's AA did not change during the evaluation period; however, the census information changed the demographics of the St. Louis AA. Low-income census tracts (CTs) in the AA increased from 11% per the 2000 Census to 13% per the 2010 Census, but moderate-income CTs decreased from 22% to 20%.

Below is some key 2000 and 2010 Census information for the St. Louis AA.

¹This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Demographic Information for Full Scope Area: St Louis AA – 2000 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs)	390	10.77	21.79	40.77	25.64	1.03
Population by Geography	1,940,293	5.78	18.81	45.59	29.81	0.01
Owner-Occupied Housing by Geography	538,933	2.96	15.45	48.59	33.00	0.00
Business by Geography	188,173	4.13	14.83	42.17	38.52	0.35
Farms by Geography	3,956	1.11	9.61	56.17	33.09	0.02
Family Distribution by Income Level	508,572	18.33	17.68	22.06	41.93	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	183,175	10.76	29.44	46.09	13.71	0.00
Median Family Income (MFI) HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		53,435 69,500 9%		Median Housing Value Unemployment Rate (2000 US Census)	114,630 2.84%	

Source: 2000 US Census and 2011 HUD-updated MFI

Demographic Information for Full Scope Area: St Louis AA – 2010 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs)	443	12.87	19.64	35.89	31.15	0.45
Population by Geography	1,998,958	8.28	18.44	38.24	34.99	0.05
Owner-Occupied Housing by Geography	563,886	4.45	16.43	40.76	38.36	0.00
Business by Geography	183,859	5.83	15.99	34.72	43.36	0.10
Farms by Geography	4,074	2.23	13.70	45.41	38.59	0.07
Family Distribution by Income Level	514,273	17.92	18.32	25.43	38.33	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	186,343	7.50	18.73	37.70	36.07	0.00
Median Family Income (MFI) HUD Adjusted Median Family Income for 2012 Households Below Poverty Level		67,013 70,400 11%		Median Housing Value Unemployment Rate (2010 US Census)	185,725 4.13%	

Source: 2010 US Census and 2012 FFIEC-estimated MFI

Bank competition is strong in the St. Louis AA. As of June 30, 2013, 83 financial institutions operate 619 offices in the AA. HB ranks 19th, with a 0.88% deposit market share in the AA. Deposits are concentrated with five institutions holding 64% of the AA deposits in 184 branches.

Major employers include BJC Healthcare, Boeing Defense, SSM Healthcare System, and Washington University. Major industries include services, followed by government and retail trade. The area economy is starting to improve. According to the U.S.

Department of Labor Bureau of Labor Statistics, the August 31, 2011 unemployment rate for the St. Louis MO-IL MSA was 9.1%. As of August 31, 2013, the unemployment rate had improved to 7.4%. This compares to the State of Missouri unemployment rate as of August 31, 2013 of 7.2% and the national unemployment rate of 7.2%. As of the 2000 and 2010 Census data, 7% and 8% of families were below the poverty level, respectively.

We contacted a representative of the St. Louis Equity Fund. The contact did not identify any specific unmet credit needs. The contact stated that the local banks have a high level of opportunity for involvement in their communities, and that their involvement has been satisfactory.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE ST. LOUIS AA

LENDING TEST

The bank's performance under the lending test in the St. Louis MO-IL Multistate MSA is rated "Satisfactory."

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to individuals with different income levels is excellent. Lending to businesses of different sizes is reasonable. RRE loans exceed the standard for satisfactory performance, while business loans meet the standard for satisfactory performance.

Residential Real Estate Loans

The overall borrower distribution of RRE loans made in 2011 and 2012 reflects excellent penetration. In evaluating the borrower distribution of RRE loans, we considered the large number of families that live below the poverty level (7% per the 2000 Census and 8% per the 2010 Census) and the barriers this may have on home ownership.

The percentage of 2011 RRE loans made to low-income borrowers (10%) exceeds the HMDA Peer (7%), although it is lower than the percentage of low-income families in the AA (18%). The percentage of RRE loans made to moderate-income borrowers (20%) exceeds both the HMDA Peer (16%) and the percentage of moderate-income families in the AA (18%).

2011 Borrower Distribution of Residential Real Estate Loans in the St. Louis AA			
Borrower Income Level	% of Number Loans	% Aggregate HMDA Peer	% of AA Families
Low	10.19%	7.12%	18.33%
Moderate	20.39%	15.91%	17.68%
Middle	24.77%	18.50%	22.06%
Upper	40.09%	38.27%	41.93%
Unavailable	4.56%	20.20%	0.00%
Total	100.00%	100.00%	100.00%

Source: HB's 2011 HMDA data; 2011 HMDA Peer data; and 2000 U.S. Census Data.

The percentage of 2012 RRE loans made to low-income borrowers (9%) exceeds the HMDA Peer (8%), but it is lower than the percentage of low-income families in the AA (18%). The percentage of RRE loans made to moderate-income borrowers (20%) exceeds both the HMDA Peer (16%) and the percentage of moderate-income families in the AA (18%).

2012 Borrower Distribution of Residential Real Estate Loans in the St. Louis AA			
Borrower Income Level	% of Number Loans	% Aggregate HMDA Peer	% of AA Families
Low	9.48%	7.74%	17.92%
Moderate	20.47%	15.42%	18.32%
Middle	20.73%	18.55%	25.43%
Upper	40.99%	39.17%	38.33%
Unavailable	8.33%	19.12%	0.00%
Total	100.00%	100.00%	100.00%

Source: HB's 2012 HMDA data; 2012 HMDA Peer data; and 2010 U.S. Census Data.

Small Business Loans

HB's overall distribution of loans to small businesses in 2011 and 2012 is reasonable.

The percentage of 2011 loans to businesses with revenues of \$1 million or less (40%) is near peer (43%) and below the business demographic data (65%) by number of loans extended to businesses in the AA.

2011 Borrower Distribution of Loans to Businesses in the St. Louis AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Aggregate Peer	43%	NA	NA	NA
% of AA Businesses	65%	4%	31%	100%
% of Bank Loans in AA by #	40%	41%	19%	100%

Source: Bank-provided business loans originated in 2011; 2011 Business Demographic Data; and 2011 Business Peer Data by lenders reporting business loans.

The percentage of 2012 loans to businesses with revenues of \$1 million or less (42%) exceeds peer (38%) and is below the business demographic data (69%) by number of loans extended to businesses in the AA.

2012 Borrower Distribution of Loans to Businesses in the St. Louis AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of Aggregate Peer	38%	NA	NA	NA
% of AA Businesses	69%	5%	26%	100%
% of Bank Loans in AA by #	42%	58%	0%	100%

Source: Bank-provided business loans originated in 2012; 2012 Business Demographic Data; and 2012 Business Peer Data by lenders reporting business loans.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion. RRE loans meet the standard for satisfactory performance, while business loans exceed the standard for satisfactory performance.

Residential Real Estate Loans

HB’s overall geographic distribution of 2011 and 2012 RRE loans reflects reasonable dispersion.

The percentage of 2011 RRE loans made to borrowers in low-income CTs (1%) is equal to peer (1%) but lower than the percentage of owner-occupied housing in the low-income CTs (3%). The percentage of 2011 RRE loans made to borrowers in moderate-income CTs (5%) is below peer (7%) and significantly lower than the percentage of owner-occupied housing in the moderate-income CTs (15%).

2011 Geographic Distribution of Residential Real Estate Loans in the St. Louis AA			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Owner Occupied Housing
Low	0.81%	0.87%	2.96%
Moderate	5.07%	7.47%	15.45%
Middle	49.34%	44.47%	48.59%
Upper	44.78%	47.16%	33.00%
Unavailable	0.00%	0.03%	0.00%
Total	100.00%	100.00%	100.00%

Source: HB’s 2011 HMDA data; 2011 HMDA Peer data; and 2000 U.S. Census Data.

The percentage of 2012 RRE loans made to borrowers in low-income CTs (1%) is near peer (1%) but below the percentage of owner-occupied housing in the low-income CTs (4%). The percentage of 2012 RRE loans made to borrowers in moderate-income CTs (5%) is lower than peer (9%) and significantly lower than the percentage of owner-occupied housing in the moderate-income CTs (16%).

2012 Geographic Distribution of Residential Real Estate Loans in the St. Louis AA			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Owner Occupied Housing
Low	0.85%	1.47%	4.45%
Moderate	5.12%	8.59%	16.43%
Middle	37.65%	37.47%	40.76%
Upper	56.38%	52.47%	38.36%
Unavailable	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%

Source: HB's 2012 HMDA data; 2012 HMDA Peer data; and 2010 U.S. Census Data.

Small Business Loans

HB's overall geographic distribution of loans to small businesses in 2011 and 2012 reflects excellent dispersion.

The percentage of 2011 business loans made to borrowers in low-income CTs (6%) exceeds both peer (3%) and the percentage of businesses in the low-income CTs (4%). The percentage of 2011 business loans made to borrowers in moderate-income CTs (19%) exceeds both peer (12%) and the percentage of businesses in the moderate-income CTs (15%).

2011 Geographic Distribution of Loans to Businesses in the St. Louis AA			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Businesses
Low	6.03%	3.45%	4.13%
Moderate	18.97%	12.30%	14.83%
Middle	31.90%	41.17%	42.17%
Upper	43.10%	43.08%	38.52%
Unavailable	0.00%	0.00%	0.35%
Total	100.00%	100.00%	100.00%

Source: Bank-provided business loans originated in 2011; 2011 Business Demographic Data; and 2011 Business Peer Data by lenders reporting business loans.

The percentage of 2012 business loans made to borrowers in low-income CTs (9%) exceeds both peer (5%) and the percentage of businesses in the low-income CTs (6%). The percentage of 2012 business loans made to borrowers in moderate-income CTs (22%) exceeds both peer (15%) and the percentage of businesses in the moderate-income CTs (16%).

2012 Geographic Distribution of Loans to Businesses in the St. Louis AA			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Businesses
Low	8.94%	5.27%	5.83%
Moderate	21.95%	14.92%	15.99%
Middle	23.58%	33.73%	34.72%
Upper	45.53%	46.08%	43.36%
Unavailable	0.00%	0.00%	0.10%
Total	100.00%	100.00%	100.00%

Source: Bank-provided business loans originated in 2012; 2012 Business Demographic Data; and 2012 Business Peer Data by lenders reporting business loans.

Responses to Complaints

During this evaluation period, there were no complaints related to HB’s performance in helping to meet AA credit needs.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test in the St. Louis MO-IL Multistate MSA is rated “Outstanding.”

Number and Amount of Community Development Loans

The volume of CD lending is high and reflects excellent responsiveness to the need for affordable housing in the AA. During this evaluation period, HB originated 19 CD loans and renewed 22 CD loans totaling \$16 million that directly benefited the AA primarily in the low- and moderate-income CTs. The substantial majority of the loans were to developers and organizations providing affordable housing for low- and moderate-income families through housing developments. Other loans provided operating funds for daycares; skilled nursing facilities; no cost homecare; and healthcare.

Number and Amount of Qualified Investments

HB’s CD investments reflect adequate responsiveness to the AA’s needs. During the evaluation period, HB made ten investments totaling \$1,050,000 and five FHLB grant sponsorships totaling \$1,775,000 for affordable housing, for a senior citizens care facility, and for revitalizing neighborhoods. HB made 32 charitable donations for CD purposes totaling \$144,000, most of which promote social services for low- and moderate-income individuals by providing food, clothing, affordable housing, neighborhood revitalization, and financial literacy.

Extent to Which the Bank Provides Community Development Services

HB’s CD services reflect reasonable responsiveness to the needs and opportunities of the AA. HB’s service delivery systems are reasonably accessible to geographies and

individuals of different income levels. The bank has ten full-service branch offices and one limited-service branch office in the AA. One full-service branch office is located in a moderate-income geography. The other ten branches are located in either middle- or upper-income geographies. Branch hours are comparable to other deposit-taking institutions in the AA. The full-service branches are open for business Monday through Thursday from 8:00 a.m. to 5:00 p.m., with extended hours offered on Friday. The full-service branches are open for three hours on Saturdays. The limited-service branch is for residents of the Gatesworth retirement community only; it is open for business Monday through Friday from 8:00 a.m. to noon.

Additionally, HB offers three alternative methods (online banking, mobile banking, and ATMs) to supplement its branch network and to reach customers without access to a branch location. HB also participates in the Money Pass ATM network, which increases accessibility to surcharge-free ATM withdrawals at over 250 ATMs within the AA and over 20,000 ATMs nationwide. HB offers a First Step Checking account with a \$25 minimum deposit to open the account and a \$5 monthly fee.

During this evaluation period, more than 135 bank officers and employees volunteered approximately 2,053 hours to community groups and organizations that deliver CD services to the AA. Bank officers and employees shared their technical and financial expertise with several different organizations that focus on the housing and the social service needs of low- and moderate-income individuals and families.

Responsiveness to Community Development Needs

HB's overall community development performance reflects excellent responsiveness to the needs and opportunities of the AA through CD loans, investments, grants, donations, volunteer efforts, and community services.

State Rating

State of Colorado

CRA Rating for Colorado: Satisfactory.

The Lending test is rated: Satisfactory.

The Community Development test is rated: Satisfactory.

The major factors that support the overall rating include:

- The borrower income distribution reflects reasonable penetration for RRE loans and loans to small businesses.
- The geographic distribution reflects reasonable dispersion for RRE loans and loans to small businesses.
- HB demonstrates adequate responsiveness to the CD needs of the AA.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN COLORADO

The Denver AA includes all of Denver County, which is part of the Denver-Aurora-Broomfield, CO MSA #19740. HB has one branch office located in Denver County. The Denver AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

HB's AA did not change during the evaluation period; however, the census information changed the demographics of the Denver AA. Low-income CTs in the AA increased from 12% per the 2000 Census to 24% per the 2010 Census, but moderate-income CTs decreased from 40% to 28%.

Below is some key 2000 and 2010 Census information for the Denver AA.

Demographic Information for Full Scope Area: Denver AA – 2000 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs)	136	11.76	40.44	36.03	11.03	0.74
Population by Geography	554,636	12.08	43.43	35.03	9.00	0.46
Owner-Occupied Housing by Geography	125,631	6.28	37.64	41.43	14.65	0.00
Business by Geography	90,449	9.32	32.03	41.27	14.34	3.04
Farms by Geography	952	7.56	36.13	40.23	13.76	2.32
Family Distribution by Income Level	120,305	29.49	21.16	20.88	28.47	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	60,939	16.68	52.85	26.49	3.98	0.00
Median Family Income (MFI) HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		61,301 78,200 12%	Median Housing Value Unemployment Rate (2000 US Census)		175,013 3.08%	

Source: 2000 US Census and 2011 HUD-updated MFI

Demographic Information for Full Scope Area: Denver AA – 2010 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs)	144	23.61	27.78	27.08	20.83	0.70
Population by Geography	600,158	25.06	29.65	24.99	20.30	0.00
Owner-Occupied Housing by Geography	133,552	17.09	28.37	27.96	26.58	0.00
Business by Geography	90,048	16.32	21.35	26.16	35.23	0.94
Farms by Geography	1,004	18.82	28.19	24.60	28.19	0.20
Family Distribution by Income Level	122,497	21.46	17.04	20.79	40.71	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	47,158	25.57	29.85	23.08	21.50	0.00
Median Family Income (MFI) HUD Adjusted Median Family Income for 2012 Households Below Poverty Level		75,101 79,300 17%	Median Housing Value Unemployment Rate (2010 US Census)		274,344 4.25%	

Source: 2010 US Census and 2012 FFIEC-estimated MFI

HB has one office in the Denver AA, which is not significant to the bank's operations. HB has a very limited presence in the AA as this office opened only in 2007. Examiners placed little weight on HB's performance in the Denver AA because it represented only 3% of HB's total deposit base and 2% of loan originations and purchases during this evaluation period.

Bank competition is strong in the Denver AA. As of June 30, 2013, 45 financial institutions operate 188 offices in the AA. HB ranks 34th, with only an 0.05% deposit market share in the AA. Deposits are concentrated with four institutions holding 68% of the AA deposits in 73 branches. Due to strong competition, the Denver office has been unsuccessful in penetrating the market for deposits and for loans.

Major employers include HealthONE, Exempla Healthcare, Centura Health, Lockheed Martin Corporation, and CenturyLink. Major industries include services, followed by government and retail trade. The area economy is starting to improve. According to the U.S. Department of Labor Bureau of Labor Statistics, the December 31, 2010 unemployment rate for Denver County was 10.1%. As of August 31, 2013, the unemployment rate had improved to 7.0%, which is in line with the State of Colorado unemployment rate of 6.7% and the national unemployment rate of 7.2%. As of the 2000 and 2010 Census data, 11% and 15% of families were below the poverty level, respectively.

We contacted a representative of the Colorado Housing Assistance Corporation. The contact stated additional rental housing is needed in the downtown area. The contact stated there are opportunities for local financial institutions to get involved in their communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COLORADO

LENDING TEST

The bank's performance under the lending test in the State of Colorado is rated "Satisfactory."

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to individuals with different income levels is reasonable. Lending to businesses of different sizes is reasonable.

Our analysis of HB's performance is based on a low volume of RRE and business loans made in the Denver AA. The Denver branch is relatively new and has a limited presence in the Denver AA. Examiners also considered the large number of families that live below the poverty level (11% per the 2000 Census, and 15% per the 2010 Census), the barriers this may have on home ownership, and the struggling but improving economy.

Residential Real Estate Loans

The overall borrower distribution of RRE loans reflects reasonable penetration.

Although HB did not originate any loans to low-income borrowers in 2011, the percentage of RRE loans made to moderate-income borrowers (16%) equals the HMDA Peer (16%) but is somewhat lower than the percentage of moderate-income families in the AA (21%).

2011 Borrower Distribution of Residential Real Estate Loans in Denver County			
Borrower Income Level	% of Number Loans	% Aggregate HMDA Peer	% of AA Families
Low	0.00%	9.39%	29.49%
Moderate	16.00%	16.13%	21.16%
Middle	4.00%	18.36%	20.88%
Upper	60.00%	38.30%	28.47%
Unavailable	20.00%	17.82%	0.00%
Total	100.00%	100.00%	100.00%

Source: HB's 2011 data reported under HMDA; 2011 HMDA Peer data; and 2000 U.S. Census Data

The percentage of 2012 RRE loans made to low-income borrowers (2%) is below the HMDA Peer (8%) and significantly lower than the percentage of low-income families in the AA (21%). The percentage of RRE loans made to moderate-income borrowers (10%) is lower than the HMDA Peer (17%) and the percentage of moderate-income families in the AA (17%).

2012 Borrower Distribution of Residential Real Estate Loans in Denver County			
Borrower Income Level	% of Number Loans	% Aggregate HMDA Peer	% of AA Families
Low	2.08%	8.09%	21.46%
Moderate	10.42%	16.82%	17.04%
Middle	14.58%	20.30%	20.79%
Upper	70.83%	40.54%	40.71%
Unavailable	2.09%	14.25%	0.00%
Total	100.00%	100.00%	100.00%

Source: HB's 2012 data reported under HMDA; 2012 HMDA Peer data; and 2010 Census Data

Small Business Loans

HB's overall distribution of loans to small businesses in 2011 and 2012 is reasonable.

The percentage of 2011 loans to businesses with revenues of \$1 million or less (33%) is lower than peer (46%) and the business demographic data (64%) by number of loans extended to businesses in the AA.

2011 Borrower Distribution of Loans to Businesses in Denver County				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Aggregate Peer	46%	NA	NA	NA
% of AA Businesses	64%	3%	33%	100%
% of Bank Loans in AA by #	33%	0%	67%	100%

Source: Bank-provided business loans originated in 2011; 2011 Business Demographic Data; and 2011 Business Peer Data by lenders reporting business loans.

The percentage of 2012 loans to businesses with revenues of \$1 million or less (67%) significantly exceeds peer (43%) and is near the business demographic data (69%) by number of loans extended to businesses in the AA.

2012 Borrower Distribution of Loans to Businesses in Denver County				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Aggregate Peer	43%	NA	NA	NA
% of AA Businesses	69%	4%	27%	100%
% of Bank Loans in AA by #	67%	33%	0%	100%

Source: Bank provided business loans originated in 2012; 2012 Business Demographic Data; and 2012 Business Peer Data by lenders reporting business loans.

Geographic Distribution of Loans

The geographic distribution of RRE loans and business loans is reasonable.

Residential Real Estate Loans

HB’s overall geographic distribution of 2011 and 2012 RRE loans reflects reasonable dispersion.

The percentage of 2011 RRE loans made to borrowers in low-income CTs (4%) is below peer (8%) and the percentage of owner-occupied housing in the low-income CTs (6%). The percentage of 2011 RRE loans made to borrowers in moderate-income CTs (28%) is near peer (29%) and lower than the percentage of owner-occupied housing in the moderate-income CTs (38%).

2011 Geographic Distribution of Residential Real Estate Loans in Denver County			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Owner Occupied Housing
Low	4.00%	7.50%	6.28%
Moderate	28.00%	28.86%	37.64%
Middle	16.00%	42.80%	41.43%
Upper	44.00%	15.93%	14.65%
Unavailable	8.00%	4.91%	0.00%
Total	100.00%	100.00%	100.00%

Source: HB's 2011 data reported under HMDA; 2011 HMDA Peer data; and 2000 U.S. Census Data

The percentage of 2012 RRE loans made to borrowers in low-income CTs (2%) is significantly lower than peer (11%) and the percentage of owner-occupied housing in the low-income CTs (17%). The percentage of 2012 RRE loans made to borrowers in moderate-income CTs (21%) is slightly below peer (25%) and below the percentage of owner-occupied housing in the moderate-income CTs (28%).

2012 Geographic Distribution of Residential Real Estate Loans in Denver County			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Owner Occupied Housing
Low	2.08%	11.07%	17.09%
Moderate	20.83%	24.56%	28.37%
Middle	22.92%	28.87%	27.96%
Upper	54.17%	35.50%	26.58%
Unavailable	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%

Source: HB's 2012 data reported under HMDA; 2012 HMDA Peer data; and 2010 U.S. Census Data

Small Business Loans

HB's overall geographic distribution of loans to small businesses in 2011 and 2012 is reasonable.

Although HB did not make any loans to borrowers in low-income CTs in 2011, the percentage of 2011 business loans made to borrowers in moderate-income CTs (22%) was below peer (33%) and the percentage of businesses in moderate-income CTs (32%).

2011 Geographic Distribution of Loans to Businesses in Denver County			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Businesses
Low	0.00%	9.86%	9.32%
Moderate	22.22%	33.06%	32.03%
Middle	77.78%	41.34%	41.27%
Upper	0.00%	15.74%	14.34%
Unavailable	0.00%	0.00%	3.04%
Total	100.00%	100.00%	100.00%

Source: Bank-provided business loans originated in 2011; 2011 Business Demographic Data; and 2011 Business Peer Data by lenders reporting business loans.

While HB did not make any loans to borrowers in low-income CTs in 2012, the percentage of loans to moderate-income borrowers (44%) significantly exceeds both peer (22%) and the percentage of businesses in moderate-income CTs (21%).

2012 Geographic Distribution of Loans to Businesses in Denver County			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Businesses
Low	0.00%	17.79%	16.32%
Moderate	44.44%	22.06%	21.35%
Middle	11.11%	23.77%	26.16%
Upper	44.45%	36.38%	35.23%
Unavailable	0.00%	0.00%	0.94%
Total	100.00%	100.00%	100.00%

Source: Bank-provided business loans originated in 2012; 2012 Business Demographic Data; and 2012 Business Peer Data by lenders reporting business loans.

Responses to Complaints

During this evaluation period, there were no complaints related to HB’s performance in helping to meet AA credit needs.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test in the State of Colorado is rated “Satisfactory.”

Number and Amount of Community Development Loans

HB’s CD lending reflects adequate responsiveness to the AA’s needs. During this evaluation period, HB originated one CD loan totaling \$400,000 for affordable housing that directly benefited the AA. This loan was to an investor to renovate 15 apartments for low- and moderate-income families.

Number and Amount of Qualified Investments

HB's CD donations reflect adequate responsiveness to the AA's needs. During the evaluation period, HB donated \$3,000 to an organization that provides food to needy persons with life-threatening illnesses.

Extent to Which the Bank Provides Community Development Services

HB's CD services reflect adequate responsiveness to the AA's needs. HB's service delivery systems are reasonably accessible to geographies and individuals of different income levels. HB has one full-service branch in the AA, which is located in an upper-income geography. Branch hours are comparable to other deposit-taking institutions in the AA. The branch is open for business Monday through Friday from 8:00 a.m. to 5:00 p.m. It is also open for three hours on Saturdays.

Additionally, HB offers three alternative methods (online banking, mobile banking, and ATMs) to supplement its branch network and reach customers without access to the branch location. HB also participates in the Money Pass ATM network that increases accessibility to surcharge-free ATM withdrawals at over 20,000 ATMs nationwide. HB offers a First Step Checking account with a \$25 minimum deposit to open the account and a \$5 monthly fee.

During the evaluation period, HB's employees volunteered a total of 341 hours to two different organizations by preparing and delivering food and bread to needy persons with life-threatening illnesses and to shelters. A bank employee is a co-founder of the organization that bakes fresh bread, which is distributed to low-income neighborhoods and shelters.

Responsiveness to Community Development Needs

HB's overall community development performance reflects adequate responsiveness to the needs and opportunities of the AA through a CD loan, donations, volunteer efforts, and community services.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: 01/01/2011 – 12/31/2012 Community Development Test: 06/17/2008 – 08/29/2013	
Financial Institution	Products Reviewed	
Heartland Bank, St. Louis, MO	Home Mortgage and Business Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
St. Louis MO-IL Multistate MSA # 41180	Full-Scope	
State of Colorado	Full-Scope	

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Heartland Bank	Satisfactory	Satisfactory	Satisfactory
St. Louis MO-IL Multistate MSA	Satisfactory	Outstanding	Satisfactory
State of Colorado	Satisfactory	Satisfactory	Satisfactory