HEARTLAND FINANCIAL USA INC
Form S-4/A
April 08, 2019

As filed with the Securities and Exchange Commission on April 8, 2019 Registration No. 333-230060

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1 TO FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
HEARTLAND FINANCIAL USA, INC.
(Exact name of registrant as specified in its charter)
Delaware
(State or other jurisdiction of incorporation or organization)
6022
(Primary Standard Industrial Classification Code Number
42-1405748
(I.R.S. Employer Identification No.)

1398 Central Avenue
Dubuque, Iowa 52001
(563) 589-2100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Bryan R. McKeag
Executive Vice President and Chief Financial Officer
Heartland Financial USA, Inc.
1398 Central Avenue
Dubuque, Iowa 52001
(563) 589-2100
(Name, address, including zip code, and telephone number, including area code, of agent for service)
Copies to:

Jay L. Swanson	Peter G. Weinstock
John Marsalek	Beth Alexander Whitaker
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50 South Sixth Street, Suite 1500	1445 Ross Avenue, Suite 3700
Minneapolis, Minnesota 55402	Dallas, Texas 75202
(612) 340-2600	(214) 979-3000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.
If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "small reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ (do not check if smaller reporting company)
Smaller reporting company ¨ Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ¨

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨ Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ¨

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this proxy statement/prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 8, 2019

BLUE VALLEY BAN CORP.

PROPOSED MERGER—YOUR VOTE IS VERY IMPORTANT

Dear Stockholder of Blue Valley Ban Corp.:

We are happy to advise you that the board of directors of Blue Valley Ban Corp. ("BVBC") has unanimously approved the merger (the "merger") of BVBC into Heartland Financial USA, Inc. ("Heartland") in accordance with an Agreement and Plan of Merger dated as of January 16, 2019 (the "merger agreement"). Before we can complete the merger, we must obtain the approval of the BVBC stockholders. We are sending you this proxy statement/prospectus to ask you to vote in favor of approval and adoption of the merger agreement. The BVBC board of directors unanimously recommends that you vote "FOR" approval and adoption of the merger agreement.

In the merger, BVBC will merge with and into Heartland, and holders of shares of BVBC common stock and BVBC Series B preferred stock shall receive 0.3271 shares of Heartland common stock for each share of BVBC common stock or BVBC Series B preferred stock owned by such holders immediately prior to the effective time of the merger, subject to adjustment as described below, plus cash in lieu of any fractional shares. As of the date of this proxy statement/prospectus, holders of BVBC common stock and holders of BVBC Series B preferred stock owned 5,843,724 shares of BVBC common stock (including unvested shares of BVBC restricted common stock ("BVBC restricted shares") held by BVBC employees that will become fully vested immediately prior to the effective time of the merger) and 471,979 shares of BVBC Series B preferred stock, respectively. Immediately prior to the effective time of the merger, each share of BVBC Series B preferred stock will be converted into one share of BVBC common stock.

The exchange ratio used to calculate the merger consideration is fixed and, except as described below, will not be adjusted to reflect changes in the price of Heartland common stock occurring prior to the completion of the merger. The exchange ratio may be adjusted in two instances. First, in the event the effective time of the merger occurs on or after June 30, 2019, the exchange ratio will be adjusted downward if BVBC's Adjusted Tangible Common Equity (as defined in this proxy statement/prospectus in the section titled "The Merger Agreement—The Merger—Determination of Merger Consideration") as of June 30, 2019 is less than $55,500,000 (the "minimum equity"). If the effective time of the merger occurs before June 30, 2019, the minimum equity shall be reduced by an amount equal to the product of $20,000 multiplied by the number of calendar days from the effective time through June 30, 2019 for purposes of determining whether a downward adjustment of the exchange ratio will be made.

Second, if the price of Heartland common stock drops below certain levels, as described under the section titled "The Merger Agreement—Termination" in this proxy statement/prospectus, BVBC may exercise a "walk-away" right to terminate the merger agreement unless Heartland increases the exchange ratio used to calculate the merger consideration by exercising a "top-up" option.

Based on the closing price of a share of Heartland common stock as of January 15, 2019 (the last trading day before the merger agreement was executed) of $45.45, the aggregate merger consideration payable to BVBC stockholders was valued at approximately $93.9 million, or $14.87 for each share of BVBC common stock and BVBC Series B preferred stock. Based on the price of a share of Heartland common stock as of April 5, 2019 (the last practicable trading date before the date of this proxy statement/prospectus) of $44.39, the aggregate merger consideration payable to BVBC stockholders was valued at approximately $91.7 million, or $14.52 for each share of BVBC common stock and BVBC Series B preferred stock. These valuations are based on the assumption that no adjustments will be made to the exchange ratio based on BVBC's Adjusted Tangible Common Equity. As of December 31, 2018, the book value per share of BVBC common stock (assuming conversion as of this date of all issued and outstanding shares of BVBC Series B preferred stock and the vesting of all unvested shares of BVBC restricted shares) was $8.42. Heartland common stock is listed on the Nasdaq Global Select Market under the symbol "HTLF." Because the market price for Heartland common stock will fluctuate and the Adjusted Tangible Common Equity of BVBC may decline prior to the effective date of the merger, the value and amount, respectively, of the actual consideration you will receive may be different from the amounts described above.

At the closing of the merger, Heartland will also (a) repay in full a long-term loan of BVBC in the aggregate principal amount of approximately $7,100,000, and (b) assume all obligations of BVBC with respect to certain subordinated debentures (which have a par value of approximately $19,600,000) issued in connection with a trust preferred securities financing by BVBC.

To complete the merger, we must receive certain regulatory approvals. In addition, the holders of a majority of the issued and outstanding shares of BVBC common stock and a majority of the issued and outstanding shares of BVBC Series B preferred stock entitled to vote (with the holders of BVBC common stock and BVBC Series B preferred stock voting separately as holders of two different classes of stock) must approve and adopt the merger agreement. BVBC will hold a special meeting of its stockholders to vote on this merger proposal. Your vote is important. Whether or not you plan to attend the special meeting, please submit voting instructions for your shares of BVBC common stock and BVBC Series B preferred stock in accordance with the instructions contained in the enclosed proxy card. If you "ABSTAIN" or do not vote your shares of BVBC common stock and BVBC Series B preferred stock, it will have the same effect as voting against the merger.

We urge you to read this proxy statement/prospectus carefully before voting, including the section titled "Risk Factors." This proxy statement/prospectus gives you detailed information about the merger and includes a copy of the merger agreement as Appendix A.

Sincerely,

/s/ Robert D. Regnier

Robert D. Regnier
Chairman, President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense. These securities are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this proxy statement/prospectus is April 9, 2019, and it is first being mailed to BVBC stockholders on or about April 10, 2019.

BLUE VALLEY BAN CORP.
NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 8, 2019

Blue Valley Ban Corp. ("BVBC") will hold a special meeting (the "special meeting") of its stockholders at the Bank of Blue Valley corporate headquarters located at 11935 Riley Street, Overland Park, Kansas 66213 at 5:30 p.m. local time on May 8, 2019, to consider and vote upon the following matters:

- a proposal to adopt the Agreement and Plan of Merger, dated as of January 16, 2019 (the "merger agreement"), between Heartland Financial USA, Inc. ("Heartland") and BVBC, as it may be amended from time to time, pursuant to which BVBC will merge with and into Heartland (the "merger"); and
- a proposal to adjourn the BVBC special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

At the effective time of the merger, each issued and outstanding share of BVBC common stock will be converted into the right to receive 0.3271 shares of Heartland common stock, subject to adjustment as described in this proxy statement/prospectus, plus cash in lieu of any fractional shares. Immediately prior to such effective time, each issued and outstanding share of BVBC Series B preferred stock will be converted into one share of BVBC common stock and each unvested share of BVBC restricted common stock ("BVBC restricted shares") will become vested. Accordingly, each holder of shares of BVBC Series B preferred stock and BVBC restricted shares will be a holder of shares of BVBC common stock at the effective time of the merger and be entitled to shares of Heartland common stock in the merger on the same terms as holders of shares of BVBC common stock. This proxy statement/prospectus contains a detailed discussion of the merger and certain related transactions, and a copy of the merger agreement is included as Appendix A to this proxy statement/prospectus.

The board of directors has fixed the close of business on March 22, 2019 as the record date for the special meeting. Holders of record of BVBC common stock and BVBC Series B preferred stock at such time are entitled to notice of, and to vote on the adoption of the merger agreement at, the special meeting and any adjournment or postponement of the special meeting.

The BVBC board of directors has unanimously approved the merger agreement and unanimously recommends that holders of BVBC common stock and BVBC Series B preferred stock vote "FOR" approval and adoption of the merger agreement.

BVBC stockholders who do not vote in favor of the merger agreement and who strictly comply with Section 17-6712 of the Kansas General Corporation Code have the right to assert dissenters' rights under such section of the statute. For a description of the procedures that must be followed to make written demand for dissenters' rights, see the copy of the Kansas dissenters' rights statute that is attached as Appendix B to this proxy statement/prospectus. In addition, a summary of the procedures to be followed in order to obtain payment for dissenting shares is set forth in the section titled "Dissenters' Rights of BVBC Stockholders" in this proxy statement/prospectus.

Whether or not you plan to attend the special meeting, please vote your shares of BVBC common stock or BVBC Series B preferred stock using one of the methods described on the enclosed proxy card. Any holder of BVBC common stock or BVBC Series B preferred stock present at the special meeting may vote in person, and a vote by any such holder prior to the special meeting may be revoked in writing at any time prior to the vote being taken at the special meeting. The presence of a BVBC stockholder at the special meeting will not automatically revoke that stockholder's previous vote. A BVBC stockholder may revoke such stockholder's vote (without, however, affecting any vote taken prior to such revocation) by (i) filing with the Secretary of BVBC a written notice of revocation, (ii) delivering to BVBC a duly executed proxy bearing a later date, or (iii) attending the meeting and voting in person.

Sincerely,

/s/ Robert D. Regnier

Robert D. Regnier
Chairman, President and Chief Executive Officer

Your vote is important. Please vote by using one of the methods described in the enclosed proxy card, whether or not you plan to attend the special meeting.

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about Heartland Financial USA, Inc. ("Heartland") from documents that are not included in or delivered with this proxy statement/prospectus. You can obtain documents incorporated by reference in this proxy statement/prospectus and other filings of Heartland with the Securities and Exchange Commission by requesting them in writing or by telephone from Heartland at the following address:

Heartland Financial USA, Inc.
1398 Central Avenue
P.O. Box 778
Dubuque, Iowa 52004-0778
Attention: Angela W. Kelley, Corporate Secretary
(Telephone (563) 589-2100)

You will not be charged for any of these documents that you request. Stockholders of Blue Valley Ban Corp. ("BVBC") requesting documents should do so by April 28, 2019 in order to receive them before the special meeting of BVBC stockholders (the "special meeting").

See the section titled "Where You Can Find More Information" beginning on page 66.

You should rely only on the information contained in, or incorporated by reference into, this proxy statement/prospectus in determining whether to vote in favor of the proposed merger of BVBC with and into Heartland. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated April 9, 2019. You should not assume that the information contained in, or incorporated by reference into, this proxy statement/prospectus is accurate as of any date other than that date. Neither the mailing of this proxy statement/prospectus to BVBC stockholders nor the issuance by Heartland of common stock in connection with the merger of Heartland and BVBC will create any implication to the contrary.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following section includes questions and answers that address some commonly asked questions about the merger of Blue Valley Ban Corp. ("BVBC") with and into Heartland Financial USA, Inc. ("Heartland") (the "merger") and the special meeting to be held to adopt the merger agreement. This section may not include all the information that may be important to you. You should read this entire proxy statement/prospectus carefully, including the Appendices, and any additional documents incorporated by reference herein to fully understand the merger agreement and the transactions contemplated thereby, including the merger, the proposals to be considered at the special meeting, the voting procedures for the special meeting, the issuance of Heartland common stock in connection with the merger and the risks of owning Heartland common stock.

Q: What is the merger?

A: Heartland and BVBC entered into an Agreement and Plan of Merger on January 16, 2019 (the "merger agreement"). Under the merger agreement, BVBC will merge with and into Heartland, with Heartland continuing as the surviving corporation. A copy of the merger agreement is attached as Appendix A to this proxy statement/prospectus. The merger cannot be completed unless, among other things, the parties receive all necessary regulatory approvals to consummate the merger. Also, the holders of at least a majority of the issued and outstanding shares of BVBC common stock and at least a majority of the issued and outstanding shares of BVBC Series B preferred stock (voting separately as holders of two different classes of stock) vote "FOR" the merger proposal at the special meeting.

Q: Why am I receiving this proxy statement/prospectus?

A: Heartland and BVBC are delivering this proxy statement/prospectus to you for two purposes. First, BVBC has called the special meeting to consider the proposals and to adopt the merger agreement and possibly adjourn the meeting. This document serves as proxy statement for the special meeting, describes the proposals to be presented at such meeting and constitutes a notice with respect to the special meeting. Second, this document is a prospectus that is being delivered to BVBC stockholders because Heartland is offering shares of its common stock to BVBC stockholders in connection with the merger. This proxy statement/prospectus contains important information about the merger, the proposals being voted on at the special meeting and an investment in Heartland common stock. You should read the proxy statement/prospectus carefully and in its entirety. The enclosed proxy card provides instructions to you on how to vote your shares of BVBC common stock and BVBC Series B preferred stock without attending the special meeting. Your vote is important, and BVBC encourages you to submit your vote as soon as possible.

Q: When and where is the special meeting?

A: The special meeting will be held at the Bank of Blue Valley corporate headquarters located at 11935 Riley Street, Overland Park, Kansas 66213 on May 8, 2019 at 5:30 p.m. local time.

Q: What are BVBC stockholders being asked to vote on at the special meeting?

A: BVBC is soliciting proxies from its stockholders with respect to the following matters:

- A proposal to adopt the merger agreement, as it may be amended from time to time (the "merger proposal"); and
- A proposal to adjourn the BVBC special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement (the "adjournment proposal").

The BVBC board of directors unanimously recommends that you vote "FOR" the merger proposal and "FOR" the adjournment proposal (the "BVBC board recommendation").

Q: What will BVBC stockholders be entitled to receive in the merger?

A: If the merger is completed, BVBC stockholders will be entitled to receive 0.3271 shares of Heartland common stock in exchange for each share of BVBC common stock (including shares of BVBC common stock acquired upon conversion of shares of BVBC Series B preferred stock and the vesting of the shares of BVBC restricted common stock (the "BVBC restricted shares") immediately prior to the effective time of the merger, subject to adjustment as further described in this proxy statement/prospectus, plus cash in lieu of any fractional shares. For a summary of the merger consideration, see the section titled "Summary—What You Will Receive in the Merger."

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Q: What is the value of the merger consideration?

A: Between the date of this proxy statement/prospectus and the completion of the merger, the value of the merger consideration will fluctuate based on the market price of Heartland common stock and certain potential adjustments to the merger consideration. Based on the closing price of a share of Heartland common stock as of April 5, 2019 (the last practicable trading date before the date of this proxy statement/prospectus) of $44.39, the merger consideration to be received by BVBC stockholders was valued in the aggregate amount of approximately $91.7 million, or $14.52 for each share of BVBC common stock (including shares of BVBC common stock acquired upon conversion of shares of BVBC Series B preferred stock and the vesting of the BVBC restricted shares immediately prior to the effective time of the merger). This valuation is based on the assumption that no adjustments to the merger consideration will be made based on BVBC's Adjusted Tangible Common Equity (as defined in the section titled "The Merger Agreement—The Merger—Merger Consideration" in this proxy statement/prospectus). Because the market price for Heartland common stock will fluctuate and the Adjusted Tangible Common Equity of BVBC may decline prior to the effective time of the merger, the value and amount, respectively, of the actual consideration you receive will be different from the amounts described above. See the section titled "Summary—What You Will Receive in the Merger."

Q: Will Heartland pay dividends after the merger?

A: Heartland paid a quarterly dividend of $0.16 per share of common stock in the first quarter of 2019. Although Heartland has paid quarterly dividends on its common stock without interruption for 38 years, there is no guarantee that Heartland will continue to pay dividends on its common stock or will continue to pay dividends at the same rate. All dividends on Heartland common stock are declared at the discretion of Heartland's board of directors.

Q: Who is entitled to vote at the special meeting?

A: The BVBC board of directors has fixed the close of business on March 22, 2019 as the record date for the special meeting. Accordingly, if you were a record stockholder of BVBC common stock or BVBC Series B preferred stock at that time, you are entitled to notice of and to vote at the special meeting. As of March 22, 2019, there were 5,843,724 shares of BVBC common stock and 471,979 shares of BVBC Series B preferred stock, respectively, issued and outstanding. The BVBC common stock and the BVBC Series B preferred stock were owned by 149 record holders of BVBC common stock and one record holder of BVBC Series B preferred stock, respectively.

Q: What constitutes a quorum for the special meeting?

A: The presence in person or by proxy of holders of at least a majority of each of the issued and outstanding shares of BVBC common stock and the issued and outstanding shares of BVBC Series B preferred stock entitled to be voted at the special meeting constitutes a quorum for the voting on the proposal to approve and adopt the merger agreement at the special meeting. All shares of BVBC common stock and BVBC Series B preferred stock present in person or represented by proxy (including shares with respect to which the holders have abstained from voting and broker non-votes, if any) will be treated as present for purposes of determining the presence or absence of a quorum for the vote on the merger proposal and the adjournment proposal at the special meeting.

Q: What is the vote required to approve each proposal at the special meeting?

A: The affirmative vote of at least a majority of the issued and outstanding shares of BVBC common stock and at least a majority of the issued and outstanding shares of BVBC Series B preferred stock is required to approve the merger proposal. Holders of BVBC common stock and BVBC Series B preferred stock will vote separately on the merger proposal as holders of different classes of stock. If you "ABSTAIN," fail to vote, fail to submit valid proxy instructions to your broker, bank or other nominee or fail to vote in person at the special meeting, it will have the effect of a vote "AGAINST" the merger proposal.

The holders of BVBC Series B preferred stock are not entitled to vote on the adjournment proposal. The affirmative vote of a majority of votes cast by holders of BVBC common stock is required to approve the adjournment proposal. With respect to the adjournment proposal, if you "ABSTAIN," fail to vote prior to the special meeting or fail to vote in person at the special meeting, it will have no effect on the proposal.

Q: How does the BVBC board of directors recommend that I vote at the special meeting?

A: The BVBC board of directors unanimously recommends that you vote "FOR" the merger proposal and "FOR" the adjournment proposal, if it is necessary or appropriate. For a discussion of the factors considered by the BVBC board

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of directors in reaching its decision to approve the merger agreement, see the section titled "Background and Reasons for the Merger—BVBC's Reasons for the Merger."

Q: If my shares are held in "street name" by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?

A: Your broker, bank or other nominee will not be able to vote your shares of BVBC common stock on the merger proposal unless you provide instructions on how to vote. Please instruct your broker, bank or other nominee how to vote your shares of BVBC common stock, following the directions that your broker, bank or other nominee provides. If you do not provide instructions to your broker, bank or other nominee, your shares of BVBC common stock will not be voted, and this will have the effect of voting “AGAINST” the merger proposal. Please review the instructions from your broker, bank or other nominee to see if your broker, bank or other nominee offers telephone or internet voting.

Q: What do I need to do now?

A: After you have carefully read this proxy statement/prospectus and have decided how you wish to vote your shares, please vote your shares of BVBC common stock and BVBC Series B preferred stock using one of the alternative voting methods described in the enclosed proxy card. As provided in the proxy card, you have the three following methods for voting before the special meeting:

- On the Internet at www.proxyvote.com;
- By telephone, by dialing (800) 690-6903; or
- By mail. PLEASE SIGN AND DATE THE ACCOMPANYING PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED POSTAGE PAID RETURN ENVELOPE.

If you are a stockholder of record, you may revoke your vote and vote your shares in person if your vote is revoked in accordance with the procedures described below under the question "Can I Change My Vote?"

Q: Do I have dissenters' rights?

A: Yes. BVBC stockholders may exercise dissenters' rights in connection with the merger. For further information, see "Summary—You Have Dissenters' Rights Under the Kansas General Corporation Code" and "Dissenters' Rights of BVBC Stockholders," which discussions are qualified by the full text of the provisions of the Kansas General Corporation Code ("KGCC") relating to rights of dissent set forth in Appendix B to this proxy statement/prospectus.

Q: Have any BVBC stockholders agreed to vote in favor of the merger proposal?

A: Yes. Pursuant to a stockholder voting agreement, certain holders of BVBC common stock and BVBC Series B preferred stock have agreed to vote their shares in favor of the merger proposal. The holders of BVBC common stock who have agreed to vote for the merger proposal have the right to vote, or direct the voting of, 53.6% of the outstanding shares of BVBC common stock as of the record date. There was only one holder of BVBC Series B preferred stock as of the record date, and, pursuant to the stockholder voting agreement, such holder has agreed to vote all of its shares of BVBC Series B preferred stock in favor of the merger proposal. However, in the event of a withdrawal of the BVBC board recommendation, the stockholder voting agreement will terminate, and none of the BVBC stockholders who have signed such agreement will be required to vote in favor of the merger proposal. Unless the stockholder voting agreement is so terminated, the merger proposal will be approved by the BVBC stockholders.

Q: If approval of the merger is "locked up" by the stockholder voting agreement, why is my vote important?

A: If the BVBC board recommendation should change, the stockholder voting agreement will terminate, and the vote of the BVBC stockholders with respect to the merger proposal will determine whether the merger occurs.

Q: Can I attend the special meeting and vote my shares in person?

A: Yes. All stockholders of BVBC are invited to attend and vote at the special meeting, and voting by proxy will not affect your ability to attend the meeting and vote in person. However, voting by proxy will enable BVBC to ensure the presence of a quorum to conduct business at the special meeting in the event that you intend, but are unable, to attend the meeting. Accordingly, BVBC encourages you to vote by proxy, even if you expect to attend the meeting in person.

Q: Can I change my vote?

A: Yes. You may change your vote at any time before the vote is taken at the special meeting by (a) sending a written notice to the Secretary of BVBC stating that you are revoking your vote; (b) completing and submitting a new proxy card, which form is actually received by the Secretary prior to the vote at the special meeting; or (c) attending the special meeting and voting in person (although your presence at the meeting, without voting, will not automatically revoke your proxy).

Q: Should I send in my BVBC stock certificates now?

A: No. Please do not send in your BVBC stock certificates at this time or with your proxy card. After the merger is completed, Heartland's paying agent will send you instructions for exchanging BVBC stock certificates for the merger consideration.

Q: When do you expect to complete the merger?

A: Heartland and BVBC currently expect to complete the merger in the second quarter of 2019. However, neither Heartland nor BVBC can assure you of when or if the merger will be completed. Before the merger is completed, BVBC must obtain the approval of its stockholders for the merger proposal, necessary regulatory approvals must be obtained and certain other closing conditions must be satisfied.

Q: Where can I find information about Heartland and BVBC?

A: You can find more information about Heartland in the section titled "Information About Heartland" and from the various sources described under "Where You Can Find More Information." You can find more information about BVBC in the section titled "Information About BVBC."

Q: Whom should I call with questions?

A: If you have any questions about the merger, the special meeting or this proxy statement/prospectus, or would like additional copies of this proxy statement/prospectus or need help voting your shares of BVBC common stock or Series B preferred stock, please contact:

Mark A. Fortino
Chief Financial Officer, Treasurer and Secretary
Blue Valley Ban Corp.
11935 Riley Street
Overland Park, Kansas 66213
(913) 338-1000

SUMMARY

This summary highlights selected information from this proxy statement/prospectus. The summary does not contain all of the information that may be important to you. We urge you to read carefully this entire proxy statement/prospectus and the other documents which are referred to herein in order to understand fully the merger and any related transactions. In addition, important business and financial information about Heartland is incorporated by reference in this proxy statement/prospectus. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section titled "Where You Can Find More Information." Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.

BVBC and Heartland (Pages 56 to 59).

BVBC. BVBC is a Kansas corporation and the holding company for Bank of Blue Valley ("BankBV"). BankBV provides a broad range of banking services to consumer and commercial customers in Johnson County, Kansas. BankBV accepts various types of deposits, including time and demand deposits, checking and savings accounts, certificates of deposit, individual retirement accounts, NOW accounts and money market deposits. BankBV provides personal loans, small business loans, commercial real estate mortgage loans, residential mortgage loans, working capital financing and commercial real estate loans. In addition, BankBV offers wealth management services (including financial planning, private banking, trust and investment services), debit and credit cards, and online and mobile banking services.

As of December 31, 2018, BVBC had, on a consolidated basis, approximately $718 million in total assets, $555 million in net loans outstanding, $563 million in deposits and $53 million in total stockholders' equity. BVBC's principal executive office is located at 11935 Riley Street, Overland Park, Kansas 66213, and its telephone number is (913) 338 1000.

Heartland. Heartland is a multi-bank holding company. Heartland has 11 bank subsidiaries in the states of Iowa, Illinois, Wisconsin, New Mexico, Arizona, Montana, Colorado, Minnesota, Missouri, Kansas, Texas and California. As of December 31, 2018, Heartland's bank subsidiaries together operated a total of 119 banking locations in 89 different communities in the above states. The principal business of Heartland's bank subsidiaries consists of making loans to and accepting deposits from businesses and individuals. Its bank subsidiaries provide full service commercial and retail banking in their communities. Both Heartland's loans and its deposits are generated primarily through strong banking and community relationships and through management that is actively involved in the community.

Heartland's lending and investment activities are funded primarily by core deposits. This stable source of funding is achieved by developing strong banking relationships with customers through value-added product offerings, competitive market pricing, convenience and high-touch personal service. Deposit products, which are insured by the Federal Deposit Insurance Corporation (the "FDIC") to the full extent permitted by law, include checking and other demand deposit accounts, NOW accounts, savings accounts, money market accounts, certificates of deposit, individual retirement accounts, health savings accounts and other time deposits. Loan products include commercial and industrial, commercial real estate, small business, agricultural, real estate mortgage, consumer, and credit cards for commercial, business and personal use.

Heartland supplements the local services of its bank subsidiaries with a full complement of ancillary services, including wealth management, investment and insurance services. Heartland provides convenient electronic banking services and client access to account information through business and personal online banking, mobile banking, bill payment, remote deposit capture, treasury management services, debit cards and automated teller machines.

At December 31, 2018, Heartland had, on a consolidated basis, approximately $11.41 billion of total assets, total loans held to maturity of $7.41 billion, total deposits of $9.40 billion and common stockholders' equity of $1.33 billion. Heartland was formed as an Iowa corporation in 1981 and reincorporated in Delaware in 1993. Heartland's principal executive office is located at 1398 Central Avenue, Dubuque, Iowa 52001, and its telephone number is (563) 589 2100.

BVBC Will be Merged into Heartland (Page 47).

We encourage you to read the merger agreement, which is attached as Appendix A to this proxy statement/prospectus. The merger agreement provides that BVBC will be merged with and into Heartland. Heartland will survive the merger, and the separate corporate existence of BVBC will cease. Immediately following the effective time of the merger, BankBV will be merged with and into Morrill & Janes Bank and Trust Company ("M&JBank"), Heartland's Kansas bank subsidiary, pursuant to an agreement of merger, dated January 16, 2019, between BankBV and M&JBank (the "bank merger agreement").

What You Will Receive in the Merger (Pages 47 to 48).

As a stockholder of BVBC (whether your shares of BVBC common stock are freely transferable or restricted) you will receive merger consideration of 0.3271 shares of Heartland common stock for each share of BVBC common stock you own immediately prior to the effective time of the merger (the "exchange ratio"), subject to certain adjustments described below. Immediately prior to the effective time of the merger, each issued and outstanding share of BVBC Series B preferred stock will be converted into one share of BVBC common stock and each unvested BVBC restricted share will be vested. Accordingly, each holder of shares of BVBC Series B preferred stock will become a holder of shares of BVBC common stock prior to such effective time and be entitled to receive shares of Heartland common stock in the merger on the same terms as holders of shares of BVBC common stock. In the event the effective date of the merger occurs on or after June 30, 2019, the exchange ratio will be adjusted downward if BVBC's Adjusted Tangible Common Equity (as defined in the section titled "The Merger Agreement—The Merger—The Determination of Merger Consideration" in this proxy statement/prospectus) as of June 30, 2019 is less than $55,500,000 (the "minimum equity"). If the effective time of the merger occurs before June 30, 2019, the minimum equity shall be reduced by an amount equal to the product of $20,000 multiplied by the number of calendar days from the closing date through June 30, 2019 for purposes of determining whether a downward adjustment of the exchange ratio will be made. Also, if the price of Heartland common stock drops below certain levels, as described under the section titled "The Merger Agreement—Termination," BVBC may exercise a "walk-away" right to terminate the merger agreement unless Heartland increases the exchange ratio by exercising a "top-up" option.

Based on the closing price of a share of Heartland common stock as of January 15, 2019 (the last trading date before the merger agreement was executed) of $45.45, the aggregate merger consideration to be received by BVBC stockholders was valued at approximately $93.9 million, or $14.87 for each share of BVBC common stock and BVBC Series B preferred stock. Based on the closing price of a share of Heartland common stock as of April 5, 2019 (the last practicable trading date before the date of this proxy statement/prospectus) of $44.39, the aggregate merger consideration to be received by BVBC stockholders was valued at approximately $91.7 million, or $14.52 for each share of BVBC common stock. These valuations are based on the assumption that no adjustments will be made to the exchange ratio based on BVBC's Adjusted Tangible Common Equity. Heartland common stock is listed on the Nasdaq Global Select Market under the symbol "HTLF." Because the market price for Heartland common stock will fluctuate and the Adjusted Tangible Common Equity of BVBC may decline prior to completion of the merger, the value and amount, respectively, of the actual consideration you will receive may be different from the amounts described above.

BVBC's board of directors unanimously recommends that you vote "FOR" the merger proposal and "FOR" the adjournment proposal (Pages 19 to 26).

The board of directors of BVBC believes that the merger is in the best interests of BVBC and its stockholders and has unanimously approved the merger agreement. For a discussion of the factors considered by the BVBC board of directors in reaching its decision to approve the merger agreement, see the section titled "Background and Reasons for the Merger—BVBC's Reasons for the Merger and Recommendation of BVBC's Board of Directors."

Opinion of BVBC Financial Advisor (Pages 26 to 39).

In deciding to approve the merger agreement, the board of directors of BVBC considered the opinion of its financial advisor, D.A. Davidson & Co. ("Davidson"). On January 14, 2019, the board of directors of BVBC received a written opinion from Davidson to the effect that, as of January 14, 2019 and subject to the assumptions and qualifications set forth in the opinion, the exchange ratio to be paid to the holders of BVBC common stock in the merger was fair, from a financial point of view, to such holders. A copy of this opinion is attached to this proxy statement/prospectus as Appendix C. BVBC stockholders should read the opinion completely and carefully to understand the assumptions made, matters considered and limitations on the review undertaken by Davidson in providing its opinion.

Regulatory Approvals Required for the Merger (Page 42).

The completion of the merger is subject to the receipt of approvals or waivers from the Board of Governors of the Federal Reserve System (the "FRB"), the Office of the State Bank Commissioner of Kansas (the "OSBCK") and the FDIC and the expiration of all required waiting periods. Each of Heartland and BVBC has agreed to cooperate with the other party to obtain all regulatory approvals and authorizations required to complete the merger. As of the date of this proxy statement/prospectus, the FRB has waived the requirement that Heartland file an application under the

Bank Holding Company Act of 1956 ("BHCA") relating to the merger of BVBC with and into Heartland. In addition, the FDIC and OSBCK have approved the merger of BankBV with and into M&J Bank pursuant to the Bank Merger Act and the applicable Kansas banking statutes, respectively. However, there can be no assurance that there will not be any litigation challenging the approvals of the FDIC or OSBCK or the waiver from the FRB. Also, Heartland and BVBC cannot provide any assurance that the AntiTrust Division of the U.S. Department of Justice or any state attorney general will not challenge the merger of BVBC with Heartland or the merger of BankBV with M&JBank on antitrust grounds.

Conditions That Must Be Satisfied or Waived for the Merger to Occur (Pages 49 to 50).

The parties currently expect to complete the merger in the second quarter of 2019. As more fully described in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others:

- The approval of the merger agreement by the requisite vote of the stockholders of BVBC;
- The receipt of all required regulatory approvals and required consents;
- The absence of any government action that would restrain or prohibit the merger, prohibit ownership by Heartland of a material portion of BVBC's business or assets, or require Heartland to divest any of its or BVBC's businesses or assets;
- The exercise of dissenters' rights by the holders of not more than 5% of the issued and outstanding shares of BVBC common stock;
- The effectiveness of the registration statement of which this proxy statement/prospectus is a part;
- The truth and correctness of the representations and warranties of each party to the merger agreement, subject to the materiality qualifications contained in the merger agreement;
- The performance by each party in all material respects of their obligations under the merger agreement;
- The receipt by BVBC of a legal opinion from its legal counsel that the merger will qualify as a tax-free reorganization under Section 368(a) of the Code; and
- The employment agreement by and among Heartland, BVBC, BankBV, M&JBank and Robert D. Regnier being in full force and effect.

The parties cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination Provisions of the Merger Agreement (Pages 51 to 53).

Heartland or BVBC may terminate the merger agreement:

- if the boards of directors of Heartland and BVBC mutually consent to the termination of the merger agreement;
- if there is a law or governmental order that prohibits the merger; or
- if a governmental entity has denied the approval of the merger on a final and non-appealable basis.

BVBC may also terminate the merger agreement:

- if the merger has not been completed by July 31, 2019, unless BVBC has failed to comply fully with its obligations under the merger agreement;
- if Heartland has or will have breached any representation, warranty or agreement in any material respect and such breach cannot be or is not cured within 30 days after written notice of the breach is given;
- if holders of at least a majority of the issued and outstanding shares of BVBC common stock and a majority of the issued and outstanding shares of BVBC Series B preferred stock (voting separately as holders of two different classes of stock) fail to approve the merger proposal at the special meeting;
- if BVBC has entered into a merger, acquisition or other agreement to effect a superior proposal (as defined in this proxy statement/prospectus in the section titled "The Merger Agreement—No Solicitation") provided that BVBC has complied with the provisions of its covenant not to solicit superior proposals; or
- if any of the mutual conditions or BVBC's conditions to complete the merger become impossible to satisfy (other than through a failure of BVBC to comply with its obligations under the merger agreement).

BVBC also may terminate the merger agreement pursuant to a "walk-away" right. The walk-away right may be exercised by BVBC at any time within five business days after the last business day of the month immediately preceding the month in which the merger would otherwise occur (the "determination date"), if both of the following conditions are met:

- the closing price of the Heartland common stock on the determination date (the "Heartland determination date stock price") is below $37.75; and
- the ratio of the Heartland determination date stock price to $44.42, the closing price of Heartland common stock on the trading day immediately prior to the date of the merger agreement, is less than the ratio of the average daily closing value of the KBW Nasdaq Regional Banking Index (^KRX) (the "index") during the same time period used to calculate the Heartland determination date stock price, to the closing value of the index on the trading day immediately prior to the date of the merger agreement, after subtracting 0.150 from the second ratio.

However, BVBC's written notice to terminate the merger agreement pursuant to the "walk-away" right will have no force and effect if Heartland exercises its "top-up" option and agrees in writing within five business days to increase the original exchange ratio to an amount equal to:

- the original exchange ratio (0.3271 shares of Heartland common stock for each share of BVBC common stock), divided by the Heartland determination date stock price, and
- multiplied by $37.75.

Because the "walk-away" formula is dependent on the future price of Heartland common stock and the index, it is not possible to determine what the adjusted merger consideration would be at this time, but, in general, more shares of Heartland common stock would be issued to take into account the extent to which the Heartland determination date stock price is less than $37.75.

Heartland may terminate the merger agreement:

- if the merger has not been completed by July 31, 2019, unless Heartland has failed to comply fully with its obligations under the merger agreement;
- if BVBC has or will have breached any representation, warranty or agreement in any material respect and such breach cannot be or is not cured within 30 days after written notice of the breach is given;
- if holders of at least a majority of the issued and outstanding shares of BVBC common stock and at least a majority of the issued and outstanding shares of BVBC Series B preferred stock fail to approve the merger proposal at the special meeting; or
- if any of the mutual conditions or Heartland's conditions to complete the merger become impossible to satisfy (other than through a failure of Heartland to comply with its obligations under the merger agreement).

In certain events of termination, where a party has materially breached its obligations under the merger agreement, and the breach cannot be cured in a 30-day period, or where the merger agreement has not been adopted by the requisite vote of the BVBC stockholders, the breaching party must reimburse the other party for out-of-pocket expenses not to exceed $1,000,000 in the aggregate.

BVBC must pay a termination fee of $3,756,000 in cash if the merger agreement is terminated:

- by BVBC because it has determined to enter into an agreement with another acquirer that has submitted a superior proposal;
- by Heartland if BVBC has breached its agreement to call a meeting of stockholders and to recommend that its stockholders adopt the merger agreement at such meeting; or
- BVBC has breached any of the provisions of its covenant not to solicit superior proposals.

If BVBC is required to pay the termination fee, BVBC will not be obligated to reimburse Heartland for its out-of-pocket expenses.

You have Dissenters' Rights under the Kansas General Corporation Code (Pages 45 to 47).

BVBC stockholders are entitled to dissenters' rights under Section 17-6712 of the KGCC. As a result, if the merger is completed, you are entitled to obtain payment equal to the fair value of your shares of BVBC common stock (including those shares issued upon the conversion of the BVBC Series B preferred stock) instead of the per share merger consideration. The ultimate amount you receive in an appraisal proceeding may be less than, equal to or more than the amount you would have received under the merger agreement. To exercise your dissenters' rights, you must submit a written objection to the merger to BVBC before the vote is taken on the merger proposal, vote "AGAINST" the merger proposal, and submit a written demand for appraisal after the vote is taken on the merger proposal. Your failure to follow exactly the procedures specified under the

KGCC may result in the loss of your dissenters' rights. If you hold your shares of BVBC common stock through a broker, bank or other nominee and you wish to exercise dissenters' rights, you should consult with your broker, bank or other nominee to determine the appropriate procedures for the making of a demand for appraisal by your broker, bank or other nominee. In light of the complexity of the KGCC, BVBC stockholders who may wish to pursue dissenters' rights should consult their legal and financial advisors. See the section titled "Dissenters' Rights of BVBC Stockholders" in this proxy statement/prospectus and the text of Section 17-6712 of the KGCC reproduced in its entirety in Appendix B to this proxy statement/prospectus.

The Interests of Certain Executive Officers and Directors of BVBC May Be Different from the Interests of BVBC's Stockholders Generally (Pages 40 to 41).

Certain executive officers and directors of BVBC have interests in the merger that are different from, or in addition to, those interests of BVBC's stockholders generally. For a more complete description of these interests, please see "Background and Reasons for the Merger—Interests of BVBC Directors and Executive Officers in the Merger." These interests and arrangements may cause the directors and executive officers to view the merger proposal differently than how you may view it. BVBC's board of directors was aware of these interests and considered them, among other matters, when making the decision to approve the merger agreement and recommend that BVBC stockholders adopt the merger agreement.

United States Federal Income Tax Consequences (Pages 42 to 44).

The merger is intended to qualify as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Provided that the merger qualifies as a "reorganization" within the meaning of Section 368(a) of the Code, "U.S. Holders" (as defined in the section of this proxy statement/prospectus titled "Regulatory Matters and Tax Consequences and Accounting Treatment of the Merger—Material U.S. Federal Income Tax Consequences of the Merger") of shares of BVBC common stock will generally not recognize any gain or loss for U.S. federal income tax purposes as a result of the exchange of their shares of BVBC common stock for shares of Heartland common stock in the merger, except with respect to any cash received in lieu of fractional shares of Heartland common stock. Any such gain or loss will be measured by the difference between the cash received for such fractional share and such U.S. Holder's tax basis in its shares of BVBC common stock allocable to that fractional share.

The obligations of BVBC to complete the merger are subject to, among other conditions as described in this proxy statement/prospectus and the merger agreement (which is included as Annex A to this proxy statement/prospectus), the receipt of the opinion of Hunton Andrews Kurth LLP ("Hunton"), counsel to BVBC, that the merger will qualify as a "reorganization" under Section 368(a) of the Code. BVBC does not currently intend to waive the receipt of this opinion as a condition to its obligation to complete the merger.

The material U.S. federal income tax consequences of the merger to U.S. Holders are described further in the section titled "Regulatory Matters and Tax Consequences and Accounting Treatment of the Merger—Material U.S. Federal Income Tax Consequences of the Merger." Tax matters can be complicated and the tax consequences of the merger to each BVBC stockholder will depend on such stockholder's particular tax situation. BVBC stockholders should consult their own tax advisors regarding the tax consequences of the merger to them in light of their particular circumstances, including the tax consequences under state, local, foreign and other tax laws.

Comparative Per Share Data

The following table presents comparative historical per share data of Heartland and BVBC and unaudited pro forma per share data that reflect the combination of Heartland and BVBC using the purchase method of accounting:

	As of and for the Year Ended December 31, 2018			
	Heartland	BVBC	Pro Forma Combined	Equivalent Pro Forma[1]
Net income per share				
Basic (excludes BVBC Series B preferred stock)	$3.54	$0.95	$ 3.51	$ 1.15
Diluted[2]	$3.52	$0.88	$ 3.47	$ 1.14
Dividends per common share	$0.59	$—	$ 0.55	$ 0.18
Book value per diluted common share[2]	$38.44	$8.42	$ 37.72	$ 12.34

(1) The data under the heading "Equivalent Pro Forma" was determined by multiplying the amounts under the "Pro Forma Combined" heading by the fixed exchange ratio of 0.3271.

(2) Diluted amounts were determined based on the assumption that all of the issued and outstanding shares of BVBC Series B preferred stock were converted into shares of BVBC common stock on January 1, 2018.

Heartland expects it will incur merger and integration charges as a result of the merger. Heartland also anticipates that the merger will provide Heartland with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, although helpful in illustrating the financial characteristics of Heartland after the merger under one set of assumptions, does not reflect these expenses or benefits. Accordingly, the pro forma information is not intended to predict future results. The pro forma financial information also does not necessarily reflect what the historical results of Heartland would have actually been had Heartland and BVBC been combined as of the date and for the year presented.

Market Price Information

The table below sets forth (a) the closing sale prices per share of Heartland common stock on the Nasdaq Global Select Market and (b) the closing sale prices per share of BVBC common stock on the OTCQX U.S. Market, on January 15, 2019, the last trading day before Heartland and BVBC executed the merger agreement, and on April 5, 2019, the last practicable trading day before the date of this proxy statement/prospectus:

	Heartland Common Stock Closing Sale Price	BVBC Common Stock Closing Sale Price	Equivalent Price per Share of Heartland Common Stock[(1)]
January 15, 2019	$ 45.45	$ 11.25	$ 14.87
April 5, 2019	$ 44.39	$ 14.33	$ 14.52

(1) The Equivalent Price per Share of Heartland Common Stock at each of the specified dates in the table represents the product of the closing sales price of a share of Heartland common stock on such date multiplied by the fixed exchange ratio of 0.3271, which is the number of shares of Heartland common stock that a BVBC stockholder would receive for each share of BVBC common stock or BVBC Series B preferred stock in the merger. BVBC stockholders should obtain current market price quotations for shares of Heartland common stock prior to making any decisions with respect to approval of the merger proposal.

The market price of Heartland common stock will fluctuate between the date of this proxy statement/prospectus and the date on which the merger is completed and thereafter. Because the market price of Heartland common stock is subject to fluctuations, the value of the shares of Heartland common stock that BVBC stockholders will receive in the merger may increase or decrease prior to and after the effective date of the merger.

By voting to adopt the merger agreement, holders of BVBC common stock will be choosing to invest in Heartland because they will receive Heartland common stock in exchange for their shares of BVBC common stock and BVBC Series B preferred stock pursuant to the merger agreement. An investment in Heartland's common stock involves significant risk. In addition to the other information included in this proxy statement/prospectus, including the matters addressed in the section of this proxy statement/prospectus titled "Forward-Looking Statements," BVBC stockholders should carefully consider the matters described below in section titled "Risk Factors" of this proxy statement/prospectus when determining whether to adopt the merger agreement.

Stock Trading and Dividend Information

Heartland. Shares of Heartland common stock are quoted on the Nasdaq Global Stock Market under the symbol "HTLF." Heartland currently pays quarterly cash dividends on its common stock. During 2018, the amount of these dividends ranged from $0.13 to $0.19 per share. The dividend of $0.19 per share paid in the fourth quarter of 2018 included a special cash dividend. In the first quarter of 2019, Heartland paid a cash dividend of $0.16 per share. Heartland's ability to pay cash dividends to its stockholders is largely dependent upon the cash dividends it receives from its bank subsidiaries, which are subject to regulatory limitations on the amount of cash dividends they may pay.

Accordingly, there can be no guarantee that Heartland will continue to pay cash dividends on its common stock at the same rates it has in the past or at all. All dividends on Heartland common stock are declared at the discretion of Heartland's board of directors.

BVBC. Shares of BVBC common stock are quoted on the OTCQX U.S. Market under the symbol "BVBC." However, the BVBC common stock is very thinly traded, and quoted prices are not necessarily indicative of the value of the shares of BVBC common stock. There is no trading market for shares of BVBC Series B preferred stock. BVBC has not paid any cash dividends on its common stock or Series B preferred stock since 2007.

HEARTLAND SELECTED CONSOLIDATED FINANCIAL DATA

The summary selected consolidated financial data of Heartland presented below as of and for each of the years in the five-year period ended December 31, 2018, is derived from Heartland's audited historical consolidated financial statements. This financial data is only a summary and should be read in conjunction with the consolidated financial statements and the notes thereto incorporated by reference into this proxy statement/prospectus from Heartland's Annual Report on Form 10 K for the fiscal year ended December 31, 2018. The historical results presented below, included elsewhere or incorporated by reference into this proxy statement/prospectus, are not necessarily indicative of the future performance of Heartland:

Selected Financial Data

	As of and for the Years Ended December 31,				
(Dollars in thousands, except per common share data)	2018	2017	2016	2015	2014
Statement of Income Data					
Interest income	$465,820	$363,658	$326,479	$265,968	$237,042
Interest expense	51,866	33,350	31,813	31,970	33,969
Net interest income	413,954	330,308	294,666	233,998	203,073
Provision for loan losses	24,013	15,563	11,694	12,697	14,501
Net interest income after provision for loan losses	389,941	314,745	282,972	221,301	188,572
Noninterest income	109,160	102,022	113,601	110,685	82,224
Noninterest expenses	353,888	297,675	279,668	251,046	215,800
Income taxes	28,215	43,820	36,556	20,898	13,096
Net income	116,998	75,272	80,349	60,042	41,900
Preferred dividends and discount	(39)	(58)	(292)	(817)	(817)
Interest expense on convertible preferred debt	—	12	51	—	—
Net income available to common stockholders	$116,959	$75,226	$80,108	$59,225	$41,083
Per Common Share Data					
Net income-diluted	$3.52	$2.65	$3.22	$2.83	$2.19
Cash dividends	$0.59	$0.51	$0.50	$0.45	$0.40
Dividend payout ratio	16.76 %	19.25 %	15.53 %	15.90 %	18.26 %
Book value per common share (GAAP)	$38.44	$33.07	$28.31	$25.92	$22.40
Tangible book value per common share (non-GAAP)[1]	$25.70	$23.99	$22.55	$20.57	$19.99
Weighted average shares outstanding-diluted	33,213,148	28,425,652	24,873,430	20,929,385	18,741,921

(1) Tangible book value per common share is total common stockholders' equity less goodwill and core deposit intangibles and customer relationship intangibles, net, divided by common shares outstanding, net of treasury shares. This amount is not a financial measure determined in accordance with United States generally accepted accounting principles ("GAAP") but has been included as it is considered to be a critical metric with which to analyze and evaluate the financial condition and capital strength of Heartland. This measure should not be considered a substitute for operating results determined in accordance with GAAP. See the table titled "Reconciliation of Tangible Book Value Per Common Share (non-GAAP)" in of this proxy statement/prospectus.

	As of and for the Years Ended December 31,				
(Dollars in thousands)	2018	2017	2016	2015	2014
Balance Sheet Data					
Investments	$2,715,388	$2,492,866	$2,131,086	$1,878,994	$1,706,953
Loans held for sale	119,801	44,560	61,261	74,783	70,514
Total loans receivable[1]	7,407,697	6,391,464	5,351,719	5,001,486	3,878,003
Allowance for loan losses	61,963	55,686	54,324	48,685	41,449
Total assets	11,408,006	9,810,739	8,247,079	7,694,754	6,051,812
Total deposits[2]	9,396,429	8,146,909	6,847,411	6,405,823	4,768,022
Long-term obligations	274,905	285,011	288,534	263,214	395,705
Preferred equity	—	938	1,357	81,698	81,698
Common stockholders' equity	1,325,175	990,519	739,559	581,475	414,619
Earnings Performance Data					
Return on average total assets	1.09 %	0.83 %	0.98 %	0.88 %	0.70 %
Return on average common stockholders' equity	9.93 %	8.63 %	11.80 %	11.92 %	10.62 %
Annualized net interest margin (GAAP)	4.26 %	4.04 %	3.95 %	3.80 %	3.77 %
Annualized net interest margin, fully tax-equivalent (non-GAAP)[3]	4.32 %	4.22 %	4.13 %	3.97 %	3.96 %
Asset Quality Ratios					
Nonperforming assets to total assets	0.69 %	0.76 %	0.91 %	0.67 %	0.74 %
Nonperforming loans to total loans	0.98 %	0.99 %	1.20 %	0.79 %	0.65 %
Net loan charge-offs to average loans	0.25 %	0.24 %	0.11 %	0.12 %	0.39 %
Allowance for loan losses to total loans	0.84 %	0.87 %	1.02 %	0.97 %	1.07 %
Allowance for loan losses to nonperforming loans	85.27 %	87.82 %	84.37 %	122.77 %	165.33 %
Consolidated Capital Ratios					
Average equity to average assets	10.94 %	9.69 %	8.53 %	8.55 %	8.00 %
Average common equity to average assets	10.93 %	9.68 %	8.31 %	7.35 %	6.60 %
Total capital to risk-weighted assets	13.72 %	13.45 %	14.01 %	13.74 %	15.73 %
Tier 1 capital to risk-weighted assets	12.16 %	11.70 %	11.93 %	11.56 %	12.95 %
Common equity tier 1 to risk-weighted assets[4]	10.66 %	10.07 %	10.09 %	8.23 %	— %
Tier 1 leverage	9.73 %	9.20 %	9.28 %	9.58 %	9.75 %

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(1) Excludes loans held for sale.
(2) Excludes deposits held for sale.

(3) Computed on a tax-equivalent basis using an effective tax rate of 21% for the year ended December 31, 2018 and 35% for all years ended on or prior to December 31, 2017. Annualized net interest margin, fully tax-equivalent, is a non-GAAP measure, which adjusts net interest income for the tax-favored status of certain loans and securities. Management of Heartland believes this measure enhances the comparability of net interest income arising from taxable and tax-exempt sources. This measure should not be considered a substitute for operating results determined in accordance with GAAP. See the table titled "Reconciliation of Annualized Net Interest Margin, Fully Tax-Equivalent (non-GAAP)" in this proxy statement/prospectus.

(4) Prior to the adoption of Basel III requirements effective January 1, 2015, the common equity tier 1 capital ratio was not a capital standard required by bank regulatory agencies.

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Non-GAAP Financial Measures

Reconciliation of Tangible Book Value Per Common Share (non-GAAP) (Dollars in thousands, except per share data)	As of and for the Years Ended December 31,				
	2018	2017	2016	2015	2014
Common stockholders' equity (GAAP)	$1,325,175	$990,519	$739,559	$581,475	$414,619
Less goodwill	391,668	236,615	127,699	97,852	35,583
Less core deposit intangibles and customer relationship intangibles, net	47,479	35,203	22,775	22,020	8,948
Tangible common stockholders' equity (non-GAAP)	$886,028	$718,701	$589,085	$461,603	$370,088
Common shares outstanding	34,477,499	29,953,356	26,119,929	22,435,693	18,511,125
Common stockholders' equity (book value) per share (GAAP)	$38.44	$33.07	$28.31	$25.92	$22.40
Tangible book value per common share (non-GAAP)	$25.70	$23.99	$22.55	$20.57	$19.99

Reconciliation of Annualized Net Interest Margin, Fully Tax-Equivalent (non-GAAP) (Dollars in thousands)	As of and for the Years Ended December 31,				
	2018	2017	2016	2015	2014
Net interest income (GAAP)	$413,954	$330,308	$294,666	$233,998	$203,073
Plus tax-equivalent adjustment[1]	6,228	15,139	12,919	10,216	10,298
Net interest income, fully tax-equivalent (non-GAAP)	$420,182	$345,447	$307,585	$244,214	$213,371
Average earning assets	$9,718,106	$8,181,914	$7,455,217	$6,152,090	$5,384,275
Net interest margin (GAAP)	4.26 %	4.04 %	3.95 %	3.80 %	3.77 %
Net interest margin, fully tax-equivalent (non-GAAP)	4.32 %	4.22 %	4.13 %	3.97 %	3.96 %

(1) Computed on a tax-equivalent basis using an effective tax rate of 21% for the year ended December 31, 2018 and 35% for all years ended on or prior to December 31, 2017.

RISK FACTORS

By voting in favor of the merger proposal, you will be choosing to invest in Heartland's common stock. In addition to the information contained elsewhere in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus, as a stockholder of BVBC, you should carefully consider the following factors in making your decision as to how to vote on the merger proposal.

Risks Relating to the Merger

The exchange ratio could be reduced if BVBC's Adjusted Tangible Common Equity is less than $55.5 million as of the determination date.

The exchange ratio will determine the number of shares of Heartland common stock that will be issued to BVBC stockholders in the merger, which is dependent upon the Adjusted Tangible Common Equity of BVBC as of the determination date and will be reduced to the extent that Adjusted Tangible Common Equity is less than $55.5 million. Changes in Adjusted Tangible Common Equity may result from higher loan loss provisions, ordinary business conditions that impact the net interest and noninterest income of BVBC, or more general market and economic conditions that impact BVBC operations.

Because the exchange ratio is fixed and the market price of the Heartland common stock will fluctuate prior to the completion of the merger, BVBC stockholders cannot be sure of the value of the Heartland common stock to be received in the merger.

At the effective time of the merger, each share of BVBC common stock will be converted into the right to receive, subject to certain adjustments as set forth in the merger agreement, 0.3271 shares of Heartland common stock. The exchange ratio used to determine the stock consideration will not increase based on fluctuations in the market price of Heartland common stock, unless the price of Heartland common stock falls below certain levels and BVBC invokes its "walk away" right to terminate the merger agreement. Heartland may subsequently exercise its right to make a "top-up" election and increase the exchange ratio to void the "walk away" right to terminate the merger agreement as described in the section of this proxy statement/prospectus titled "The Merger Agreement—Termination." The market value of Heartland common stock has varied since Heartland and BVBC entered into the merger agreement and will continue to vary in the future due to changes in the business, operations or prospects of Heartland, market assessments of the merger, regulatory considerations, market and economic considerations, and other factors both within and beyond the control of Heartland. Therefore, at the time of the special meeting, BVBC's stockholders will not know or be able to calculate the market value of the Heartland common stock they will receive upon completion of the merger.

The interests of certain directors and executive officers of BVBC may be different from the interests of BVBC's stockholders generally.

Certain executive officers and directors of BVBC have interests in the merger that are different from, or in addition to, the interests of BVBC's stockholders generally. For a more complete description of these interests, please see "Background and Reasons for the Merger—Interests of BVBC Directors and Executive Officers in the Merger." These interests and arrangements may cause the directors and executive officers to view the merger proposal differently than you may view it. BVBC's board of directors was aware of these interests and considered them, among other matters, when making a decision to approve the merger agreement and recommend that BVBC stockholders adopt the merger agreement.

The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may cause the prices of Heartland common stock and BVBC common stock to decline and which may negatively impact the future businesses and financial results of Heartland and BVBC.

Consummation of the merger is subject to customary conditions to closing in addition to adoption by BVBC stockholders of the merger agreement. If any condition to the merger is not satisfied or waived, the merger will not be completed. In addition, Heartland and BVBC may terminate the merger agreement under certain circumstances even if the merger agreement is adopted by the BVBC stockholders, including if the merger has not been completed on or before July 31, 2019. If the merger is not completed, the trading prices of Heartland common stock and BVBC common stock may decline to the extent that the current prices reflect a market assumption that the merger will be completed. Also, the continued operations of BVBC may be impaired because of costs, the departure of employees and customers, or other dislocation caused by the terminated merger. In addition, neither Heartland nor BVBC would realize any of the expected benefits of having completed the merger. Furthermore, if the merger is not completed, Heartland and/or BVBC may experience negative reactions from their respective stockholders, customers and employees. Heartland and/or BVBC also could be subject to litigation related to any failure to complete the merger or to proceedings commenced by Heartland or BVBC against the other seeking damages or to compel the other to perform its obligations under the merger agreement. These factors and similar risks could have an adverse effect on the results of operation, business and stock prices of Heartland and BVBC. For more information on the closing conditions to the merger, see the section titled "The Merger Agreement—Conditions to Completion of the Merger."

The shares of Heartland common stock to be received by BVBC stockholders as a result of the merger will have different rights than shares of BVBC common stock.

Upon completion of the merger, BVBC stockholders will become Heartland stockholders, and their rights as stockholders will be governed by the Delaware General Corporation Law and the Heartland certificate of incorporation and bylaws, as they may be amended from time to time. The rights associated with BVBC common stock and BVBC Series B preferred stock are different from the rights associated with Heartland common stock. See the section titled "Comparison of Rights of Holders of Heartland Common Stock and BVBC Common Stock."

The termination fee and the restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire BVBC.

Until the completion of the merger, with certain exceptions, BVBC is prohibited from initiating, soliciting, knowingly encouraging or taking other actions to facilitate any inquiries, discussions or the making of any proposals that may lead to an acquisition proposal, such as a merger or other business combination transaction, with any person other than Heartland. In addition, BVBC has agreed to pay a termination fee to Heartland if the merger agreement is terminated in specified circumstances, including if BVBC terminates the merger agreement to enter into a superior proposal with another person. These provisions could discourage other companies from trying to acquire BVBC even though those other companies might be willing to offer greater value to BVBC's stockholders than Heartland has offered in the merger proposal. See "The Merger Agreement—Termination" and "—Termination Fee and Payment of Expenses" for more information about the termination fee and BVBC’s restrictions on solicitation.

The fairness opinion obtained by BVBC from its financial advisor will not reflect changes in circumstances after the date of such fairness opinion.

Davidson, BVBC's financial advisor in connection with the merger, has delivered to the board of directors of BVBC its opinion dated as of January 14, 2019. The Davidson opinion states that as of the date of such opinion, and based upon and subject to the factors and assumptions set forth therein, the exchange ratio to be paid to the holders of the outstanding shares of BVBC common stock pursuant to the merger agreement was fair from a financial point of view to BVBC stockholders. The opinion does not reflect changes that may occur or may have occurred after the date of such opinion, including changes to the operations and prospects of BVBC, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which each opinion is based, may materially alter or affect the estimated valuation conclusions reached in such opinion for BVBC.

Post-Merger Risks

Difficulties in combining the operations of BVBC and Heartland may prevent the combined company from achieving the expected benefits from the merger.

The combination of BVBC with Heartland may cause Heartland to have difficulty in achieving the full strategic objectives and operating efficiencies it hopes to achieve from the merger. The success of the merger will depend on a number of factors, including Heartland's ability to:

- integrate the operations of BankBV with the operations of M&JBank;
- maintain existing relationships with depositors of BankBV so as to minimize withdrawals of deposits after the merger;
- maintain and enhance existing BankBV relationships with borrowers;
- control the incremental noninterest expense of BankBV so as to maintain overall operating efficiencies;
- retain and attract qualified personnel for the new combined Kansas bank; and
- compete effectively in the communities served by BankBV and M&JBank and in nearby communities.

These factors could contribute to the combined company consisting of Heartland and BVBC not achieving the expected benefits from the merger within the desired time frames, if at all.

BVBC stockholders will become stockholders of Heartland upon completion of the merger, and, following the merger, Heartland's operating results and financial condition may be adversely affected by a variety of factors causing volatility in the price of Heartland common stock.

Risks that may impact Heartland's net income and the strength of its balance sheet depend on a number of factors, including the following: (i) the strength of the national economy and the economies of local communities in which Heartland conducts business; (ii) the economic impact of past and any future terrorist threats and attacks and any acts of war; (iii) changes in state and federal banking laws and regulations and governmental policies affecting financial institutions; (iv) changes in interest rates and prepayment rates of Heartland's loans; (v) increased competition in the financial services sector and the inability of Heartland to attract new customers; (vi) changes in technology and Heartland's ability to develop and maintain secure and reliable electronic systems; (vii) the potential impact of future acquisitions and Heartland's ability to successfully integrate acquired banks (which are discussed in the risk factor below relating to acquisitions by Heartland); (viii) the loss of key executives or employees; (ix) changes in consumer spending; (x) unexpected outcomes of existing or new litigation involving Heartland; and (xi) changes in accounting policies and practices. These factors are described in the section of this proxy statement/prospectus titled "Forward—Looking Statements" and are discussed in detail in Heartland's Annual Report on Form 10 K incorporated by reference into this proxy statement/prospectus.

General market fluctuations, industry factors and general economic and political conditions and events have caused a decline in Heartland's stock price in the past, and these factors, as well as interest rate changes, unfavorable credit loss trends, or unforeseen events such as terrorist attacks could cause Heartland's stock price to be volatile regardless of its operating results.

Heartland, as the surviving company in the merger, and its stockholders, including the former stockholders of BVBC, will be subjected to risks if Heartland effects future acquisitions.

Heartland intends to continue to investigate strategic acquisitions of other bank holding companies, banks and other businesses after the merger. Acquiring other banks and businesses will involve risks commonly associated with acquisitions, including:

- potential exposure to liabilities of any bank holding companies, banks or other businesses acquired;
- the difficulty and expense of integrating the operations and personnel of any bank holding companies, banks or other businesses acquired;
- potential dilution of existing Heartland stockholders as a result of additional equity issuances as merger consideration;
- possible increases in leverage resulting from borrowings needed to finance an acquisition or augment regulatory capital;
- potential disruption to Heartland's business;
- potential diversion of the time and attention of Heartland's management; and
- impairment of relationships with and the possible loss of key employees and customers of any bank holding companies, banks or other businesses acquired by Heartland.

FORWARD-LOOKING STATEMENTS

There are forward-looking statements in this proxy statement/prospectus (and in documents that are incorporated by reference in this proxy statement/prospectus) that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of Heartland's and BVBC's respective operations or performance both before and after the merger is completed. You can identify these statements from the use of words "believes," "expects," "anticipates," "plans," "intends," "estimates," "may," "will," "would," "could," "should" or similar expressions are used in this proxy statement/prospectus and the documents that are incorporated by reference in this proxy statement/prospectus. Many events or factors could affect the future financial results and performance of Heartland after the merger and could cause those results or performance to differ materially from those expressed in Heartland's forward-looking statements. These risks are described in detail in Heartland's Annual Report on Form 10 K incorporated by reference into this proxy statement/prospectus. These risks include, but are not limited to, the following:

- The strength of the U.S. economy in general and the strength of the local economies in which Heartland conducts its operations, which may be less favorable than expected and may result in, among other things, a deterioration in the credit quality and value of Heartland's assets;
- The economic impact of past and any future terrorist threats and attacks, acts of war or threats thereof, and the response of the United States to any such threats and attacks;
- The effects of, and changes in, federal, state and local laws, regulations and policies affecting banking, taxes, securities, insurance and monetary and financial matters;
- The effects of changes in interest rates (including the effects of changes in the rate of prepayment of loans) and the policies of the FRB;
- Heartland's ability to compete with other financial institutions as effectively as it currently intends to do as a result of increased competitive pressures in the financial services sector;
- Heartland's ability to obtain new customers and to retain existing customers;
- The timely development and acceptance of products and services, including products and services offered through alternative delivery channels such as the Internet;
- Technological changes implemented by Heartland and by other parties, including third party vendors, which may be more difficult or more expensive than anticipated or which may have unforeseen consequences to Heartland and its customers;
- Heartland's ability to develop and maintain secure and reliable electronic delivery systems;
- Heartland's ability to retain key executives and employees, including executives and employees of BankBV and M&JBank, and the difficulty that Heartland may experience in replacing key executives and employees in an effective manner;
- Consumer spending and saving habits that may change in a manner that adversely affects Heartland's business;

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- Future business combinations and the related integration of acquired businesses that may not be successful (see the section of this proxy statement/prospectus titled "Risk Factors" for a more detailed discussion of these risks);
- Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies and the Financial Accounting Standards Board; and
- Other factors discussed in the "Risk Factors" section of this proxy statement/prospectus and in the documents incorporated by reference in this proxy statement/prospectus.

These risks and uncertainties should be considered in evaluating forward-looking statements, and undue reliance should not be placed on these statements.

The forward-looking statements included in this proxy statement/prospectus are made only as of the date of this proxy statement/prospectus, and Heartland undertakes no obligation to update any statement in light of new information or future events. Further information concerning Heartland and its business, including additional factors that could materially affect Heartland's financial results, is included in Heartland's filings with the Securities and Exchange Commission (the "SEC"). See the section titled "Where You Can Find More Information."

THE BVBC SPECIAL MEETING

Date, Time and Place

The BVBC special meeting will be held at the Bank of Blue Valley corporate headquarters located at 11935 Riley Street, Overland Park, Kansas 66213, at 5:30 p.m. local time on May 8, 2019.

Matters to be Considered

At the special meeting, holders of shares of BVBC common stock and BVBC Series B preferred stock will be asked to consider:

- a proposal to adopt the merger agreement; and
- a proposal to adjourn the BVBC special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

Voting

You should vote your shares of BVBC common stock and BVBC Series B preferred stock using one of the alternative voting methods described in the enclosed proxy card. As provided in the proxy card, you have the three following methods for voting before the special meeting:

- On the Internet at www.proxyvote.com;
- By telephone, by dialing (800) 690-6903; or
- By mail. PLEASE SIGN AND DATE THE ACCOMPANYING PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED POSTAGE PAID RETURN ENVELOPE.

You may revoke your vote at any time (without, however, affecting any vote taken prior to such revocation) by (i) filing with the Secretary of BVBC a written notice of revocation, (ii) delivering to BVBC a duly executed proxy card bearing a date later than the date of your previous proxy card, or (iii) attending the special meeting and voting in person. Your presence at the special meeting will not automatically revoke your proxy. All written notices of revocation and other communications with respect to revocation of proxies in connection with the special meeting should be addressed as follows:

Mark A. Fortino
Secretary
Blue Valley Ban Corp.
11935 Riley Street
Overland Park, Kansas 66213

All shares of BVBC common stock and BVBC Series B preferred stock voted, unless the vote is revoked, will be voted in accordance with the instructions received from each BVBC stockholder. If you submit a proxy card and make no specification on your proxy card as to how you want your shares of BVBC common stock or BVBC Series B preferred stock

voted before signing and returning it, your proxy will be voted "FOR" approval of the merger proposal and "FOR" the adjournment proposal, if necessary or appropriate.

Solicitation of Proxies

BVBC will bear the entire cost of soliciting votes from you. BVBC will request that banks, brokers and other record holders send copies of this proxy statement/prospectus and the proxy cards to the beneficial owners of BVBC common stock and secure their voting instructions, if necessary. BVBC will reimburse the record holders for their reasonable expenses in taking those actions. If necessary, BVBC may also use several of its regular employees, who will not be specially compensated, to solicit the vote from holders of BVBC common stock, either personally or by telephone, facsimile, email or letter.

Record Date

The BVBC board of directors has fixed the close of business on March 22, 2019 as the record date for determining the holders of BVBC common stock and BVBC Series B preferred stock entitled to receive notice of and to vote at the special meeting. At that time, 5,843,724 shares of BVBC common stock were outstanding and 471,979 shares of BVBC Series B preferred stock were outstanding. As of the record date, there were approximately 149 holders of record of BVBC common stock and one holder of record of BVBC Series B preferred stock.

Quorum and Vote Required

General. The presence, in person or by proxy, of the holders of a majority of each of the shares of BVBC common stock and BVBC Series B preferred stock entitled to vote at the meeting is necessary to constitute a quorum at the special meeting. Abstentions and broker non-votes, if any, will be counted solely for the purpose of determining whether a quorum is present.

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the issued and outstanding shares of BVBC common stock and a majority of the issued and outstanding shares of BVBC Series B preferred stock. Holders of BVBC common stock and BVBC Series B preferred stock will vote separately on the merger proposal as holders of different classes of stock. Approval of the adjournment proposal, if necessary or appropriate, requires a majority of the votes cast with respect to the proposal. You are entitled to one vote for each share of BVBC common stock or BVBC Series B preferred stock you held as of the record date. Holders of BVBC Series B preferred stock have no voting rights with respect to the adjournment proposal. As of the record date of the special meeting, directors and executive officers of BVBC and their respective affiliates held 57.5% of the outstanding shares of BVBC common stock and 100% of the outstanding shares of BVBC Series B preferred stock.

Abstentions and failures to vote will have the same effect as a vote against adoption of the merger agreement, but will have no effect on the adjournment proposal.

Because the affirmative vote of the holders of a majority of the issued and outstanding shares of BVBC common stock and a majority of the issued and outstanding shares of BVBC Series B preferred stock is required to adopt the merger agreement, the failure to vote prior to the special meeting or in person at the special meeting will have the same effect as a vote against the merger agreement. Abstentions also will have the same effect as a vote against the merger. Accordingly, the BVBC board of directors urges holders of BVBC common stock and BVBC Series B preferred stock to vote on the two proposals being presented at the special meeting.

Voting Agreement. Pursuant to a stockholder voting agreement, certain holders of BVBC common stock and BVBC Series B preferred stock have agreed to vote their shares in favor of the merger proposal. The holders of BVBC common stock that have signed the stockholder voting agreement have the right to vote, or direct the voting of, 53.6% of the outstanding shares of BVBC common stock as of the record date. There was only one holder of BVBC Series B preferred stock as of the record date, and, pursuant to the stockholder voting agreement, such holder has agreed to vote all of its shares of BVBC Series B preferred stock in favor of the merger proposal. However, in the event of a withdrawal of the BVBC board recommendation, the stockholder voting agreement will terminate, and none of the BVBC stockholders that have signed such agreement will be required to vote in favor of the merger proposal. Unless the stockholder voting agreement is so terminated, the merger proposal will be approved by the BVBC stockholders.

Other Business

BVBC is not currently aware of any business to be acted upon at the special meeting other than the matters discussed in this proxy statement/prospectus.

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BACKGROUND AND REASONS FOR THE MERGER

The following discussion contains material information pertaining to the merger. This discussion is a summary only and may not contain all of the information that is important to you.

Structure

The merger agreement provides that BVBC will be merged with and into Heartland. Each share of BVBC common stock outstanding immediately prior to the effective time of the merger (including shares of BVBC Series B preferred stock converted into shares of BVBC common stock and the BVBC restricted shares vested immediately prior to the effective time of the merger) will be converted, upon completion of the merger, into the right to receive 0.3271 shares of Heartland common stock, subject to adjustment as further described in this proxy statement/prospectus, plus cash in lieu of any fractional shares. Immediately after the effective time of the merger, BankBV will be merged with and into M&JBank.

Background of the Merger

The BVBC board of directors has regularly reviewed and discussed BVBC's business, performance, prospects and long-term strategy in the context of developments in the banking industry, the competitive landscape and the regulatory environment. The BVBC board of directors has considered, from time to time, various potential strategic alternatives, including transactions involving other financial institutions, such as potential acquisitions of bank holding companies of a smaller size or business combinations with larger banks. The BVBC board of directors also considered standalone alternatives such as increasing its number of traditional bank branches and staffing through organic growth, expanding its product offerings or acquiring branches of other banking institutions.

Heartland's board of directors and management regularly reviews Heartland's business strategies, opportunities and challenges, with the goal of enhancing stockholder value. These strategic reviews have focused on, among other things, the business and regulatory environment facing Heartland and financial institutions generally, as well as ongoing consolidation in the financial services industry. The reviews conducted by Heartland's board of directors and management have included discussions regarding potential transactions that would further Heartland's strategic objectives, and the potential benefits and risks of these transactions. Through acquisition and organic growth, Heartland's goal is to reach at least $1.0 billion in assets in each state where Heartland operates.

At a special meeting of the BVBC board of directors on August 1, 2018, the BVBC board of directors invited representatives of Davidson, a nationally-recognized investment banking firm with substantial experience in transactions similar to the merger, to discuss strategic considerations relating to community banks, including, but not limited to, the current merger and acquisition environment. The BVBC board of directors also reviewed with BVBC's management the financial forecast of BVBC and further discussed the merits of continuing operations on a standalone basis, including deposit composition and deposit betas, loan competition and growth expectations. The BVBC board of directors considered whether BVBC had an opportunity to better leverage its strengths and minimize its weaknesses by engaging in a strategic business combination to enhance stockholder value. The BVBC board of directors also considered the potential risks associated with a potential business combination, including untimely disclosure of confidential information or the consequences of an abandoned transaction to BVBC's stockholders, employees and customers.

In addition, during the meeting, the BVBC board of directors engaged in a lengthy discussion with the representatives of Davidson about the valuation of BVBC and the attributes of potential merger partners, including, but not limited to, compatibility of business models, cultural synergies, overall and perceived impact to BankBV's franchise, financial performance in their respective markets, recent transactions, stock market performance, and apparent financial ability to pay and complete a possible business combination with BVBC. The BVBC board of directors then discussed the potential benefits and risks of contacting such potential merger partners regarding a potential business combination, including the risk of potential disruption to BVBC's business and relationships with employees and customers should information about such outreach become known to the public and the potential damage from a process that does not conclude in a successful transaction. Following extensive discussion, the BVBC board of directors authorized Davidson to act as BVBC's financial advisor in connection with a potential business combination, with the appropriate officers authorized to negotiate an agreement with Davidson with respect to such engagement. The BVBC board of directors further instructed Davidson to contact on a no-names basis twelve potential merger partners identified by the BVBC board of directors, with Davidson's input, to be most likely and able to be interested in exploring a potential business combination with BVBC at that time.

Over the next few weeks, in accordance with the directives of the BVBC board of directors, Davidson contacted the twelve potential merger partners selected by the BVBC board of directors, with Davidson's input, regarding a potential business combination involving BVBC and to communicate a proposed timeline and process with respect to such potential business combination. Also, in late-August and early-September, Davidson and BVBC prepared a confidential information memorandum on

BVBC that would be provided to those potential merger partners who entered into a confidentiality agreement with BVBC. Of the twelve potential merger partners initially contacted by Davidson, five indicated that they were not interested in pursuing a potential business combination at that time due to other commitments or the size of BVBC. The other seven potential merger partners entered into confidentiality agreements with BVBC and were provided the confidential information memorandum in order to conduct due diligence, including Party A ("Party A"), Party B ("Party B"), Party C ("Party C") and Heartland.

On August 27, 2018, BVBC entered into a confidentiality agreement with Heartland. On September 22, 2018, Davidson delivered the confidential information memorandum to Heartland.

On October 16, 2018, the Heartland board of directors held a regularly scheduled meeting. At this meeting, Heartland management provided the Heartland board of directors with information regarding BVBC and discussed the possibility of a business combination between Heartland and BVBC. Management informed the Heartland board of directors that Davidson had requested Heartland to provide a non-binding indication of interest letter with respect to the acquisition of BVBC by Heartland no later than October 30, 2018. After discussion of the proposed terms of the non-binding letter of intent, the Heartland board of directors authorized management to provide a non-binding indication of interest letter to BVBC.

On October 17, 2018, the BVBC board of directors held their regularly scheduled meeting. At the meeting, among other things, the BVBC board of directors discussed with representatives of Davidson the status of the limited market check to date. Representatives of Davidson also discussed with the BVBC board of directors the recent volatility in the stock market in the banking industry.

On October 30, 2018, BVBC received a non-binding indication of interest from Party A, pursuant to which Party A proposed to acquire BVBC for $14.85 per fully diluted share of BVBC common stock in cash (equating to approximately $95.0 million in aggregate transaction value).

On October 30, 2018, BVBC received a non-binding indication of interest from Party B, pursuant to which Party B proposed to acquire BVBC in a 100% stock, fixed exchange ratio transaction. Party B indicated a range of preliminary exchange ratios resulting in an implied range of values of $14.43 to $16.24 per fully diluted share of BVBC common stock (equating to a range of approximately $92.3 million to $103.9 million in aggregate transaction value, based on Party B's 30 trading day average closing price). Per Party B's initial non-binding indication of interest, the midpoint of Party B's preliminary valuation resulted in a price of $15.34 per fully diluted share of BVBC common stock and $98.1 million in aggregate transaction value. Based on the 30 trading day average closing price of Party B's common stock concluding on November 2, 2018 and the midpoint of Party B's exchange ratio, the implied value was $15.16 per fully diluted share of BVBC common stock and an aggregate transaction value of $97.0 million. In addition, based on the closing price of Party B's common stock on November 2, 2018, the midpoint of Party B's exchange ratio range resulted in a value of $14.50 per fully diluted share of BVBC common stock and an aggregate transaction value of $92.7 million.

On October 30, 2018, BVBC received a non-binding indication of interest from Heartland, pursuant to which Heartland proposed to acquire BVBC in a 100% stock, fixed exchange ratio transaction. Heartland indicated an exchange ratio of 0.3206 shares of Heartland common stock for each outstanding share of BVBC common stock and BVBC Series B preferred stock, which resulted in an implied value of $17.25 per fully diluted share of BVBC common stock (equating to approximately $110.3 million in aggregate transaction value, based on the closing price of Heartland common stock on the preceding day). Based on the 30 trading day average closing price of Heartland's common stock concluding on November 2, 2018 and the 0.3206 exchange ratio, the implied value was $17.86 per fully diluted share of BVBC common stock and an aggregate transaction value of $114.2 million. In addition, based on the closing value of Heartland's common stock on November 2, 2018 and the 0.3206 exchange ratio detailed in Heartland's non-binding indication of interest, the implied value was $17.26 per fully diluted share of BVBC common stock and an aggregate transaction value of $110.4 million.

On November 2, 2018, BVBC received a non-binding indication of interest from Party C, pursuant to which Party C proposed to acquire BVBC in a 100% stock, fixed exchange ratio transaction. Party C indicated a range of preliminary exchange ratios resulting in an implied range of values of $15.54 to $17.01 per fully diluted share of BVBC common stock (equating to a range of approximately $99.4 million to $108.8 million in aggregate transaction value, based on Party C's 30 trading day volume weighted average price). Per Party C's initial non-binding indication of interest, the midpoint of Party C's preliminary valuation resulted in a price of $16.28 per fully diluted share of BVBC common stock and $104.1 million in aggregate transaction value. Based on the 30 trading day average closing price of Party C's common stock concluding on November 2, 2018 and the midpoint of Party C's exchange ratio, the implied value was $16.31 per fully diluted share of BVBC common stock and an aggregate transaction value of $104.3 million. In addition, based on the closing value of Party C's common stock on November 2, 2018, the midpoint of Party C's exchange ratio range resulted in a value of $14.67 per fully diluted share of BVBC common stock and an aggregate transaction value of $93.8 million.

In their respective non-binding indications of interest, each of Heartland and Party C requested that BVBC enter into an exclusivity agreement while Party A and Party B were silent on the matter. The other potential merger partners who had entered into confidentiality agreements with BVBC indicated that they were not interested in pursuing or were unable to pursue a strategic transaction at that time.

On November 7, 2018, the BVBC board of directors held a meeting at which representatives of Davidson and Hunton, the legal advisor to BVBC in connection with the merger, were present to discuss the non-binding indications of interest received from Party A, Party B, Party C and Heartland. Representatives of Hunton reviewed the directors' fiduciary duties applicable to their consideration of a business combination, including their ability to decide not to pursue a business combination or reject any proposal if such proposal was not in the best interests of BVBC and its stockholders. Representatives of Davidson then proceeded to provide a market update, addressing the recent decline in stock prices for the banking industry, and a presentation of precedent merger transactions, including Davidson's belief as to how the market fluctuation might impact the notional value of such prior mergers in light of current market volatility. Next, the representatives from Davidson reviewed with the BVBC board of directors the discussions held with Party A, Party B, Party C and Heartland and relayed the rationale provided by each party for a business combination with BVBC; the terms of each non-binding indication of interest; and information regarding each of BVBC, Party A, Party B, Party C and Heartland on a standalone basis.

Taking into account the information reviewed with it by Davidson, the BVBC board of directors also considered the positive and negative attributes of each of Party A, Party B, Party C and Heartland, including, among other things, the implied merger consideration of each offer in light of recent stock performance of the potential merger partner and when the exchange ratio was proposed to be set; the financial ability of each potential merger partner to consummate the potential business combination; the pro forma ownership of BVBC stockholders in the combined company; the historic market performance of each party's stock price and its volatility; the potential synergies in a potential business combination with Party A, Party B, Party C or Heartland; the opportunities of the resulting company in the case of each potential merger partner and whether such prospects might impact the combined company's future stock price; the geographic diversity of the potential merger partners and the extent to which each potential merger partner's operations overlapped with BVBC's geographic markets; whether Party A, Party B, Party C or Heartland paid a regular dividend; the likelihood of consummating a business combination on a timely basis, including each potential merger partner's relative experience in completing business combinations of financial institutions of a similar size as BVBC; and the risks to BVBC of remaining independent, including the challenges in meeting projections, threats of competition from other financial services companies and from a technology standpoint and the likelihood of experiencing additional benefits from deregulation in light of recent Congressional and regulatory action.

The BVBC board of directors also held an executive session at the November 7, 2018 meeting during which they (i) discussed the formation of a special committee to coordinate negotiation efforts going forward and (ii) determined that the proposal submitted by Party C was insufficient to move forward with an exclusive arrangement at such time and that pursuing a potential business combination with Heartland at the time was more likely to maximize BVBC stockholder value than the offers of Party A, Party B or Party C or BVBC's standalone prospects.

Following the executive session, the BVBC board of directors reconvened and instructed representatives of Davidson to seek improved merger consideration from Heartland in order to consider an exclusivity period of 30 to 45 days to conduct additional due diligence and negotiate a definitive agreement, and authorized Mr. Regnier to execute the letter of intent with Heartland. The BVBC board of directors also appointed a special committee of the BVBC board of directors comprised of Robert D. Regnier, Chairman of the Board, Don H. Alexander, Thomas A. McDonnell and Tony Scavuzzo. The special committee was authorized to, among other things, (1) review, evaluate, investigate and negotiate the terms of a definitive agreement, including whether the terms and conditions of the potential transaction were fair to and in the best interests of BVBC and its stockholders, (2) direct and oversee all communications, discussions and negotiations on behalf of BVBC between BVBC's advisors and Heartland's advisors, (3) make reports to the entire BVBC board of directors at the appropriate times with respect to such matters as the special committee deems appropriate, (4) recommend to the entire BVBC board of directors what action, if any, should be taken with respect to the potential transaction, and (5) take such further action and exercise such other powers and authority that may otherwise be exercised by the BVBC board of directors as the special committee, in its sole discretion, deemed necessary, proper, useful or advisable in order to fully carry out their responsibilities.

On November 8, 2018, Davidson contacted Heartland and asked Heartland to consider certain revisions to its letter of intent. Heartland determined that it would slightly increase the proposed exchange ratio but only if BVBC granted Heartland an exclusivity period long enough for Heartland to complete a thorough due diligence investigation with respect to BVBC.

On November 9, 2018, Heartland sent BVBC a revised non-binding indication of interest letter pursuant to which Heartland proposed to acquire BVBC in a 100% stock, fixed exchange ratio transaction. Heartland's letter included an exchange ratio of 0.3230 shares of Heartland common stock for each outstanding share of BVBC common stock and BVBC Series B preferred stock, which resulted in an implied value of $17.93 per share of BVBC common stock and BVBC Series B preferred stock (equating to approximately $114.7 million in aggregate transaction value, based on the closing price of Heartland common stock on the preceding day). BVBC management acknowledged that the increased exchange ratio presented a better offer than what was originally proposed by Heartland and, in accordance with the authorization of the BVBC board of directors, BVBC and Heartland executed the non-binding letter of intent on November 9, 2018, which provided for a 45-day exclusivity period with the ability of Heartland to extend such period by an additional 15 days.

Between November 9, 2018 and January 15, 2019, Heartland conducted an in-depth due diligence review of BVBC. This due diligence investigation consisted of a thorough review of documents and other materials relating to BVBC contained in a virtual data room made available by Davidson. The investigation also included in-person meetings between (i) the members of Heartland's and BVBC's executive management teams on November 16, 2018, December 13, 2018 and January 3, 2019 and (ii) the members of Heartland's and BVBC's business unit leadership teams on December 17, 2018, covering a broad range of financial, operational and strategic topics. Further, executives from BVBC's and Heartland's credit operations participated in a telephonic meeting on December 5, 2018, and discussed various credit-related topics. In addition, during the same period, BVBC performed reverse due diligence with respect to Heartland.

On December 7, 2018, Heartland's legal counsel, Dorsey & Whitney LLP ("Dorsey"), provided a draft merger agreement to Hunton. Between December 7, 2018 and January 15, 2019, the representatives of Heartland and BVBC and their respective legal counsel, with feedback from the parties' respective financial advisors, negotiated the terms and conditions of the merger agreement, including the representations, warranties, covenants and closing conditions. The negotiations also covered the amount of minimum equity, the allowance for loan losses at closing and the termination fee.

A regularly scheduled meeting of the Heartland board of directors was held on December 11, 2018. At this meeting, Heartland management gave a detailed presentation to the Heartland board of directors regarding BVBC and the terms of the proposed merger of BVBC with Heartland. The Heartland board of directors instructed Heartland management to complete its due diligence investigation of BVBC and continue negotiations with BVBC regarding the merger agreement.

On December 19, 2018, the BVBC special committee held a meeting at which the potential business combination was discussed. Representatives from BVBC's management team, Davidson and Hunton were present at the meeting. At the meeting, the special committee discussed, among other things, recent developments in Heartland's strategic plan and the potential impact (if any) on BVBC's merger with Heartland. The special committee also discussed with representatives of Davidson the recent decline in bank and bank holding company stocks and the corresponding decrease in overall transaction value, reviewing recent market performance of Heartland common stock as it compared to the index and the recent market performance of Party A, Party B and Party C and noting that Heartland continued to outperform the broader indices.

Following the special committee meeting, the BVBC board of directors held a meeting on December 19, 2018. Representatives from BVBC's management team, Davidson and Hunton were present at the meeting, during which Hunton and Davidson reviewed the material terms of the then-current draft merger agreement, as well as the business and legal points that remained unresolved. During this meeting, members of BVBC's special committee, as well as BVBC board members, discussed at length various topics, including, but not limited to: overall market volatility, particularly with respect to bank and bank holding company stocks generally and Heartland's stock price specifically, and noting that Heartland continued to outperform the broader indices; decrease in overall transaction value resulting from such volatility; the risks to BVBC of remaining independent; potential synergies and cultural fit of Heartland and BVBC; transaction execution risk, closing conditions and termination rights and remedies; and BVBC's ability to designate individuals mutually acceptable to BVBC and Heartland to serve on the board of directors of the surviving bank upon consummation of the contemplated business combination. At the board meeting, representatives of BVBC's management updated the BVBC board of directors on the status of Heartland's due diligence review of BVBC and BVBC's reverse due diligence of Heartland. In addition, representatives of Hunton reviewed the directors' fiduciary duties in the context of the potential business combination and the regulatory approval process for the merger.

On December 20, 2018, Heartland management held a telephone conference with the leaders of Heartland's different functional areas and Dorsey to discuss their final due diligence findings with respect to BVBC. Over the next three weeks, Heartland, BVBC, Dorsey and Hunton continued to negotiate the terms and conditions of the merger agreement, the ancillary agreements and an employment agreement for Mr. Regnier.

On January 11, 2019, the BVBC special committee held a meeting to discuss the outstanding business and legal points in the merger agreement. Representatives from BVBC's management team, Davidson and Hunton were present at the meeting. Davidson began the meeting by noting that Heartland had increased the exchange ratio to 0.3271 primarily as a result of the accelerated vesting of a portion of BVBC's outstanding shares of restricted stock to mitigate certain issues related to Section 280G of the Code, resulting in an implied value of $14.90 per share of BVBC common stock and BVBC Series B preferred stock as of the date of the meeting, or an aggregate transaction value of approximately $95.3 million. The BVBC special committee also discussed with representatives of Davidson recent volatility in the stock markets, particularly with respect to bank and bank holding company stocks, the impact of such volatility on the overall transaction value and the anticipated economics to be reported around the announcement of the merger. The special committee instructed Hunton to revise the merger agreement to reflect the changes discussed during the meeting.

On January 14, 2019, Heartland's board of directors held a special telephonic meeting at which it considered approval of the merger in accordance with the merger agreement and the related documents negotiated by Heartland, BVBC and their respective financial and legal advisors. Prior to this meeting, Heartland's directors received a summary of the terms of the merger agreement, the other transaction documents and Heartland's due diligence findings, and a copy of the latest draft of the merger agreement. At the meeting, Heartland's management and legal counsel provided a thorough review of the merger agreement and the ancillary documents. After careful and deliberate consideration of the terms of the merger agreement, the ancillary documents and the presentations by management and legal counsel relating thereto, the Heartland board of directors unanimously approved the merger agreement and the ancillary documents in substantially final form.

Later that same day, the BVBC special committee met to approve the merger agreement and recommended that the merger agreement be presented to the BVBC board of directors for approval, with the executive officers of BVBC being authorized to finalize any last terms of the merger agreement. Following the BVBC special committee meeting, on January 14, 2019, the BVBC board of directors held a meeting at which representatives of BVBC's management team, Davidson and Hunton were present. Prior to the meeting, the members of the BVBC board of directors were provided with materials relating to the proposed business combination with Heartland, including the substantially final form of the merger agreement and Davidson's financial presentation regarding the financial aspects of the merger.

Davidson reviewed with the BVBC board of directors its financial analyses relating to the proposed exchange ratio and rendered to the BVBC board of directors an opinion to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Davidson as set forth in its opinion, the exchange ratio to be received by the holders of BVBC common stock in the merger was fair, from a financial point of view, to such holders. See "Background and Reasons for the Merger—Opinion of BVBC's Financial Advisor" for more information about Davidson's fairness opinion. A representative of Hunton reviewed with the BVBC board of directors their fiduciary duties in connection with their consideration of the proposed business combination and the terms of the merger agreement. After extensive discussion regarding the terms of the merger agreement and the voting agreement, a full analysis of BVBC's reasons for engaging in the proposed business combination with Heartland, including those set forth below under "The Merger—BVBC Reasons for the Merger," and consideration of other relevant issues, including a variety of business, financial and market factors, the BVBC board of directors unanimously adopted and approved the merger agreement (in its substantially final form as presented to the BVBC board of directors) and the merger, both with Mr. Regnier abstaining and participating in such vote. The BVBC board of directors also authorized Mr. Regnier and Mr. Fortino to finalize the merger agreement for execution.

On January 16, 2019, BVBC and Heartland entered into the merger agreement and announced the merger. The parties to the stockholder voting agreement also entered into such agreement, and Mr. Regnier entered into his employment agreement to become effective upon completion of the merger.

BVBC's Reasons for the Merger

In reaching a determination to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger, a special committee formed by BVBC's board of directors and the BVBC board of directors considered a number of factors, both positive and negative, and potential benefits and detriments of the merger to BVBC and its stockholders. The special committee and the BVBC board of directors identified the following factors and benefits of the merger that, among others, the special committee and the BVBC board of directors believes generally support their determination and recommendation:

- the special committee's and the BVBC board of directors' understanding of, and presentations of BVBC's management regarding, the business capabilities, earnings and growth prospects, current and projected financial and regulatory condition, assets, results of operations, business strategy and current and prospective regulatory environment of both BVBC and Heartland;
- the BVBC board of directors' analysis of other strategic alternatives for BVBC, including continuing to operate as a standalone company and the potential to acquire, be acquired or combine with other third parties, and the risks and uncertainties associated with each alternative, as well as the BVBC board of directors' assessment that none of these alternatives was reasonably likely to present superior opportunities for BVBC to create greater value for BVBC's

stockholders, taking into account the timing and the likelihood of accomplishing such alternatives and the risks of execution, as well as business, competitive, industry and market risks;

- the financial information and analyses presented by Davidson to the BVBC board of directors, and Davidson's opinion, dated January 14, 2019, that, as of such date and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth therein, the merger consideration was fair, from a financial point of view, to holders of BVBC common stock, and the holders of BVBC Series B preferred stock;
- that the merger consideration represents a premium to market of 44.9% per fully-diluted share, based on the closing prices of BVBC common stock and Heartland common stock on January 11, 2019, the most recent day before the date of the decision by the BVBC board of directors to approve the merger agreement;
- BVBC's closing condition in the merger agreement that Hunton shall have rendered its opinion that the merger will qualify as a "reorganization" within Section 368(a) of the Code, and the BVBC board of directors' expectation that BVBC's stockholders will not recognize any gain or loss for U.S. federal income tax purposes as a result of the completion of the merger, except with respect to any cash they receive in lieu of fractional shares of Heartland's common stock;
- the results of BVBC's due diligence investigation of Heartland, including the BVBC board of directors' opinion of the reputation, competence, business practices, integrity and experience of Heartland and its management;
- that the merger will result in a combined company with greater financial resources and a higher lending limit than BVBC would have if it were to continue its operations as an independent entity;
- the anticipated cost savings from expected increases in operating efficiency, reduced payments to vendors and third parties and elimination of duplicative positions, while increasing responsiveness to compliance and regulatory requirements;
- the geographic synergies between BVBC and Heartland, whereby the merger will diversify the markets in which the combined company operates;
- that BVBC will be able to pair its strong deposit franchise with Heartland's sizeable loan portfolio thereby enhancing the combined net interest margin and adding Heartland's track record of an ability to grow loans faster than BVBC can do so on a standalone basis;
- BVBC's size made BVBC susceptible to another economic downturn and BVBC management's view that Heartland's greater resources provides the combined company greater resiliency;
- that Heartland's breadth and depth of management will offer BVBC greater expertise, an ability to offset staffing deficiencies and succession issues and greater bench strength;
- that Heartland's extensive trust and wealth management platform will offer BVBC's customers more expansive products and services while providing more scale to BVBC's operations and profitability;
- BVBC management's view that the merger will allow for greater opportunities for BVBC clients, customers and other constituencies within the communities in which BVBC operates, and that the potential synergies, low loan and deposit concentration levels allowing greater growth in all classes of commercial lending and diversification resulting from the merger will enhance product offerings and customer service beyond the level believed to be reasonably achievable by BVBC on an independent basis;
- the recommendation of BVBC's management in favor of the merger, considered in light of the benefits to be received by them in connection with the merger;
- that upon consummation of the merger, the board of directors of M&JBank will include at least three current members of the BankBV board of directors;
- that the terms and conditions of the merger agreement, including, but not limited to, the representations, warranties and covenants of the parties, the conditions to closing and the form and structure of the merger consideration, are reasonable;
- the likelihood that the merger will be completed based on, among other things, (i) each party's obligation to use all commercially reasonable efforts to obtain regulatory approvals as promptly as practicable and (ii) the limited closing conditions contained in the merger agreement;
- that the merger agreement provides BVBC with the ability to seek specific performance by Heartland of its obligations under the merger agreement, including to consummate the merger;
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subject to certain limits set forth in the merger agreement, the merger consideration is a fixed exchange ratio of shares of BVBC common stock to Heartland common stock; as a result, BVBC's stockholders could benefit from an increase in the trading price of Heartland's common stock (or a decrease in the trading price of BVBC's common stock) during the pendency of the merger; and

- the ability of the BVBC board of directors to change its recommendation that BVBC's stockholders vote to approve the merger agreement, subject to the terms and conditions set forth in the merger agreement (including the right of Heartland to match any competing bid and the payment of a termination fee).

The special committee and the BVBC board of directors also identified and considered a variety of uncertainties and risks concerning the merger, including, but not limited to, the following:

- the possibility that the merger may not be completed, or that its completion may be unduly delayed, for reasons beyond the control of BVBC or Heartland;
- the regulatory approvals required to complete the merger, the potential length of the regulatory approval process and the risks that the regulators could impose materially burdensome conditions that would allow either party to terminate the merger agreement or refuse to consummate the merger;
- the diversion of time, attention and effort required from BVBC's management and employees, and BVBC employee attrition, during the period prior to the completion of the merger and the potential effect on BVBC's and Heartland's respective business and relationships with customers, service providers and other stakeholders (including creditors), whether or not the merger is completed;
- the risk that certain members of BVBC's management and employees might choose not to remain employed with the combined company;
- the requirement that BVBC conduct itself in the ordinary course of business (as defined in the merger agreement) and the other restrictions on the conduct of BVBC's business prior to completion of the merger, which may delay or prevent BVBC from undertaking business opportunities that may arise pending completion of the merger;
- the potential that certain provisions of the merger agreement prohibiting BVBC from soliciting, and limiting its ability to respond to, proposals for alternative transactions, and requiring the payment of a termination fee could have the effect of discouraging an alternative proposal;
- the transaction costs and expenses that will be incurred in connection with the merger, including the costs of integrating the businesses of BVBC and Heartland;
- the possible effects of the pendency or consummation of the transactions contemplated by the merger agreement, including any suit, action or proceeding initiated in respect of the merger;
- the risk that benefits and synergies currently expected to result from the merger may not be realized or may not be realized within the expected time period, and the risks associated with the integration of BVBC and Heartland;
- the merger consideration is a fixed exchange ratio of shares of BVBC common stock to Heartland common stock; as a result, BVBC's stockholders could be adversely affected by a decrease in the trading price of Heartland common stock (or an increase in the trading price of BVBC's common stock) during the pendency of the merger; and
- the interests that certain officers and directors of BVBC have in the merger.

The special committee and the BVBC board of directors also considered in their deliberations concerning the combined company as a Delaware entity the following:

- the ability of the combined company to draw upon well-established principles of corporate governance in making legal and business decisions;
- the expertise of the Delaware courts in dealing with corporate issues, including the Court of Chancery, which has exclusive jurisdiction over matters relating to the Delaware General Corporation Law and in most cases has the ability to process corporate litigation relatively quickly and effectively;
- the substantial body of case law that has been developed by the Delaware courts construing Delaware corporate law, which will enhance the relative clarity and predictability of the laws applicable to the combined company;
- that the Delaware General Assembly regularly considers and adopts statutory amendments that the Corporation Law Section of the Delaware State Bar Association proposes in an effort to ensure that the Delaware General Corporation Law continues to be responsive to the changing needs of businesses;
- enhanced ability of the majority of stockholders to exercise control because Delaware law does not require cumulative voting; and
- enhanced ability to attract and retain directors and officers, including with respect to candidates who already are familiar with Delaware corporate law from their past business experience.

The foregoing discussion of information and factors considered by the special committee and the BVBC board of directors is not intended to be exhaustive. In light of the variety of factors considered in connection with its evaluation of the merger agreement and the transactions contemplated thereby, the special committee and the BVBC board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. Moreover, each member of the special committee and the BVBC board of directors applied his or her own personal business judgment to the process and may have given different weight to different factors than other members gave to such factors.

Based on the factors described above, the BVBC board of directors determined that the merger of BVBC with Heartland and the merger of BankBV with M&JBank were advisable and in the best interests of BVBC stockholders and unanimously approved the merger agreement.

Recommendation of BVBC's Board of Directors

The BVBC board of directors unanimously recommends that you vote "FOR" the merger proposal.

Opinion of BVBC's Financial Advisor

On August 29, 2018, BVBC entered into an engagement agreement with Davidson to render financial advisory and investment banking services to BVBC. As part of its engagement, Davidson agreed to assist BVBC in analyzing, structuring, negotiating and, if appropriate, effecting a transaction between BVBC and another corporation or business entity. Davidson also agreed to provide BVBC's board of directors with an opinion as to the fairness, from a financial point of view, of the exchange ratio to the holders of BVBC's common stock in the proposed merger. BVBC engaged Davidson because Davidson is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with BVBC and its business. As part of its investment banking business, Davidson is continually engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

On January 14, 2019, the BVBC board of directors held a meeting to evaluate the proposed merger with Heartland. At this meeting, Davidson reviewed the financial aspects of the proposed merger and rendered an opinion to the BVBC board of directors that, as of such date and based upon and subject to assumptions made, procedures followed, matters considered and limitations on the review undertaken, the exchange ratio was fair, from a financial point of view, to the holders of BVBC's common stock in the proposed merger.

The full text of Davidson's written opinion, dated January 14, 2019, is attached as Appendix C to this proxy statement/prospectus and is incorporated herein by reference. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion. BVBC’s stockholders are urged to read the opinion in its entirety.

Davidson's opinion speaks only as of the date of the opinion and Davidson undertakes no obligation to revise or update its opinion. The opinion is directed to the BVBC board of directors and addresses only the fairness, from a financial point of view, of the exchange ratio to the holders of BVBC's common stock in the proposed merger. The opinion does not address, and Davidson expresses no view or opinion with respect to, (i) the underlying business decision of BVBC to engage in the merger, (ii) the relative merits or effect of the merger as compared to any alternative business transactions or strategies that may be or may have been available to or contemplated by BVBC or BVBC's board of directors, or (iii) any legal, regulatory, accounting, tax or similar matters relating to BVBC, its stockholders or relating to or arising out of the merger. The opinion expresses no view or opinion as to any terms or other aspects of the merger, except for the exchange ratio. BVBC and Heartland determined the exchange ratio through the negotiation process of the transaction. The opinion does not express any view as to the amount or nature of the compensation to any of BVBC's or Heartland's officers, directors or employees, or any class of such persons, relative to the merger consideration, or with respect to the fairness of any such compensation. The opinion has been reviewed and approved by Davidson's Fairness Opinion Committee in conformity with its policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.

Davidson has reviewed the registration statement on Form S 4 of which this proxy statement/prospectus is a part and consented to the inclusion of its opinion to the BVBC board of directors as Appendix C to this proxy statement/prospectus and to the references to Davidson and its opinion contained herein. A copy of the consent of Davidson is attached as Exhibit 99.3 to the registration statement on Form S 4.

In connection with rendering its opinion, Davidson reviewed, among other things, the following:

- a draft of the merger agreement dated January 12, 2019;
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certain financial statements and other historical financial and business information about Heartland and BVBC made available to Davidson from published sources and/or from the internal records of Heartland and BVBC that Davidson deemed relevant;

- certain publicly available analyst earnings estimates for Heartland for the years ending December 31, 2018 and December 31, 2019 extrapolated for Heartland for the years ending December 31, 2020, December 31, 2021, December 31, 2022, and December 31, 2023 based on growth rate assumptions provided by Heartland's management, in each case as discussed with and confirmed by senior management of Heartland and/or its advisors;
- financial projections for BVBC for the years ending December 31, 2018 and December 31, 2019 extrapolated for BVBC for the years ending December 31, 2020, December 31, 2021, December 31, 2022, and December 31, 2023 based on growth rate assumptions provided by BVBC management, in each case as discussed with and confirmed by senior management of BVBC;
- the current market environment generally and the banking environment in particular;
- the financial terms of certain other transactions in the financial institutions industry, to the extent publicly available;
- the market and trading characteristics of selected public companies and selected public bank holding companies in particular;
- the relative contributions of BVBC and Heartland to the combined company;
- the pro forma financial impact of the merger, taking into consideration the amounts and timing of the transaction costs and cost savings; and
- such other financial studies, analyses and investigations and financial, economic and market criteria and other information as Davidson considered relevant, including discussions with management and other representatives and advisors of BVBC and Heartland concerning the business, financial condition, results of operations and prospects of BVBC and Heartland.

In arriving at its opinion, Davidson assumed and relied upon the accuracy and completeness of all information that was publicly available, supplied or otherwise made available to, discussed with or reviewed by or for Davidson. Davidson relied on the assurances of management of BVBC that they are not aware of any facts or circumstances that would make any of such information, forecasts or analyses inaccurate or misleading. Davidson did not independently verify, and did not assume responsibility for independently verifying, such information or undertake an independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of BVBC or Heartland. In addition, Davidson did not assume any obligation to conduct, nor did Davidson conduct any physical inspection of the properties or facilities of BVBC or Heartland and was not provided with any reports of such physical inspections. Davidson assumed that there has been no material change in BVBC's or Heartland's business, assets, financial condition, results of operations, cash flows, or prospects since the date of the most recent financial statements provided to Davidson.

With respect to the financial projections and other estimates (including information relating to certain pro forma financial effects of, and strategic implications and operational benefits anticipated to result from, the proposed merger) provided to or otherwise reviewed by or discussed with Davidson, Davidson has been advised by management of BVBC that such forecasts and other analyses were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of management of BVBC as to the future financial performance of BVBC and the other matters covered thereby, and that the financial results (including the potential strategic implications and operational benefits anticipated to result from the proposed merger) reflected in such forecasts and analyses will be realized in the amounts and at the times projected. Davidson assumes no responsibility for and expresses no opinion as to these forecasts and analyses or the assumptions on which they were based.

Davidson did not make an independent evaluation or appraisal of the loan and lease portfolios, classified loans, other real estate owned or any other specific assets, nor has Davidson assessed the adequacy of the allowance for loan losses of BVBC or Heartland. Davidson has not reviewed any individual credit files relating to BVBC or Heartland. Davidson assumed that the respective allowances for loan losses for both BVBC and Heartland are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. Davidson did not make an independent evaluation of the quality of BVBC's or Heartland's deposit base, nor has Davidson independently evaluated potential deposit concentrations or the deposit composition of BVBC or Heartland. Davidson did not make an independent evaluation of the quality of BVBC's or Heartland's investment securities portfolio, nor has it independently evaluated potential concentrations in the investment securities portfolio of BVBC or Heartland.

Davidson assumed that all representations and warranties contained in the merger agreement and all related agreements are true and correct in all respects material to Davidson's analysis, and that the merger will be consummated in accordance with the terms of the merger agreement, without waiver, modification, or amendment of any term, condition or covenant thereof the effect of which would be in any respect material to Davidson's analysis. Davidson has assumed that all material governmental, regulatory or other consents, approvals, and waivers necessary for the consummation of the merger will be obtained without any material adverse effect on the Company or the contemplated benefits of the merger.

Davidson assumed in all respects material to its analysis that BVBC and Heartland will remain as going concerns for all periods relevant to its analysis. Davidson's opinion was necessarily based upon information available to Davidson and economic, market, financial and other conditions as they exist and can be evaluated on the date the fairness opinion letter was delivered to BVBC's board of directors.

Davidson's opinion does not take into account individual circumstances of specific holders with respect to control, voting or other rights which may distinguish such holders.

Davidson also expresses no opinion as to the actual value of Heartland's common stock when issued in the proposed merger or the prices at which BVBC's common stock or Heartland's common stock will trade following announcement of the proposed merger or at any future time.

Davidson has not evaluated the solvency or fair value of BVBC or Heartland under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. Davidson's opinion is not a solvency opinion and does not in any way address the solvency or financial condition of BVBC or Heartland. Davidson does not express any opinion as to the impact of the proposed merger on the solvency or viability of BVBC or Heartland or the ability of BVBC or Heartland to pay their respective obligations when they come due.

Set forth below is a summary of the material financial analyses performed by Davidson in connection with rendering its opinion. The summary of the analyses of Davidson set forth below is not a complete description of the analysis underlying its opinion, and the order in which these analyses are described below is not indicative of any relative weight or importance given to those analyses by Davidson. The following summaries of financial analyses include information presented in tabular format. You should read these tables together with the full text of the summary financial analyses, as the tables alone are not a complete description of the analyses.

Unless otherwise indicated, the following quantitative information, to the extent it is based on market data, is based on market data as of January 11, 2019, and is not necessarily indicative of market conditions after such date.

Implied Valuation Multiples for BVBC based on the Merger Consideration. Davidson reviewed the financial terms of the proposed transaction. As described in the merger agreement, each share of common stock of BVBC outstanding immediately prior to the effective time of the merger will be converted into the right to receive 0.3271 shares of Heartland common stock (the "exchange ratio"). The terms and conditions of the merger are more fully described in the merger agreement. For purposes of the financial analyses described below, based on the closing price of Heartland common stock on January 11, 2019, of $45.68, the exchange ratio represented an implied value of $14.94 per fully diluted share of BVBC common Stock and aggregate deal consideration of $94.4 million. Based upon financial information as of or for the twelve month period ended September 30, 2018 and other financial and market information described below, Davidson calculated the following transaction ratios:

Transaction Ratios

	Per FD Share[1]	Aggregate
Transaction Price / Q3 2018 Year-to-Date Net Income (Annualized)	14.2x	14.2x
Transaction Price / LTM Net Income	39.4x	39.4x
Transaction Price / LTM "Core" Net Income[2]	15.7x	15.7x
Transaction Price / 2018 Est. Net Income[3]	14.3x	14.3x
Transaction Price / 2019 Est. Unadjusted Budgeted Net Income[3]	11.6x	11.6x
Transaction Price / 2019 Est. Adjusted Budgeted Net Income Due to Durbin Amendment[3][4]	11.8x	11.8x
Transaction Price / Book Value	185.6 %	185.6 %
Transaction Price / Tangible Book Value	185.6 %	185.6 %
Tangible Book Premium / Core Deposits[5]	— %	8.1 %
Transaction Price / BVBC's Primary Share Closing Price as of 1/11/19[6]	32.8 %	
Transaction Price / BVBC's Fully Diluted Share Closing Price as of 1/11/19[7]	44.9 %	

(1) Includes conversion of BVBC Series B preferred stock and remaining unvested restricted stock units.

(2) Last Twelve Months "core" net income adjusts for non-cash Tax Reform Act change that occurred in the fourth quarter of 2017.

(3) Financial projections in 2018 and 2019 based on management budget, as discussed with and confirmed by BVBC management.

(4)

Adjusted Net Income for 2019 incorporates adverse impact from partial loss of interchange revenue due to Durbin Amendment.

(5) Tangible book premium / core deposits calculated by dividing the excess or deficit of the aggregate transaction value compared to tangible book value by core deposits.

(6) Based on BVBC's Primary Share Closing Price as of January 11, 2019 of $11.25.

(7) Based on BVBC's Implied Fully Diluted Share Closing Price as of January 11, 2019 of $10.31.

Stock Price Performance of Heartland and BVBC. Davidson reviewed the history of the reported trading prices and volume of BVBC and Heartland common stock and certain stock indices, including the S&P 500, the KBW Nasdaq Regional Bank Index and the NASDAQ Bank Index. Davidson compared the stock price performance of BVBC or Heartland with the performance of the S&P 500, the KBW Nasdaq Regional Banking Index and the NASDAQ Bank Index as follows:

One Year Stock Performance

	Beginning Index Value on 1/11/18	Ending Index Value on 1/11/19
S&P 500	100.0 %	93.8 %
KBW Nasdaq Regional Banking Index	100.0 %	81.7 %
Heartland	100.0 %	83.7 %
BVBC	100.0 %	95.7 %

Three Year Stock Performance

	Beginning Index Value on 1/11/16	Ending Index Value on 1/11/19
S&P 500	100.0%	135.0%
KBW Nasdaq Regional Banking Index	100.0%	127.0%
NASDAQ Bank	100.0%	130.6%
Heartland	100.0%	162.9%

Five Year Stock Performance

	Beginning Index Value on 1/11/14	Ending Index Value on 1/11/19
S&P 500	100.0%	140.9%
KBW Nasdaq Regional Banking Index	100.0%	122.0%
NASDAQ Bank	100.0%	134.4%
Heartland	100.0%	172.4%

Ten Year Stock Performance

	Beginning Index Value on 1/11/09	Ending Index Value on 1/11/19
S&P 500	100.0%	291.6%
KBW Nasdaq Regional Banking Index	100.0%	186.2%
NASDAQ Bank	100.0%	188.4%
Heartland	100.0%	238.9%

Fifteen Year Stock Performance

	Beginning Index Value on 1/11/04	Ending Index Value on 1/11/19
S&P 500	100.0%	231.4%
NASDAQ Bank	100.0%	119.8%
Heartland	100.0%	243.6%

Contribution Analysis. Davidson analyzed the relative contribution of BVBC and Heartland to certain financial and operating metrics for the pro forma combined company. Such financial and operating metrics included: (i) market capitalization; (ii) net income available for common stockholders during the preceding twelve months ended September 30, 2018; (iii) estimates for Heartland GAAP net income in 2018 and 2019 based on publicly available consensus earnings estimates and estimates for BVBC GAAP net income in 2018 and 2019 based on BVBC management's budget; (iv) BVBC adjusted net income which includes an adverse net income impact from loss of interchange fees as a result of the Durbin Amendment; (v) total assets; (vi) total investment securities; (vii) gross loans; (viii) total deposits; (ix) non-interest bearing demand deposits; (x) non-maturity deposits; and (xi) tangible common equity. The relative contribution analysis did not give effect to the impact of any synergies as a result of the proposed merger. The results of this analysis are summarized in the table below, which also compares the results of this analysis with the implied pro forma ownership percentages of BVBC or Heartland stockholders in the combined company based on the exchange ratio:

Contribution Analysis

	Heartland Stand-alone	Heartland % of Total	BVBC Stand-alone	BVBC % of Total
Market Capitalization				
Market Capitalization (1/11/19) (in thousands)	$1,574,743	96.0 %	$ 65,824	4.0 %
Income Statement - Historical				
LTM Net Income (in thousands)(1)(2)	$98,529	94.3 %	$ 5,993	5.7 %
Income Statement - Projections				
2018 Est. Net Income (in thousands)(3)(4)	$119,430	94.8 %	$ 6,607	5.2 %
2019 Est. Unadjusted Budgeted Net Income (in thousands)(3)(4)	$145,313	94.7 %	$ 8,143	5.3 %
2019 Est. Adj. Budgeted Net Income (in thousands) Due to Durbin Amendment(3)(4)(5)	$145,313	94.8 %	$ 7,971	5.2 %
2020 Est. Unadjusted Net Income (in thousands)(3)(4)	$152,511	94.7 %	$ 8,534	5.3 %
2020 Est. Adj. Net Income (in thousands) Due to Durbin Amendment(3)(4)(5)	$152,511	94.9 %	$ 8,171	5.1 %
Balance Sheet				
Total Assets (in thousands)	$11,335,132	94.0 %	$ 729,123	6.0 %
Total Investment Securities (in thousands)	$2,540,779	96.1 %	$ 103,908	3.9 %
Gross Loans, Inc. Loans HFS (in thousands)	$7,443,220	93.3 %	$ 533,409	6.7 %
Loan Loss Reserve (in thousands)	$61,221	90.9 %	$ 6,122	9.1 %
Total Deposits (in thousands)	$9,562,475	94.0 %	$ 607,483	6.0 %
Non-Interest Bearing Demand Deposits (in thousands)	$3,427,819	95.4 %	$ 163,722	4.6 %
Non-Maturity Deposits (in thousands)	$8,386,249	94.2 %	$ 514,929	5.8 %
Tangible Common Equity (in thousands)	$838,654	94.3 %	$ 50,847	5.7 %
Pro Forma Ownership				
Merger - Actual - Based on 0.3271 Exchange Ratio		94.3 %		5.7 %

Note: Pro forma contributions does not include any purchase accounting or merger adjustments.

(1) Reported net income for the preceding twelve months ending September 30, 2018 for Heartland.

(2) BVBC Last Twelve Months net income adjusts for non-cash Tax Reform Act change that occurred in the fourth quarter of 2017.

(3) Financial projections for Heartland in 2018 and 2019 based on publicly available consensus Street estimates, as discussed with and confirmed by Heartland management.

(4) Financial projections for BVBC in 2018 and 2019 based on management budget, as discussed with and confirmed by BVBC management.

(5) Adjusted Net Income for 2019 and 2020 incorporate adverse impact from partial loss of interchange revenue due to Durbin Amendment.

BVBC Comparable Companies Analysis. Davidson used publicly available information to compare selected financial and market trading information for BVBC and a group of 13 financial institutions selected by Davidson which: (i) were headquartered in Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, Ohio or Wisconsin; (ii) had their common stock listed on the NYSE, NASDAQ or an over-the-counter exchange; (iii) had assets between $500 million and $2 billion; (iv) had a tangible common equity ratio less than 8.00%; and (v) were not pending merger targets. The 13 financial institutions were as follows:

Commercial National Financial Corp.	Marquette National Corporation
Fentura Financial Inc.	Oconomowoc Bancshares, Inc.
Guaranty Federal Bancshares	Southern Michigan Bancorp, Inc.
Hawthorn Bancshares, Inc.	Tri-County Financial Group, Inc.
Heartland BancCorp	Town and Country Financial Corp.

Isabella Bank Corporation	United Bancshares, Inc.
Landmark Bancorp, Inc.	

The analysis compared the financial condition and market performance of BVBC and the 13 financial institutions identified above based on publicly available financial and market trading information for BVBC and the 13 financial institutions as of and for the twelve-month or three-month period ended September 30, 2018. The analysis did not reflect the impact from pending acquisitions or acquisitions closed after September 30, 2018. The table below shows the results of this analysis (excluding the impact of earnings per share multiples considered not meaningful by Davidson):

Financial Condition and Performance

		Comparable Companies			
	BVBC	Median	Average	Low	High
Total Assets (in millions)	$728.4	$966.4	$1,065.0	$519.1	$1,833.7
Non-Performing Assets / Total Assets	0.08 %	0.96 %	1.07 %	0.27 %	2.27 %
Tangible Common Equity Ratio	6.52 %	7.23 %	7.04 %	5.89 %	7.93 %
Net Interest Margin (LTM)	3.54 %	3.50 %	3.51 %	2.97 %	4.06 %
Cost of Deposits (LTM)	0.43 %	0.67 %	0.60 %	0.18 %	0.96 %
Non-Interest Income / Assets	0.72 %	0.98 %	0.99 %	0.35 %	1.65 %
Efficiency Ratio (LTM)	72.93 %	70.02 %	70.58 %	61.75 %	82.24 %
Return on Average Equity (LTM)	12.60 %	9.92 %	10.05 %	6.12 %	16.77 %
Return on Average Assets (LTM)	0.85 %	0.84 %	0.84 %	0.40 %	1.27 %

Market Performance Multiple

		Comparable Companies			
	BVBC	Median	Average	Low	High
Market Capitalization (in millions)	$65.8	$95.5	$103.4	$45.4	$180.6
Price Change (LTM)	(4.26)%	(3.38)%	(2.01)%	(17.42)%	15.73 %
Price Change (YTD)	— %	(0.13)%	0.12 %	(4.52)%	9.80 %
Price / LTM Earnings Per Share(1)(2)	10.3x	12.2x	12.6x	7.1x	24.5x
Price / Tangible Book Value Per Share	142.25%	132.71%	134.21 %	111.94%	161.31 %
Tangible Book Premium / Core Deposits(3)	3.53 %	3.86 %	3.99 %	0.76 %	11.38 %
Dividend Yield (Most Recent Quarter)	— %	2.35 %	2.43 %	0.98 %	4.54 %

(1) BVBC Last Twelve Months net income adjusts for non-cash Tax Reform Act change that occurred in the fourth quarter of 2017.

(2) Total price to actual reported last twelve months EPS for BVBC is 26.2x.

(3) Tangible book premium / core deposits calculated by dividing the excess or deficit of the aggregate transaction value compared to tangible book value by core deposits.

Heartland Comparable Companies Analysis. Davidson used publicly available information to compare selected financial and market trading information for Heartland and a group of 22 financial institutions selected by Davidson which: (i) were headquartered in the Arkansas, Arizona, Colorado, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, Nevada, Ohio, Oklahoma, Tennessee, Texas, Utah or Wisconsin; (ii) had their common stock listed on the NASDAQ or NYSE; (iii) had assets between $5.0 billion and $20.0 billion; (iv) had a return on average assets greater than 0.00%; and (iv) were not pending merger targets. These 22 financial institutions were as follows:

1st Source Corporation	Glacier Bancorp, Inc.
BancFirst Corporation	Home BancShares, Inc.
Cadence Bancorporation	Independent Bank Group, Inc.
Enterprise Financial Services Corp.	International Bancshares Corporation
FB Financial Corporation	LegacyTexas Financial Group, Inc.
First Busey Corporation	Midland States Bancorp, Inc.
First Financial Bancorp	National Bank Holdings Corporation
First Financial Bankshares, Inc.	Old National Bancorp
First Interstate BancSystem, Inc.	Park National
First Merchants Corporation	Simmons First National Corporation
First Midwest Bancorp, Inc.	Southside Bancshares, Inc.

The analysis compared the financial condition and market performance of Heartland and the 22 financial institutions identified above based on publicly available financial and market trading information for Heartland and the 22 financial institutions as of and for the twelve-month or three-month period ended September 30, 2018. The analysis also compared the 2018 and 2019 earnings per share multiples for Heartland and the 22 financial institutions identified above based on publicly available consensus Street estimates for Heartland and the 22 financial institutions. The analysis did not reflect the impact from pending acquisitions or acquisitions closed after September 30, 2018. The table below shows the results of this analysis (excluding the impact of earnings per share multiples considered not meaningful by Davidson):

Financial Condition and Performance

	HTLF	Comparable Companies Median	Comparable Companies Average	Comparable Companies Low	Comparable Companies High
Total Assets (in millions)	$11,335.1	$9,435.0	$10,013.7	$5.058.2	$17,567.8
Non-Performing Assets / Total Assets	0.64%	0.61%	0.61%	0.16%	1.21%
Tangible Common Equity Ratio	7.70%	9.30%	9.41%	7.03%	13.63%
Net Interest Margin (LTM)	4.29%	3.81%	3.86%	3.16%	4.70%
Cost of Deposits (LTM)	0.33%	0.54%	0.51%	0.19%	0.90%
Non-Interest Income / Assets	1.00%	1.06%	1.11%	0.46%	2.95%
Efficiency Ratio (LTM)	65.00%	53.60%	54.40%	37.40%	66.20%
Return on Average Equity (LTM)	8.95%	10.72%	10.18%	4.71%	15.52%
Return on Average Assets (LTM)	0.95%	1.28%	1.28%	0.49%	1.99%

Market Performance Multiple

	HTLF	Comparable Companies Median	Comparable Companies Average	Comparable Companies Low	Comparable Companies High
Market Capitalization (in millions)	$1,575	$1,994	$1,954	$549	$4,048
Price Change (LTM)	(16.26)%	(16.55)%	(13.94)%	(38.34)%	26.21%
Price Change (YTD)	3.94%	4.29%	4.41%	(10.10)%	12.53%
Price / LTM Earnings Per Share	15.1x	14.1x	16.3x	9.9x	31.3x
Price / 2018 Est. Earnings Per Share(1)	12.3x	12.6x	13.1x	8.3x	27.0x
Price / 2019 Est. Earnings Per Share(1)	10.9x	11.1x	12.1x	7.9x	25.6x
Price / Tangible Book Value Per Share	187.77%	198.87%	211.29%	132.45%	496.47%
Tangible Book Premium / Core Deposits(2)	8.02%	12.98%	15.59%	4.14%	54.77%
Dividend Yield (Most Recent Quarter)	1.23%	2.43%	2.54%	0.88%	4.27%

(1) Earnings per share estimates based on publicly available consensus Street estimates.

(2) Tangible book premium / core deposits calculated by dividing the excess or deficit of the aggregate transaction value compared to tangible book value by core deposits.

Precedent Transactions Analysis. Davidson reviewed three sets of precedent merger and acquisition transactions. The sets of mergers and acquisitions included: (1) “Kansas and Missouri Transactions,” (2) “Midwest Transactions,” and (3) “Nationwide Transactions.”

“Kansas and Missouri Transactions” included 21 transactions where:

- the selling company was a bank or thrift headquartered in Kansas or Missouri;
- the selling company’s total assets were between $175 million and $2 billion;
- the transaction was announced between January 1, 2014 and January 11, 2019;
- the selling company’s return on average assets over the last twelve months was greater than 0.00%;
- the transaction’s pricing information was publicly available; and
- the transaction was not a merger of equals.

“Midwest Transactions” included 28 transactions where:

- the selling company was a bank headquartered in Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, Ohio or Wisconsin;
- the selling company's total assets were between $500 million and $2.0 billion;
- the selling company's return on average assets over the last twelve months was greater than 0.00%;
- the selling company was based in a metropolitan statistical area market;
- the transaction was announced between January 1, 2015 and January 11, 2019;
- the transaction's pricing information was publicly available; and

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- the transaction was not a merger of equals.

“Nationwide Transactions” included 60 transactions where:

- the selling company was a bank headquartered in the United States;
- the selling company's total assets were between $500 million and $1.5 billion;
- the selling company's return on average assets over the last twelve months greater than 0.00%;
- the selling company’s tangible common equity ratio was below 15.0%;
- the selling company was based in a metropolitan statistical area market;
- the transaction was announced between January 1, 2016 and January 11, 2019;
- the transaction’s pricing information was publicly available;
- the buying company was not an investor group; and
- the transaction was not a merger of equals.

The following tables set forth the transactions included in “Kansas and Missouri Transactions,” “Midwest Transactions,” and “Nationwide Transactions,” and are sorted by announcement date:

Kansas and Missouri Transactions

Announcement Date	Acquirer	Target
11/13/2018*	Simmons First National Corporation	Reliance Bancshares, Inc.
10/22/2018*	Foote Financial Shares, LLC	Peoples State Bank
06/12/2018	Southern Missouri Bancorp, Inc.	Gideon Bancshares, Inc.
05/10/2018	Stifel Financial Corp.	Business Bancshares, Inc.
04/30/2018	Capitol Federal Financial, Inc.	Capital City Bancshares, Inc.
04/18/2018	QCR Holdings, Inc.	Springfield Bancshares, Inc.
03/06/2018	RCB Holding Company, Inc.	Central B&T Co.
12/18/2017	Equity Bancshares, Inc.	Kansas Bank Corporation
06/26/2017	National Bank Holdings Corporation	Peoples, Inc.
03/15/2017	Topeka Bancorp, Inc.	Kaw Valley Bancorp, Inc.
01/11/2017	Southern Missouri Bancorp, Inc.	Tammcorp, Inc.
10/11/2016	Enterprise Financial Services Corp	Jefferson County Bancshares, Inc.
07/14/2016	OakStar Bancshares	Bancshares of Urbana, Inc.
05/24/2016	RCB Holding Company	Cornerstone Alliance, Ltd.
12/08/2015	BOK Financial Corp.	MBT Bancshares, Inc.
12/03/2015	First Busey Corporation	Pulaski Financial Corp.
06/22/2015	Bear State Financial	Metropolitan National Bank
12/22/2014	Stupp Bros., Inc.	Southern Banc. Corp
05/28/2014	Simmons First National Corp.	Liberty Bancshares, Inc.
05/23/2014	First Business Financial Services	Aslin Group, Inc.
02/25/2014	Southern Missouri Bancorp	Peoples Service Company

* Indicates the transaction was pending as of January 11, 2019.

Midwest Transactions

Announcement Date	Acquirer	Target
01/07/2019*	First Financial Corporation	HopFed Bancorp, Inc.
12/06/2018*	First Midwest Bancorp, Inc.	Bridgeview Bancorp, Inc.
11/13/2018*	Simmons First National Corporation	Reliance Bancshares, Inc.
10/29/2018*	Horizon Bancorp, Inc.	Salin Bancshares, Inc.
10/10/2018*	First Merchants Corporation	MBT Financial Corp.
08/22/2018*	First Busey Corporation	Banc Ed Corp.
08/22/2018*	MidWestOne Financial Group, Inc.	ATBancorp
06/21/2018	Old National Bancorp	Klein Financial, Inc.
05/22/2018	German American Bancorp, Inc.	First Security, Inc.
05/10/2018	Stifel Financial Corp.	Business Bancshares, Inc.
04/18/2018	QCR Holdings, Inc.	Springfield Bancshares, Inc.
11/27/2017	Byline Bancorp, Inc.	First Evanston Bancorp, Inc.
10/16/2017	Midland States Bancorp, Inc.	Alpine Bancorporation, Inc.
06/26/2017	National Bank Holdings Corporation	Peoples, Inc.
03/13/2017	First Busey Corporation	Mid Illinois Bancorp, Inc.
02/17/2017	First Merchants Corporation	Independent Alliance Banks, Inc.
02/06/2017	First Busey Corporation	First Community Financial Partners, Inc.
12/19/2016	MainSource Financial Group, Inc.	FCB Bancorp, Inc.
10/11/2016	Enterprise Financial Services Corp.	Jefferson County Bancshares, Inc.
10/03/2016	First Commonwealth Financial Corp.	DCB Financial Corp
05/23/2016	QCR Holdings, Inc.	Community State Bank
05/03/2016	WesBanco, Inc.	Your Community Bankshares, Inc.
04/26/2016	First Mid-Illinois Bancshares, Inc.	First Clover Leaf Financial Corp.
12/08/2015	BOK Financial Corporation	MBT Bancshares, Inc.
12/03/2015	First Busey Corporation	Pulaski Financial Corp.
11/30/2015	Great Western Bancorp, Inc.	HF Financial Corp.
11/12/2015	First Midwest Bancorp, Inc.	NI Bancshares Corporation
01/06/2015	Chemical Financial Corporation	Lake Michigan Financial Corporation

* Indicates the transaction was pending as of January 11, 2019.

Nationwide Transactions

Announcement Date	Acquirer	Target
01/07/2019*	First Financial Corporation	HopFed Bancorp, Inc.
12/06/2018*	First Midwest Bancorp, Inc.	Bridgeview Bancorp, Inc.
12/05/2018*	Cambridge Bancorp	Optima Bank & Trust Company
11/16/2018*	First Citizens BancShares, Inc.	Biscayne Bancshares, Inc.
11/13/2018*	Simmons First National Corporation	Reliance Bancshares, Inc.
11/01/2018*	Enterprise Financial Services Corp	Trinity Capital Corporation
10/29/2018*	Horizon Bancorp, Inc.	Salin Bancshares, Inc.
10/11/2018*	First Interstate BancSystem, Inc.	Idaho Independent Bank
10/10/2018*	First Merchants Corporation	MBT Financial Corp.
10/01/2018*	American National Bankshares Inc.	HomeTown Bankshares Corporation
09/13/2018*	Park National Corporation	CAB Financial Corporation
08/22/2018*	MidWestOne Financial Group, Inc.	ATBancorp
07/25/2018	Banner Corporation	Skagit Bancorp, Inc.
07/12/2018	ConnectOne Bancorp, Inc.	Greater Hudson Bank
06/11/2018	Seacoast Banking Corporation of Florida	First Green Bancorp, Inc.
05/22/2018	German American Bancorp, Inc.	First Security, Inc.
05/10/2018	Stifel Financial Corp.	Business Bancshares, Inc.
04/30/2018	Allegiance Bancshares, Inc.	Post Oak Bancshares, Inc.
04/25/2018	First Interstate BancSystem, Inc.	Northwest Bancorporation, Inc.
04/24/2018	National Commerce Corporation	Landmark Bancshares, Inc.
04/18/2018	BancorpSouth Bank	Icon Capital Corporation
04/18/2018	QCR Holdings, Inc.	Springfield Bancshares, Inc.
04/09/2018	Triumph Bancorp, Inc.	First Bancorp of Durango, Inc.
02/26/2018	First Choice Bancorp	Pacific Commerce Bancorp
02/12/2018	Mechanics Bank	Learner Financial Corporation
01/16/2018	Mid Penn Bancorp, Inc.	First Priority Financial Corp.
12/19/2017	First Foundation Inc.	PBB Bancorp
12/12/2017	Heartland Financial USA, Inc.	First Bank Lubbock Bancshares, Inc.
12/11/2017	TriCo Bancshares	FNB Bancorp
11/28/2017	Independent Bank Group, Inc.	Integrity Bancshares, Inc.
11/27/2017	Byline Bancorp, Inc.	First Evanston Bancorp, Inc.
11/27/2017	FCB Financial Holdings, Inc.	Floridian Community Holdings, Inc.
11/17/2017	Ameris Bancorp	Atlantic Coast Financial Corporation
11/07/2017	First Federal Bancorp, MHC	Coastal Banking Company, Inc.
10/16/2017	Midland States Bancorp, Inc.	Alpine Bancorporation, Inc.
08/23/2017	Home Bancorp, Inc.	Saint Martin Bancshares, Inc.
08/09/2017	Pacific Premier Bancorp, Inc.	Plaza Bancorp
07/26/2017	Heritage Financial Corporation	Puget Sound Bancorp, Inc.
06/27/2017	United Community Banks, Inc.	Four Oaks Fincorp, Inc.
05/22/2017	SmartFinancial, Inc.	Capstone Bancshares, Inc.
03/13/2017	First Busey Corporation	Mid Illinois Bancorp, Inc.
02/17/2017	First Merchants Corporation	Independent Alliance Banks, Inc.
02/13/2017	Heartland Financial USA, Inc.	Citywide Banks of Colorado, Inc.
02/06/2017	First Busey Corporation	First Community Financial Partners, Inc.
01/31/2017	Bryn Mawr Bank Corporation	Royal Bancshares of Pennsylvania, Inc.
01/17/2017	Renasant Corporation	Metropolitan BancGroup, Inc.
12/14/2016	Veritex Holdings, Inc.	Sovereign Bancshares, Inc.
11/30/2016	CenterState Banks, Inc.	Gateway Financial Hldgs of Florida, Inc.

10/18/2016	CenterState Banks, Inc.	Platinum Bank Holding Company
10/11/2016	Enterprise Financial Services Corp	Jefferson County Bancshares, Inc.
10/03/2016	First Commonwealth Financial Corp.	DCB Financial Corp
06/27/2016	Berkshire Hills Bancorp, Inc.	First Choice Bank
06/22/2016	First Bancorp	Carolina Bank Holdings, Inc.
05/23/2016	QCR Holdings, Inc.	Community State Bank
05/03/2016	Revere Bank	Monument Bank
04/26/2016	First Mid-Illinois Bancshares, Inc.	First Clover Leaf Financial Corp.
03/16/2016	Guaranty Bancorp	Home State Bancorp
03/10/2016	Midland Financial Co.	1st Century Bancshares, Inc.
02/10/2016	Hampton Roads Bankshares, Inc.	Xenith Bankshares, Inc.
01/28/2016	Pinnacle Financial Partners, Inc.	Avenue Financial Holdings, Inc.

* Indicates the transaction was pending as of January 11, 2019.

For each transaction referred to above, Davidson compared, among other things, the following implied ratios:

- transaction price compared to tangible book value on a per share basis, based on the latest publicly available financial statements of the target company prior to the announcement of the transaction;
- transaction price compared to earnings per share for the last twelve months, based on the latest publicly available financial statements of the target company prior to the announcement of the transaction; and
- tangible book premium to core deposits based on the latest publicly available financial statements of the target company prior to the announcement of the transaction.

Davidson compared the multiples of the comparable transaction groups and other operating financial data where relevant to the proposed merger multiples and other operating financial data of BVBC as of or for the three-month period ended September 30, 2018. The table below sets forth the results of this analysis:

Financial Condition and Performance

		Kansas & Missouri				Midwest				Nationw
	BVBC	Median	Average	Low	High	Median	Average	Low	High	Median
Total Assets (in millions)	$728.4	$438.3	$555.3	$186.1	$1,521.7	$1,007.7	$1,038.4	$523.1	$1,972.2	$799.3
Return on Average Assets (LTM)(1)	0.85 %	0.83 %	0.9 %	0.01 %	2.33 %	0.82 %	0.79 %	0.01 %	2.33 %	0.78 %
Return on Average Equity (LTM)(1)	12.60 %	7.67 %	9.15 %	0.08 %	22.67 %	8.09 %	8.28 %	0.08 %	22.67 %	7.83 %
Tangible Common Equity Ratio	6.52 %	8.99 %	8.81 %	5.05 %	12.05 %	9.27 %	9.02 %	5.05 %	12.01 %	9.10 %
Core Deposits / Deposits	87.10 %	90.60 %	87.10 %	64.90 %	98.90 %	90.70 %	87.10 %	58.30 %	99.60 %	86.90 %
Loans / Deposits	87.80 %	87.40 %	85.30 %	51.50 %	115.70 %	87.60 %	87.20 %	56.60 %	115.70 %	91.50 %
Non-Interest Income / Assets	0.69 %	0.63 %	1.46 %	0.26 %	15.84 %	0.89 %	1.73 %	0.26 %	15.84 %	0.62 %
Efficiency Ratio (LTM)	72.90 %	68.70 %	68.00 %	50.60 %	95.00 %	68.40 %	70.50 %	50.60 %	95.60 %	68.10 %
Non-Performing Assets / Total Assets	0.08 %	1.03 %	1.53 %	0.06 %	6.99 %	1.04 %	1.10 %	0.18 %	2.90 %	0.78 %
Loan Reserves / Non-Performing Assets	1,050.60 %	98.50 %	145.70 %	24.60 %	538.20 %	76.70 %	127.00 %	29.60 %	524.80 %	115.00 %

Transaction Multiples(2)

		Kansas & Missouri			Midwest	Nationwide
	BVBC	Median	Average	Low	HighMedianLowHighMedianLowHigh	
Transaction Price / Tangible Book Value (Per Share)	$ 728.4	$ 438.3	1,408			

Interest receivable on deposits for vessels to be acquired	23	
Other	957	1,719
Total	$ 12,103	$ 10,184

14 - OTHER ASSETS, NET

Other assets, net consist of the following:

(i) Deferred financing costs, which include fees, commissions and legal expenses associated with securing loan facilities. These costs are amortized over the life of the related debt, and are included in interest expense. The Company had unamortized deferred financing costs of $8,636 and $7,494 at June 30, 2010 and December 31, 2009, respectively. The December 31, 2009 unamortized deferred financing costs consist entirely of fees associated with the 2007 Credit Facility; however, the June 30, 2010 unamortized deferred financing costs consists of $6,957 of fees related to the 2007 Credit Facility, $205 of fees related to the $253,000 and $100,000 secured term loan facilities and $1,474 of fees related to Baltic Trading s 2010 Credit Facility. Accumulated amortization of deferred financing costs related to the 2007 Credit Facility and Baltic Trading s 2010 Credit Facility as of June 30, 2010 and December 31, 2009 was $3,187 and $2,585, respectively. The Company has incurred deferred financing costs of $10,074 in total for the existing 2007 Credit Facility, $205 for the $253,000 and $100,000 secured term loan facilities and $1,545 in total for the 2010 Baltic Trading Credit Facility. Amortization expense for deferred financing costs for the three months ended June 30, 2010 and 2009 was $338 and $267, respectively. Amortization expense for deferred financing costs for the six months ended June 30, 2010 and 2009 was $602 and $497, respectively. (Refer to Note 23 Subsequent Events for further information regarding the $253,000 and $100,000 secured term loan facilities.)

(ii) Deferred registration costs include costs associated with preparing Baltic Trading for a public offering. These costs, which existed as of December 31, 2009, were offset against proceeds received from the initial public offering, which was completed on March 15, 2010. The Company has deferred registration costs of $0 and $834 at June 30, 2010 and December 31, 2009, respectively.

15 - FIXED ASSETS

Fixed assets consist of the following:

	June 30, 2010	December 31, 2009
Fixed assets:		
Vessel equipment	$ 2,270	$ 2,118
Leasehold improvements	1,146	1,146
Furniture and fixtures	347	347
Computer equipment	468	401
Total cost	4,231	4,012
Less: accumulated depreciation and amortization	1,783	1,554
Total	$ 2,448	$ 2,458

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Depreciation and amortization expense for fixed assets for the three months ended June 30, 2010 and 2009 was $125 and $102, respectively. Depreciation and amortization expense for fixed assets for the six months ended June 30, 2010 and 2009 was $243 and $184, respectively.

16 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	June 30, 2010	December 31, 2009
Accounts payable	$ 4,603	$ 3,171
Accrued general and administrative expenses	10,371	8,409
Accrued vessel operating expenses	6,116	7,029
Total	$ 21,090	$ 18,609

17 - REVENUE FROM TIME CHARTERS

Total revenue earned on time charters, including revenue earned in vessel pools and spot market-related time charters, for the three months ended June 30, 2010 and 2009 was $105,337 and $93,701, respectively, and for the six months ended June 30, 2010 and 2009 was $200,018 and $190,351, respectively. Included in revenues for the three and six months ended June 30, 2010 and 2009 was $65 and $1,123, respectively, of profit sharing revenue during both periods. Future minimum time charter revenue, based on vessels committed to noncancelable time charter contracts as of July 29, 2010 is expected to be $153,359 for the remaining two quarters of 2010, $105,124 during 2011 and $36,585 during 2012, assuming off-hire due to any scheduled drydocking and that no additional off-hire time is incurred. For most drydockings, the Company assumes twenty days of offhire. Future minimum revenue excludes revenue earned for the five vessels currently in pool arrangements, namely the Genco Explorer, Genco Pioneer, Genco Progress, Genco Reliance, and Genco Sugar, as pool rates cannot be estimated. Additionally, future minimum revenue excludes revenue to be earned for Baltic Trading s vessels that are on spot market-related time charters as spot rates cannot be estimated, namely the Baltic Bear, Baltic Jaguar, Baltic Leopard and Baltic Panther.

18 - LEASE PAYMENTS

In September 2005, the Company entered into a 15-year lease for office space in New York, New York for which there was a free rental period from September 1, 2005 to July 31, 2006. The monthly straight-line rental expense from September 1, 2005 to August 31, 2020 is $39. As a result of the straight-line rent calculation generated by the free rent period and the tenant work credit, the Company had a deferred rent credit at June 30, 2010 and December 31, 2009 of $677 and $687, respectively. Rent expense for the three months ended June 30, 2010 and 2009 was $117 for each respective period. Rent expense for the six months ended June 30, 2010 and 2009 was $233 for each respective period.

Future minimum rental payments on the above lease for the next five years and thereafter are as follows: $254 for the remainder of 2010, $518 annually for 2011 through 2014 and a total of $3,097 for the remaining term of the lease.

19 - SAVINGS PLAN

In August 2005, the Company established a 401(k) plan which is available to full-time employees who meet the plan s eligibility requirements. This 401(k) plan is a defined contribution plan, which permits employees to make contributions up to maximum percentage and dollar limits allowable by IRS Code Sections 401(k), 402(g),

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404 and 415 with the Company matching up to the first six percent of each employee s salary on a dollar-for-dollar basis. The matching contribution vests immediately. For the three months ended June 30, 2010 and 2009, the Company s matching contribution to the 401(k) plan was $42 and $32, respectively, and for the six months ended June 30, 2010 and 2009, the Company s matching contribution to the 401(k) plan was $99 and $85, respectively.

20 - NONVESTED STOCK AWARDS

On July 12, 2005, the Company s board of directors approved the Genco Shipping & Trading Limited 2005 Equity Incentive Plan (the GS&T Plan). Under this plan, the Company s board of directors, the compensation committee, or another designated committee of the board of directors may grant a variety of stock-based incentive awards to employees, directors and consultants whom the compensation committee (or other committee of the board of directors) believes are key to the Company s success.Awards may consist of incentive stock options, nonqualified stock options, stock appreciation rights, dividend equivalent rights, nonvested stock, unrestricted stock and performance shares. The aggregate number of shares of common stock available for award under the GS&T Plan is 2,000,000 shares.

Grants of nonvested common stock to executives and employees vest ratably on each of the four anniversaries of the determined vesting date. Grants of nonvested common stock to directors vest the earlier of the first anniversary of the grant date or the date of the next annual shareholders meeting, which are typically held during May. Grants of nonvested common stock to the Company s Chairman, Peter C. Georgiopoulos, which are not granted as part of grants made to all directors vest ratably on each of the ten anniversaries of the vesting date.

The following table presents a summary of the Company s nonvested stock awards for the six months ended June 30, 2010 under the GS&T Plan:

	Number of Shares		**Weighted Average Grant Date Price**
Outstanding at January 1, 2010	437,000	$	25.86
Granted	90,000		22.76
Vested	(15,000)		24.93
Forfeited			
Outstanding at June 30, 2010	512,000	$	25.34

The total fair value of shares that vested under the GS&T Plan during the six months ended June 30, 2010 and 2009 was $331 and $263, respectively.

For the three and six months ended June 30, 2010 and 2009, the Company recognized nonvested stock amortization expense for the GS&T Plan, which is included in general, administrative and management fees, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
General, administrative and management fees	$ 1,145	$ 1,091	$ 2,190	$ 2,323

The fair value of nonvested stock at the grant date is equal to the closing stock price on that date. The Company is amortizing these grants over the applicable vesting periods, net of anticipated forfeitures. As of June 30, 2010, unrecognized compensation cost related to nonvested stock will be recognized over a weighted average period of 5.00 years.

On March 3, 2010, Baltic Trading s board of directors approved the Baltic Trading Limited 2010 Equity Incentive Plan (the Baltic Trading Plan). Under the Baltic Trading Plan, Baltic Trading s board of directors, the compensation committee, or another designated committee of the board of directors may grant a variety of stock-

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based incentive awards to officers, directors, and executive, managerial, administrative and professional employees of and consultants to Baltic Trading or the Company whom the compensation committee (or other committee of the board of directors) believes are key to Baltic Trading s success. Awards may consist of restricted stock, restricted stock units, stock options, stock appreciation rights and other stock or cash-based awards. The aggregate number of shares of common stock available for award under the Baltic Trading Plan is 2,000,000 common shares.

Grants of restricted stock to Peter Georgiopoulos, Chairman of the Board of Baltic Trading, and John Wobensmith, President and Chief Financial Officer of Baltic Trading, made in connection with Baltic Trading s IPO vest ratably on each of the first four anniversaries of March 15, 2010. Grants of restricted common stock to Baltic Trading s directors made following Baltic Trading s IPO (which exclude the foregoing grant to Mr. Georgiopoulos) vest the earlier of the first anniversary of the grant date or the date of Baltic Trading s next annual shareholders meeting, which is expected to be held in May 2011.

The following table presents a summary of Baltic Trading s nonvested stock awards for the six months ended June 30, 2010 under the Baltic Trading Plan:

	Number of Common Shares	Weighted Average Grant Date Price
Outstanding at January 1, 2010		$
Granted	478,500	14.00
Vested		
Forfeited		
Outstanding at June 30, 2010	478,500	$ 14.00

The total fair value of shares that vested under the Baltic Trading Plan during the six months ended June 30, 2010 and 2009 was $0 during both periods.

For the three and six months ended June 30, 2010, the Company recognized nonvested stock amortization expense for the Baltic Trading Plan, which is included in general, administrative and management fees, as follows:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
General, administrative and management fees	$ 882	$	$ 1,093	$

The Company is amortizing Baltic Trading s grants over the applicable vesting periods, net of anticipated forfeitures. As of June 30, 2010, unrecognized compensation cost related to nonvested stock will be recognized over a weighted average period of 3.63 years.

21 - SHARE REPURCHASE PROGRAM

On February 13, 2008, the Company s board of directors approved a share repurchase program for up to a total of $50,000 of the Company s common stock. Share repurchases will be made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. The timing and amount of purchases under the program will be determined by management based upon market conditions and other factors. Purchases may be made pursuant to a program adopted under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act). The program does not require the Company to purchase any specific number or amount of shares and may be suspended or reinstated at any time in the Company s discretion and without notice. Repurchases will be subject to restrictions under the 2007 Credit Facility. Currently, the terms of the 2007 Credit Facility require the Company to suspend all share repurchases until the Company can represent that it is in a position to again satisfy the collateral maintenance covenant. Refer to Note 9   Long-Term Debt.

Since the inception of the share repurchase program through June 30, 2010, the Company repurchased and retired 278,300 shares of its common stock for $11,500. No repurchases were made during the three and six months ended June 30, 2010 and 2009.

22 - LEGAL PROCEEDINGS

From time to time the Company may be subject to legal proceedings and claims in the ordinary course of its business, principally personal injury and property casualty claims. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. The Company is not aware of any legal proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on the Company, its financial condition, results of operations or cash flows.

23 - SUBSEQUENT EVENTS

On July 14, 2010, GS&T entered into a commitment letter for a $100,000 secured term loan facility ($100 Million Term Loan Facility   ). GS&T intends to use the $100 Million Term Loan Facility to fund or refund to GS&T a portion of the purchase price of the proposed acquisition of five vessels from companies within the Metrostar group of companies. Under the terms of the commitment letter, the $100 Million Term Loan Facility would be drawn down in five equal tranches of $20,000 each, with one tranche per vessel. The $100 Million Term Loan Facility would have a final maturity date of seven years from the date of the first drawdown, and borrowings under the facility would bear interest at LIBOR for an interest period of one, three or six months (as elected by GS&T), plus 3.00% per annum. A commitment fee is payable on the undrawn committed amount of the $100 Million Term Loan Facility, which begins accruing on the date on which GS&T enters into definitive documentation for the facility. Borrowings are to be repaid quarterly, with the outstanding principal amortized on a 13-year profile, with any outstanding amount under the $100 Million Term Loan Facility to be paid in full on the final maturity date. Based on the current estimated delivery dates of the Metrostar vessels to be financed by the $100 Million Term Loan Facility, the Company estimates that, beginning with the quarter ended September 30, 2010, the Company   s required quarterly repayments will be approximately $500. Once the last Metrostar vessel is delivered, which is expected to be during the third quarter of 2011, the required quarterly repayment will be approximately $1,900. Borrowings under the $100 Million Term Loan Facility will be secured by liens on the vessels proposed to be acquired and other related assets. Certain of GS&T   s subsidiaries, each of which will own one of the five vessels proposed to be acquired, will act as guarantors under the $100 Million Term Loan Facility.

The $100 Million Term Loan Facility will require GS&T to comply with a number of covenants, including financial covenants related to leverage, consolidated net worth, interest coverage and dividends; minimum working capital requirements; collateral maintenance requirements; and other covenants, most of which to be in principle and calculation similar to our covenants under the existing 2007 Credit Facility, except for the minimum cash requirement which is $750 per mortgaged vessels under this facility. The $100 Million Term Loan Facility would include usual and customary events of default and remedies for facilities of this nature. Availability of each tranche of the $100 Million Term Loan Facility will be subject to our acquisition of each of the five vessels from Metrostar and other conditions and documentation relating to the collateral securing the credit facility.

On July 16, 2010, GS&T entered into a commitment letter for a $253,000 senior secured term loan facility ($253 Million Term Loan Facility). GS&T intends to use the $253 Million Term Loan Facility to fund a portion of the purchase price of the proposed acquisition of thirteen vessels from affiliates of Bourbon. Under the terms of the commitment letter, the $253 Million Term Loan Facility would be drawn down in thirteen tranches in amounts based on the particular vessel being acquired, with one tranche per vessel. The $253 Million Term Loan Facility would have a maturity date of five years from the date of the first drawdown under the facility (but in any case before August 15, 2015), and borrowings under the $253 Million Term Loan Facility would bear interest, as elected by GS&T, at LIBOR for an interest period of three or six months, plus 3.00% per annum. A commitment fee is payable on the undrawn committed amount of the $253 Million Term Loan Facility, which begins accruing on the closing date of the credit facility. Borrowings are to be repaid quarterly with outstanding principal amortized on a per vessel basis and any outstanding amount under the $253 Million Term Loan Facility to be paid in full on the maturity date. Based on the current estimated delivery dates of the Bourbon vessels to be financed by the $253 Million Term Loan Facility, the Company estimates that, beginning on November 30, 2010, the Company s required

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quarterly repayment will be approximately $4,700. Once the last Bourbon vessel is delivered, which is expected to be during the first quarter of 2011, the required quarterly repayment will be approximately $5,100. Borrowings under the $253 Million Term Loan Facility will be secured by liens on the vessels proposed to be acquired and other related assets. Certain of GS&T s subsidiaries, each of which will own one of the vessels proposed to be acquired, will act as guarantors under the credit facility.

The $253 Million Term Loan Facility will require GS&T to comply with a number of covenants, including financial covenants related to leverage, consolidated net worth, liquidity and interest coverage; dividends; collateral maintenance requirements; and other covenants, most of which to be in principle and calculation similar to our covenants under the existing 2007 Credit Facility, except for the minimum cash requirement, which is $750 per mortgaged vessel under this facility. The $253 Million Term Loan Facility is expected to include usual and customary events of default and remedies for facilities of this nature. Availability of each tranche of the $253 Million Term Loan Facility will be subject to the delivery of each vessel from Bourbon and other conditions and documentation relating to the collateral securing the $253 Million Term Loan Facility.

On July 21, 2010, GS&T entered into an Underwriting Agreement (the Notes Underwriting Agreement) with Deutsche Bank Securities Inc., BNP Paribas Securities Corp. and Credit Suisse Securities USA (the Representatives), as representatives for the several underwriters referred to in the Notes Underwriting Agreement, relating to the issuance and sale in a public offering of $110,000 aggregate principal amount of the 5.00% Convertible Senior Notes due August 15, 2015 (the Notes). In connection with this offering, GS&T granted the underwriters a 30-day option to purchase up to an additional $15,000 aggregate principal amount of convertible senior notes, which the underwriters exercised in full on July 22, 2010. The offering of the Notes has been registered under the Securities Act of 1933, as amended (the Securities Act), by GS&T as part of its Registration Statement on Form S-3 (No. 333-155758) (the Form S-3) filed with the Securities and Exchange Commission (the SEC) and was consummated on July 27, 2010.

On July 21, 2010, GS&T also entered into an underwriting agreement (the Common Stock Underwriting Agreement) with the Representatives, as representatives for the several underwriters referred to in the Common Stock Underwriting Agreement, pursuant to which GS&T agreed to sell to such underwriters an aggregate of 3,125,000 shares (together with the 468,750 additional shares referred to below, the Shares) of common stock, par value $0.01 per share, of GS&T (the Common Stock), at a purchase price of $15.28 per share (the Purchase Price), which reflects a price to the public of $16.00 per share less underwriting discounts and commissions of $0.72 per share. In connection with this offering, GS&T granted the underwriters a 30-day option to purchase up to an additional 468,750 shares of Common Stock at a price per share equal to the Purchase Price, which the underwriters exercised in full on July 22, 2010. The offering of the Common Stock has been registered under the Securities Act by GS&T as part of the Form S-3 filed with the SEC and was consummated on July 27, 2010.

On July 26, 2010, GS&T took delivery of the Genco Ocean, a 34,409 dwt Handysize newbuilding, from a company within the Metrostar group of companies. GS&T utilized its available cash to pay the remaining balance of $29,925 for the Genco Ocean. GS&T intends to use the $100 Million Term Loan Facility to refund $20,000 associated with the purchase of this vessel to GS&T upon the closing of the facility.

On July 29, 2010, GS&T took delivery of the Genco Lorraine, a 53,416 dwt Supramax vessel, from an affiliate of Bourbon SA. GS&T utilized its available cash, including proceeds from the Company s recently completed concurrent offering of Notes and common stock, to pay the remaining balance of $29,160 for the Genco Lorraine. GS&T intends to use the $253 Million Term Loan Facility to refund $20,000 associated with the purchase of this vessel to GS&T upon the closing of the facility.

On August 4, 2010, GS&T took delivery of the Genco Loire, a 53,416 dwt Supramax vessel, from an affiliate of Bourbon SA. GS&T utilized its available cash, including proceeds from the Company s recently completed concurrent offering of Notes and common stock to pay the remaining balance of $29,160 for the Genco Loire. GS&T intends to use the $253 Million Term Loan Facility to refund $20,000 associated with the purchase of this vessel to GS&T upon the closing of the facility.

On August 4, 2010, Baltic Trading took delivery of the Baltic Wind, a 34,409 dwt Handysize vessel, from a company within the Metrostar group of companies. Baltic Trading utilized the 2010 Baltic Trading Credit Facility to pay the remaining balance of $29,925 for the Baltic Wind.

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On August 9, 2010, Baltic Trading announced a dividend of $0.16 per share to be paid on or about August 26, 2010 to shareholders of record as of August 19, 2010. The aggregate amount of the dividend is expected to be approximately $3,596, which Baltic Trading anticipates will be funded from cash on hand at the time payment is to be made.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements use words such as anticipate, estimate, expect, project, intend, plan, believe, and other words a of similar meaning in connection with a discussion of potential future events, circumstances or future operating or financial performance. These forward-looking statements are based on management s current expectations and observations. Included among the factors that, in our view, could cause actual results to differ materially from the forward looking statements contained in this report are the following: (i) changes in demand or rates in the drybulk shipping industry; (ii) changes in the supply of or demand for drybulk products, generally or in particular regions; (iii) changes in the supply of drybulk carriers including newbuilding of vessels or lower than anticipated scrapping of older vessels; (iv) changes in rules and regulations applicable to the cargo industry, including, without limitation, legislation adopted by international organizations or by individual countries and actions taken by regulatory authorities; (v) increases in costs and expenses including but not limited to: crew wages, insurance, provisions, repairs, maintenance and general and administrative expenses; (vi) the adequacy of our insurance arrangements; (vii) changes in general domestic and international political conditions; (viii) acts of war, terrorism, or piracy; (ix) changes in the condition of the our vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated drydocking or maintenance and repair costs) and unanticipated drydock expenditures; (x) the number of offhire days needed to complete repairs on vessels and the timing and amount of any reimbursement by our insurance carriers for insurance claims including offhire days; (xi) our acquisition or disposition of vessels; (xii) the completion of definitive documentation with respect to time charters; (xiii) charterers compliance with the terms of their charters in the current market environment; (xiv) the fulfillment of the closing conditions under, or the execution of customary additional documentation for, our agreements to acquire vessels; (xv) completion of definitive documentation for the $253 Million Term Loan Facility and the $100 Million Term Loan Facility; and other factors listed from time to time in our filings with the Securities and Exchange Commission, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2009 and subsequent reports on Form 8-K and Form 10-Q.

The following management s discussion and analysis should be read in conjunction with our historical consolidated financial statements and the related notes included in this Form 10-Q.

General

We are a Marshall Islands company incorporated on September 27, 2004 to transport iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes through the ownership and operation of drybulk carrier vessels. Excluding vessels of Baltic Trading Limited (Baltic Trading), as of August 9, 2010, our fleet consisted of nine Capesize, eight Panamax, six Supramax, six Handymax and nine Handysize drybulk carriers, with an aggregate carrying capacity of approximately 3,045,000 dwt, and the average age of our fleet was approximately 6.9 years, as compared to the average age for the world fleet of approximately 15 years for the drybulk shipping segments in which we compete. After the expected delivery of four Handysize vessels and eleven Supramax vessels that we have agreed to acquire and retain, we will own a fleet of fifty-three drybulk vessels, consisting of nine Capesize, eight Panamax, seventeen Supramax, six Handymax and thirteen Handysize vessels, excluding the vessels of Baltic Trading. We seek to deploy our vessels on time charters, or in vessel pools trading in the spot market, to reputable charterers, including Lauritzen Bulkers A/S or LB/IVS Pool, in which Lauritzen Bulkers A/S acts as the pool manager (collectively, Lauritzen Bulkers), Cargill International S.A., Pacific Basin Chartering Ltd., COSCO Bulk Carriers Co., Ltd., and Hyundai Merchant Marine Co. Ltd. The majority of the vessels in our current fleet are presently engaged under time charter contracts that expire (assuming the option periods in the time charters are not exercised) between August 2010 and October 2012.

In addition, as of August 9, 2010, Baltic Trading s fleet consisted of one Capesize, four Supramax and one Handysize drybulk carriers. After the expected delivery of one Capesize vessel and two Handysize vessels that Baltic Trading has agreed to acquire, Baltic Trading will own a fleet of nine drybulk vessels, consisting of two Capesize, four Supramax and three Handysize vessels with an aggregate carrying capacity of approximately 671,000 dwt.

See pages 38-41 for a table of all vessels that have been delivered or are expected to be delivered to us, including Baltic Trading s vessels.

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We intend to continue to grow our fleet through timely and selective acquisitions of vessels in a manner that is accretive to our cash flow. In connection with the acquisitions and deliveries made during 2007 through 2009 and our growth strategy, we negotiated the 2007 Credit Facility that we have used to acquire vessels.

On June 3, 2010, we entered into an agreement to purchase a total of eight Handysize drybulk vessels, including five newbuildings, from companies within the Metrostar group of companies for an aggregate purchase price of $266.0 million. Five of these vessels will be owned by us and three will be owned by Baltic Trading. Additionally, on June 24, 2010, we entered into a Master Agreement with Bourbon SA (Bourbon) to purchase sixteen drybulk vessels, including two newbuildings, for an aggregate purchase price of $545.0 million. We will retain thirteen of the sixteen vessels, including one newbuilding, and the remaining three vessels will be resold immediately to Maritime Equity Partners LLC (MEP), a company controlled by our Chairman, Peter C. Georgiopoulos. Refer to Note 5 Vessel Acquisitions and Dispositions in our condensed financial statements for further information. The vessels are all planned to be delivered between July 2010 and September 2011.

In order to fund the acquisition of these vessels, we entered into commitment letters for two senior secured term loan facilities during July 2010. One is a $253 million senior secured term loan facility intended to be utilized to fund a portion of the purchase price of the proposed acquisition of thirteen vessels from affiliate of Bourbon SA. The other is $100 million senior secured term loan facility intended to be utilized to fund or refund to us a portion of the purchase price of the proposed acquisition of fives vessels from companies within the Metrostar group of companies. The Baltic Trading vessels will be funded utilizing its $100 million senior secured revolving credit facility for bridge financing.

Our management team and our other employees are responsible for the commercial and strategic management of our fleet. Commercial management includes the negotiation of charters for vessels, managing the mix of various types of charters, such as time charters and voyage charters, and monitoring the performance of our vessels under their charters. Strategic management includes locating, purchasing, financing and selling vessels. We currently contract with two independent technical managers to provide technical management of our fleet at a lower cost than we believe would be possible in-house. Technical management involves the day-to-day management of vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies. Members of our New York City-based management team oversee the activities of our independent technical managers.

From time to time in the current global economic environment, our charterers with long-term time charters may request to renegotiate the terms of our charters with them. As a general matter, we do not agree to make changes to the terms of our charters in response to such requests. The failure of any charterer to meet its obligations under our long-term time charters could have an adverse effect on our results of operations.

Baltic Trading, formerly a wholly-owned subsidiary of the Company at December 31, 2009, completed its initial public offering, or IPO, on March 15, 2010. As of June 30, 2010, the Company owned, directly or indirectly, 5,699,088 shares of Baltic Trading s Class B Stock, which represents a 25.35% ownership interest in Baltic Trading at June 30, 2010 and 83.59% of the aggregate voting power of Baltic Trading s outstanding shares of voting stock. Baltic Trading is consolidated with the Company as we control a majority of the voting interest in Baltic Trading. Management s discussion and analysis of the Company s results of operations and financial condition in this section includes the results of Baltic Trading.

We entered into a long-term management agreement (the Management Agreement) with Baltic Trading pursuant to which we will apply our expertise and experience in the drybulk industry to provide Baltic Trading with commercial, technical, administrative and strategic services. The Management Agreement is for an initial term of approximately fifteen years and will automatically renew for additional five-year periods unless terminated in accordance with its terms. Baltic Trading will pay us for the services we provide it as well as reimburse us for our costs and expenses incurred in providing certain of these services. Management fee income we earn from the Management Agreement net of any allocated shared expenses, such as salary, office expenses and other general and administrative fees, will be taxable to us. Upon consolidation with Baltic Trading, any management fee income earned will be eliminated for financial reporting purposes.

The Company has agreed to provide technical services for vessels which MEP agreed to buy. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement

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preparation. They will not include chartering services. The services will be provided for a fee of $750 per ship per day plus reimbursement of out-of-pocket costs and will be provided for an initial term of one year. MEP will have the right to cancel provision of services on 60 days notice with payment of a one-year termination fee or without fee upon a Company change of control. The Company may terminate provision of the services at any time on 60 days notice. Mr. Georgiopoulos is a minority investor, and affiliates of Oaktree Capital Management, L.P., of which Stephen A. Kaplan is a principal, are majority investors in MEP. This arrangement was approved by an independent committee of the Company s Board of Directors.

Factors Affecting Our Results of Operations

We believe that the following table reflects important measures for analyzing trends in our results of operations. The table reflects our ownership days, available days, operating days, fleet utilization, TCE rates and daily vessel operating expenses for the three and six months ended June 30, 2010 and 2009 on a consolidated basis, which includes the operations of Baltic Trading.

	For the three months ended June 30,		Increase	
	2010	**2009**	**(Decrease)**	**% Change**
Fleet Data:				
Ownership days (1)				
Capesize	866.6	546.0	320.6	58.7%
Panamax	728.0	728.0		
Supramax	591.2	364.0	227.2	62.4%
Handymax	546.0	546.0		
Handysize	728.0	728.0		
Total	3,459.8	2,912.0	547.8	18.8%
Available days (2)				
Capesize	855.5	546.0	309.5	56.7%
Panamax	728.0	716.5	11.5	1.6%
Supramax	583.9	364.0	219.9	60.4%
Handymax	546.0	529.2	16.8	3.2%
Handysize	717.6	710.3	7.3	1.0%
Total	3,431.0	2,866.1	564.9	19.7%
Operating days (3)				
Capesize	853.6	545.4	308.3	56.5%
Panamax	717.9	711.5	6.4	0.9%
Supramax	582.4	363.3	219.1	60.3%
Handymax	540.3	527.5	12.8	2.4%
Handysize	716.0	697.1	18.9	2.7%
Total	3,410.1	2,844.7	565.4	19.9%
Fleet utilization (4)				
Capesize	99.8%	99.9%	(0.1)%	(0.1)%
Panamax	98.6%	99.3%	(0.7)%	(0.7)%
Supramax	99.7%	99.8%	(0.1)%	(0.1)%
Handymax	98.9%	99.7%	(0.8)%	(0.8)%
Handysize	99.8%	98.1%	1.7%	1.7%

Fleet average	99.4%	99.3%	0.1%	0.1%

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	For the three months ended June 30, 2010	2009	Increase (Decrease)	% Change
	(U.S. dollars)			
Average Daily Results:				
Time Charter Equivalent (5)				
Capesize	$ 44,233	$ 60,270	$ (16,037)	(26.6)%
Panamax	30,849	29,375	1,474	5.0%
Supramax	24,468	29,064	(4,596)	(15.8)%
Handymax	27,875	26,215	1,660	6.3%
Handysize	20,087	19,721	366	1.9%
Fleet average	30,405	32,245	(1,840)	(5.7)%
Daily vessel operating expenses (6)				
Capesize	$ 5,330	$ 5,205	$ 125	2.4%
Panamax	4,728	4,912	(184)	(3.7)%
Supramax	4,586	4,310	276	6.4%
Handymax	4,234	4,245	(11)	(0.3)%
Handysize	4,225	4,071	154	3.8%
Fleet average	4,671	4,556	115	2.5%

	For the six months ended June 30, 2010	2009	Increase (Decrease)	% Change
Fleet Data:				
Ownership days (1)				
Capesize	1,676.6	1,086.0	590.6	50.4%
Panamax	1,448.0	1,448.0		
Supramax	951.2	724.0	227.2	31.4%
Handymax	1,086.0	1,086.0		
Handysize	1,448.0	1,448.0		
Total	6,609.8	5,792.0	817.8	14.1%
Available days (2)				
Capesize	1,649.9	1,086.0	563.9	51.9%
Panamax	1,448.0	1,436.5	11.5	0.8%
Supramax	932.5	724.0	208.5	28.8%
Handymax	1,073.4	1,052.6	20.8	2.0%
Handysize	1,433.8	1,430.3	3.5	0.2%
Total	6,537.6	5,729.5	808.1	14.1%
Operating days (3)				
Capesize	1,648.0	1,085.4	562.6	51.8%
Panamax	1,435.5	1,407.5	28.1	2.0%
Supramax	930.1	707.5	222.6	31.5%
Handymax	1,058.4	1,045.9	12.6	1.2%
Handysize	1,432.2	1,415.3	16.9	1.2%
Total	6,504.2	5,661.5	842.7	14.9%
Fleet utilization (4)				
Capesize	99.9%	99.9%		
Panamax	99.1%	98.0%	1.1%	1.1%
Supramax	99.7%	97.7%	2.0%	2.0%

Handymax	98.6%	99.4%	(0.8)%	(0.8)%
Handysize	99.9%	99.0%	0.9%	0.9%
Fleet average	99.5%	98.8%	0.7%	0.7%

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	For the six months ended June 30, 2010	2009	Increase (Decrease)	% Change
	(U.S. dollars)			
Average Daily Results:				
Time Charter Equivalent (5)				
Capesize	$ 44,775	$ 59,260	$ (14,485)	(24.4)%
Panamax	30,470	29,580	890	3.0%
Supramax	24,514	29,855	(5,341)	(17.9)%
Handymax	27,313	29,076	(1,763)	(6.1)%
Handysize	19,524	19,870	(346)	(1.7)%
Fleet average	30,326	32,724	(2,398)	(7.3)%
Daily vessel operating expenses (6)				
Capesize	$ 5,411	$ 5,192	$ 219	4.2%
Panamax	4,614	5,220	(606)	(11.6)%
Supramax	4,598	4,607	(9)	(0.2)%
Handymax	4,474	4,481	(7)	(0.2)%
Handysize	4,186	4,192	(6)	(0.1)%
Fleet average	4,697	4,743	(46)	(1.0)%

Definitions

In order to understand our discussion of our results of operations, it is important to understand the meaning of the following terms used in our analysis and the factors that influence our results of operations.

(1) Ownership days. We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

(2) Available days. We define available days as the number of our ownership days in a period less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. Companies in the shipping industry generally use available days to measure the number of days in a period during which vessels should be capable of generating revenues.

(3) Operating days. We define operating days as the number of our available days in a period less the aggregate number of days that our vessels are off-hire due to unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

(4) Fleet utilization. We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company s efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel

upgrades, special surveys or vessel positioning.

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(5) TCE rates. We define TCE rates as net voyage revenue (voyage revenues less voyage expenses) divided by the number of our available days during the period, which is consistent with industry standards. TCE rate is a common shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charterhire rates for vessels on voyage charters are generally not expressed in per-day amounts while charterhire rates for vessels on time charters generally are expressed in such amounts.

	For the three months ended June 30,				For the six months ended June 30,			
	2010		2009		2010		2009	
Voyage revenues (in thousands)	$	105,337	$	93,701	$	200,018	$	190,351
Voyage expenses (in thousands)		1,018		1,284		1,755		2,863
Net voyage revenue (in thousands)	$	104,319	$	92,417		198,263	$	187,488
Total available days		3,431.0		2,866.1		6,537.6		5,729.5
Total TCE rate	$	30,405	$	32,245	$	30,326	$	32,724

(6) Daily vessel operating expenses. We define daily vessel operating expenses as vessel operating expenses divided by ownership days for the period. Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance (excluding drydocking), the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses.

Operating Data

	For the three months ended June 30, 2010		2009		Change		% Change
	(U.S. dollars in thousands, except for per share amounts)						
Revenues	$	105,337	$	93,701	$	11,636	12.4%
Operating Expenses:							
Voyage expenses		1,018		1,284		(266)	(20.7)%
Vessel operating expenses		16,160		13,268		2,892	21.8%
General, administrative and management fees		7,164		4,964		2,200	44.3%
Depreciation and amortization		26,259		20,933		5,326	25.4%
Other operating income		(206)				(206)	100.0%
Total operating expenses		50,395		40,449		9,946	24.6%
Operating income		54,942		53,252		1,690	3.2%
Other (expense) income		(15,565)		(15,635)		70	(0.4)%
Net income before income taxes	$	39,377	$	37,617		1,760	4.7%
Income tax expense		(719)				(719)	100.0%
Net income	$	38,658	$	37,617	$	1,041	2.8%
Less: Net income attributable to noncontrolling interest		1,899				1,899	100.0%
Net income attributable to Genco Shipping & Trading Limited	$	36,759	$	37,617	$	(858)	(2.3)%

Earnings per share - Basic	$	1.17	$	1.20	$	(0.03)	(2.5)%
Earnings per share - Diluted	$	1.16	$	1.20	$	(0.04)	(3.3)%
Dividends declared and paid per share	$		$		$		
Weighted average common shares outstanding - Basic		31,413,874		31,268,394		145,480	0.5%
Weighted average common shares outstanding - Diluted		31,562,879		31,434,814		128,065	0.4%
EBITDA (1)	$	79,299	$	73,884	$	5,415	7.3%

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	For the six months ended June 30, 2010	2009	Change	% Change
	(U.S. dollars in thousands, except for per share amounts)			
Revenues	$ 200,018	$ 190,351	$ 9,667	5.1%
Operating Expenses:				
Voyage expenses	1,755	2,863	(1,108)	(38.7)%
Vessel operating expenses	31,047	27,469	3,578	13.0%
General, administrative and management fees	12,960	9,736	3,224	33.1%
Depreciation and amortization	51,094	41,882	9,212	22.0%
Other operating income	(206)		(206)	100.0%
Total operating expenses	96,650	81,950	14,700	17.9%
Operating income	103,368	108,401	(5,033)	(4.6)%
Other (expense) income	(30,892)	(29,542)	(1,350)	4.6%
Net income before income taxes	$ 72,476	$ 78,859	(6,383)	(8.1)%
Income tax expense	(719)		(719)	100.0%
Net income	$ 71,757	$ 78,859	$ (7,102)	(9.0)%
Less: Net income attributable to noncontrolling interest	1,550		1,550	100.0%
Net income attributable to Genco Shipping & Trading Limited	$ 70,207	$ 78,859	$ (8,652)	(11.0)%
Earnings per share - Basic	$ 2.24	$ 2.52	$ (0.28)	(11.1)%
Earnings per share - Diluted	$ 2.23	$ 2.51	$ (0.28)	(11.2)%
Dividends declared and paid per share	$	$	$	
Weighted average common shares outstanding - Basic	31,409,858	31,264,460	145,398	0.5%
Weighted average common shares outstanding - Diluted	31,553,226	31,393,333	159,893	0.5%
EBITDA (1)	$ 152,937	$ 150,000	$ 2,937	2.0%

(1) EBITDA represents net income attributable to Genco Shipping & Trading Limited plus net interest expense, taxes and depreciation and amortization. EBITDA is included because it is used by management and certain investors as a measure of operating performance. EBITDA is used by analysts in the shipping industry as a common performance measure to compare results across peers. Our management uses EBITDA as a performance measure in our consolidated internal financial statements, and it is presented for review at our board meetings. We believe that EBITDA is useful to

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investors as the shipping industry is capital intensive which often results in significant depreciation and cost of financing. EBITDA presents investors with a measure in addition to net income to evaluate our performance prior to these costs. EBITDA is not an item recognized by U.S. GAAP and should not be considered as an alternative to net income, operating income or any other indicator of a company s operating performance required by U.S. GAAP. EBITDA is not a measure of liquidity or cash flows as shown in our consolidated statement of cash flows. The definition of EBITDA used here may not be comparable to that used by other companies. The following table demonstrates our calculation of EBITDA and provides a reconciliation of EBITDA to net income for each of the periods presented above:

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	For the six months ended June 30, 2010	For the six months ended June 30, 2009
Net income attributable to Genco Shipping & Trading Limited	$ 36,759	$ 37,617	$ 70,207	$ 78,859
Net interest expense	15,562	15,334	30,917	29,259
Income tax expense	719		719	
Depreciation and amortization	26,259	20,933	51,094	41,882
EBITDA (1)	$ 79,299	$ 73,884	$ 152,937	$ 150,000

Results of Operations

The following tables set forth information about the vessels in our fleet, including Baltic Trading s vessels, as of August 5, 2010:

Genco Shipping & Trading Limited

Vessel	Year Built	Charterer	Charter Expiration (1)	Cash Daily Rate (2)	Net Revenue Daily Rate (3)	Expected Delivery (4)
Capesize Vessels						
Genco Augustus	2007	Cargill International S.A.	December 2010	39,000		
Genco Tiberius	2007	Cargill International S.A.	August 2010	44,000		
Genco London	2007	SK Shipping Co., Ltd	August 2010	57,500	64,250	
Genco Titus	2007	Cargill International S.A.	September 2011	45,000(5)	46,250	
Genco Constantine	2008	Cargill International S.A.	August 2012	52,750(5)		
Genco Hadrian	2008	Cargill International S.A.	October 2012	65,000(5)		
Genco Commodus	2009	Morgan Stanley Capital Group Inc.	June 2011	36,000		
Genco Maximus	2009	Cargill International S.A.	September 2010	10,000		
Genco Claudius	2010	Cargill International S.A.	November 2010	36,000		
Panamax Vessels						
Genco Beauty	1999	D/S Norden A/S	April 2011	27,000		
Genco Knight	1999	Swissmarine Services S.A.	March 2011	25,000		
Genco Leader	1999	Klaveness Chartering	December 2010	20,000		
Genco Vigour	1999	Global Maritime Investments Ltd.	November 2010	24,000		
Genco Acheron	1999	Global Chartering Ltd	July 2011	55,250		

		(a subsidiary of ArcelorMittal Group)		
Genco Surprise	1998	Hanjin Shipping Co., Ltd.	December 2010	42,100
Genco Raptor	2007	COSCO Bulk Carriers Co., Ltd.	April 2012	52,800
Genco Thunder	2007	Klaveness Chartering	August 2010	22,250
Supramax Vessels				
Genco Predator	2005	Pacific Basin Chartering Ltd	April 2011	22,500

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Genco Warrior	2005	Hyundai Merchant Marine Co. Ltd.	November 2010	38,750	
Genco Hunter	2007	Pacific Basin Chartering Ltd.	February 2011	21,750	
Genco Cavalier	2007	Pacific Basin Chartering Ltd	September 2010	22,250	
Genco Aquitaine	2009	(6)	May 2012	20,000(7)	Q3 2010
Genco Ardennes	2009				Q3 2010
Genco Auvergne	2009				Q3 2010
Genco Bourgogne	2010	Setaf Saget SAS	15 to 17.5 months from delivery	19,900(8)	Q3 2010
Genco Brittany	2010	(6)	January 2015	26,200	Q3 2010
Genco Languedoc	2010	(6)	January 2015	26,500	Q3 2010
Genco Loire	2009	TMT Bulk Corporation	October 2010	13,000	
Genco Lorraine	2009	Olam International Limited	July 2012	18,500	
Genco Normandy	2007				Q3 2010
Genco Picardy	2005	Rizzo-Bottiglieri-de Carlini Armatori SPA	November 2010	17,100	Q3 2010
Genco Provence	2004				Q3 2010
Genco Pyrenees	2010	Setaf Saget SAS	11 to 13.5 months from delivery	19,000(8)	Q3 2010
Genco Rhone	2011(4)				Q1 2011
Handymax Vessels					
Genco Success	1997	Korea Line Corporation	February 2011	33,000(9)	
Genco Carrier	1998	Louis Dreyfus Corporation	March 2011	37,000	
Genco Prosperity	1997	Pacific Basin Chartering Ltd	June 2011	37,000	
Genco Wisdom	1997	Hyundai Merchant Marine Co. Ltd.	February 2011	34,500	
Genco Marine	1996	STX Pan Ocean Co. Ltd.	April 2011	20,000	
Genco Muse	2001	Global Maritime Investments Ltd.	December 2010	17,750	
Handysize Vessels					
Genco Explorer	1999	Lauritzen Bulkers A/S	November 2010	Spot(10)	
Genco Pioneer	1999	Lauritzen Bulkers A/S	November 2010	Spot(10)	
Genco Progress	1999	Lauritzen Bulkers A/S	August 2011	Spot(10)	
Genco Reliance	1999	Lauritzen Bulkers A/S	August 2011	Spot(10)	
Genco Sugar	1998	Lauritzen Bulkers A/S	August 2011	Spot(10)	
Genco Charger	2005	Pacific Basin Chartering Ltd.	November 2010	24,000	
Genco Challenger	2003	Pacific Basin Chartering Ltd.	November 2010	24,000	
Genco Champion	2006	Pacific Basin Chartering Ltd.	December 2010	24,000	
Genco Bay	2010	Cargill International S.A.	February 2013	8,500 13,500 with 50% profit sharing (11)	Q3 2010
Genco Ocean	2010	Cargill International S.A.	June 2013	8,500 13,500 with 50% profit sharing (11)	
Genco Avra	2011(4)	Cargill International S.A.	35 37 months after delivery	8,500 13,500 with 50% profit sharing (11)	Q1 2011
Genco Mare	2011(4)	Cargill International S.A.	46 48 months after delivery	BHSI Index plus 15% (12)	Q2 2011
Genco Spirit	2011(4)	Cargill International S.A.	35 37 months after delivery	8,500 13,500 with 50% profit sharing (11)	Q3 2011

(1) The charter expiration dates presented represent the earliest dates that the charters may be terminated in the ordinary course, in accordance with their respective terms. Except for the Genco Titus, Genco Constantine and Genco Hadrian, under the terms of each contract, the charterer is entitled to extend the time charters from two to four months in order to complete the vessel s final voyage plus any time the vessel has been off-hire. The charterer of the Genco Titus and Genco Hadrian has the option to extend the charter for a period of one year. The Genco Constantine has the option to extend the charter for a period of eight months.

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(2) Time charter rates presented are the gross daily charterhire rates before third-party commissions generally ranging from 1.25% to 5.00%. In a time charter, the charterer is responsible for voyage expenses such as bunkers, port expenses, agents fees and canal dues.

(3) For the vessels acquired with a below-market time charter rate, the approximate amount of revenue on a daily basis to be recognized as revenues is displayed in the column named Net Revenue Daily Rate and is net of any third-party commissions. Since these vessels were acquired with existing time charters with below-market rates, we allocated the purchase price between the respective vessels and an intangible liability for the value assigned to the below-market charterhire. This intangible liability is amortized as an increase to voyage revenues over the minimum remaining terms of the applicable charters. The minimum remaining term for the Genco London expires on August 30, 2010 and the Genco Titus on September 26, 2011, at which point the respective liabilities were or will be amortized to zero and the vessels began or will begin earning the Cash Daily Rate. For cash flow purposes, we will continue to receive the rate presented in the Cash Daily Rate column until the charter expires.

(4) Built and delivery dates for vessels being delivered in the future are estimates based on guidance received from the sellers and/or the respective shipyards.

(5) These charters include a 50% index-based profit sharing component above the respective base rates listed in the table. The profit sharing between the charterer and us for each 15-day period is calculated by taking the average over that period of the published Baltic Cape Index of the four time charter routes, as reflected in daily reports. If such average is more than the base rate payable under the charter, the excess amount is allocable 50% to each of the charterer and us. A third-party brokerage commission of 3.75% based on the profit sharing amount due to us is payable out of our share.

(6) These charters are subject to novation by the charterer.

(7) The rate is $20,000 per day until July 21, 2011 and $22,000 per day for the remainder of the charter period. The charter includes a 50% hire-based profit sharing component on the difference between the current rate and the rate that the charterer is sub-chartering the vessel. This charter is subject to novation by the charterer.

(8) We have reached an agreement with Setaf Saget SAS, a subsidiary of Bourbon, to fix the Genco Pyrenees for 11 to 13.5 months from delivery at a rate of $19,000 per day less a 3.75% third-party brokerage commission and the Genco Bourgogne for 15 to 17.5 months at a rate of $19,900 per day less a 3.75% third-party brokerage commission.. The charters are subject to delivery of the vessel and related charter documentation.

(9) The time charter is for 35 to 37.5 months at a rate of $40,000 per day for the first 12 months, $33,000 per day for the following 12 months, $26,000 per day for the next 12 months and $33,000 per day thereafter less a 5% third-party commission. In all cases, the rate for the duration of the time charter will average $33,000 per day. For purposes of revenue recognition, the time charter contract is reflected on a straight-line basis at approximately $33,000 per day for 35 to 37.5 months.

(10) We have reached an agreement to enter these vessels into the LB/IVS Pool, in which Lauritzen Bulkers A/S acts as the pool manager. Under the pool agreement, we can currently withdraw up to two vessels with three months notice and the remaining three vessels with 12-months notice.

(11) The rate for the spot market-related time charter will be linked with a floor of $8,500 and a ceiling of $13,500 daily with a 50% profit sharing arrangement to apply to any amount above the ceiling. The rate will be based on 115% of the average of the daily rates of the Baltic Handysize Index (BHSI), as reflected in daily reports. Hire will be paid every 15 days in advance net of a 5.00% third-party brokerage commission.

(12) The rate for the spot market-related time charter will be based on 115% of the average of the daily rates of the BHSI, as reflected in daily reports. Hire will be paid every 15 days in advance net of a 5.0% brokerage commission.

Baltic Trading Limited

Vessel	Year Built	Charterer	Charter Expiration(1)	Employment Structure	Expected Delivery (2)
Capesize Vessels					
Baltic Bear	2010	Cargill International S.A.	April 2011	BCI linked (4)	*Delivered*
Baltic Wolf	2010(3)	Cargill International S.A.	11 to 13.5 months from delivery	BCI linked (4)	Q4 2010
Supramax Vessels					
Baltic Leopard	2009	Oldendorff GMBH and Co. KG. Lubeck	March 2011	BSI linked (5)	*Delivered*
Baltic Panther	2009	Oldendorff GMBH and Co. KG. Lubeck	March 2011	BSI linked (5)	*Delivered*
Baltic Jaguar	2009	Clipper Bulk Shipping N.V., Curacao	April 2011	BSI linked (5)	*Delivered*

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Baltic Cougar	2009	AMN Bulkcarriers Inc.	July 2010 June 2011	19,750 BSI linked (6)	*Delivered*
Handysize Vessels					
Baltic Wind	2009	Cargill International S.A.	May 2013	BHSI linked (7)	*Delivered*
Baltic Cove	2010	Cargill International S.A.	February 2014	BHSI linked (7)	Q3 2010
Baltic Breeze	2010(3)	Cargill International S.A.	46-48 months after delivery	BHSI linked (7)	Q3 2010

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(1) The charter expiration dates presented represent the earliest dates that our charters may be terminated in the ordinary course. Under the terms of each contract, the charterer is entitled to extend the time charters from two to four months in order to complete the vessel s final voyage plus any time the vessel has been off-hire.

(2) Dates for vessels being delivered in the future are estimates based on guidance received from the sellers and/or the respective shipyards.

(3) Year built for vessels being delivered in the future is an estimate based on guidance received from the sellers and the relevant shipyard.

(4) Under the terms of the agreements, the rate for the spot market-related time charter will be based on the average of the daily rates of the Baltic Capesize Index (BCI), as reflected in daily reports. Hire will be paid every 15 days in arrears net of a 5% brokerage commission, which includes the 1.25% commission payable to GS&T. Baltic Trading will not be responsible for voyage expenses, including fuel.

(5) The rate for the spot market-related time charter will be based on 95% of the average of the daily rates of the Baltic Supramax Index (BSI), as reflected in daily reports. Hire will be paid every 15 days in arrears net of a 5% brokerage commission, which includes the 1.25% commission payable to GS&T. Baltic Trading will not be responsible for voyage expenses, including fuel. Specifically, for the Baltic Jaguar, the charterer will be able to deduct $5,000 from the average daily rates of the BSI for the first 50 days of charter since the vessel delivered to the charterer in Singapore-Japan range.

(6) We have reached an agreement to enter the vessel in a spot market-related time charter based on 96% of the average of the daily rates of the Baltic Supramax Index (BSI), as reflected in daily reports. Hire will be paid every 15 days in arrears net of a 5% brokerage commission, which includes the 1.25% commission payable to GS&T. Baltic Trading will not be responsible for voyage expenses, including fuel. The vessel commenced the spot market-related time charter following the expiration of its previous time charter on July 28, 2010.

(7) The rate for each of the spot market-related time charters will be based on 115% of the average of the daily rates of the Baltic Handysize Index (BHSI), as reflected in daily reports. Hire will be paid every 15 days in advance net of a 6.25% brokerage commission, which includes the 1.25% commission payable to GS&T. Baltic Trading will not be responsible for voyage expenses, including fuel.

Three months ended June 30, 2010 compared to the three months ended June 30, 2009

REVENUES-

For the three months ended June 30, 2010, revenues increased 12.4% to $105.3 million versus $93.7 million for the three months ended June 30, 2009. Revenues increased by approximately $11.6 million primarily as a result of the increase in the size of our fleet and revenues earned by Baltic Trading s vessels of $7.0 million offset by lower charter rates achieved for some of our vessels.

The average Time Charter Equivalent (TCE) rate of our fleet decreased 5.7% to $30,405 a day for the three months ended June 30, 2010 from $32,245 a day for the three months ended June 30, 2009. The decrease in TCE rates resulted from lower charter rates achieved in the second quarter of 2010 versus the second quarter of 2009 for seventeen vessels in our fleet offset by higher charter rates for fourteen of the vessels in our fleet.

For the three months ended June 30, 2010 and 2009, we had ownership days of 3,459.8 days and 2,912.0 days, respectively. Fleet utilization was 99.4% and 99.3% for the three month periods ended June 30, 2010 and 2009, respectively.

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The freight environment displayed seasonal weakness through the second quarter of 2010 with the Baltic Dry Index trading from a high of 4,209 to a low of 1,700 points. The index has moderately rebounded from previous lows and stands at 1,977 as of August 2, 2010. The recent weakness has mainly been attributable to lower demand for iron ore cargoes stemming from a seasonal slowdown in Chinese iron ore imports as well as the wind down of the South American grain season. A shift towards a quarterly iron ore pricing system and reduced port congestion were also factors adding downward pressure to freight rates.

VOYAGE EXPENSES-

For the three months ended June 30, 2010 and 2009, we did not incur port and canal charges or any significant expenses related to the consumption of bunkers (fuel) as part of our vessels overall expenses because all of our vessels were employed under time charters, spot market-related time charters, or in pools that require the charterer or pool to bear all of those expenses.

For the three months ended June 30, 2010 and 2009, voyage expenses were $1.0 million and $1.3 million, respectively, and consisted primarily of brokerage commissions paid to third parties.

VESSEL OPERATING EXPENSES-

Vessel operating expenses increased to $16.2 million from $13.3 million for the three months ended June 30, 2010 and 2009, respectively, due to the operation of a larger fleet. This was primarily a result of the operation of five Baltic Trading vessels which were delivered during the second quarter of 2010 which accounted for $1.3 million of vessel operating expenses during the three months ended June 30, 2010. Additionally, the increase was related to higher expenses related to the timing of repairs during the three months ended June 30, 2010 as compared to the three months ended June 30, 2009.

Daily vessel operating expenses increased to $4,671 per vessel per day for the three months ended June 30, 2010 from $4,556 per day for the three months ended June 30, 2009. The increase in daily vessel operating expenses was due to higher repair costs as well as the costs of stores and spares, offset by lower costs associated with insurance during the three months ended June 30, 2010 versus the same period last year. We believe daily vessel operating expenses are best measured for comparative purposes over a 12-month period in order to take into account all of the expenses that each vessel in our fleet will incur over a full year of operation. For the first half of 2010, we budgeted daily vessel operating expenses at a weighted average rate of $5,350 per vessel per day. Our actual daily vessel operating expenses per vessel for the three months ended June 30, 2010 have been $679 below the budgeted rate. We expect DVOE for the second half of 2010 to be $5,100 per vessel per day.

Our vessel operating expenses, which generally represent fixed costs, will increase as a result of the expansion of our fleet. Other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for crewing, lubes, and insurance, may also cause these expenses to increase.

GENERAL, ADMINISTRATIVE AND MANAGEMENT FEES-

For the three months ended June 30, 2010 and 2009, general, administrative and management fees were $7.2 million and $5.0 million, respectively. The increase in general, administrative and management fees was primarily due to costs associated with the operation of Baltic Trading, which resulted in $1.4 million of additional expenses, as well as the addition of personnel as the fleet expanded. We incur management fees to third-party technical management companies for the day-to-day management of our vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies. The increase in general, administrative and management fees was a result of the operation of a larger fleet as well as an increase in monthly management fees.

DEPRECIATION AND AMORTIZATION-

For the three months ended June 30, 2010, depreciation and amortization charges grew to $26.3 million from $20.9 million for the three months ended June 30, 2009. The increase was primarily due to the operation of a larger fleet, including the five Baltic Trading vessels delivered during the second quarter of 2010 which accounted for $1.2 million of the increase.

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OTHER (EXPENSE) INCOME-

NET INTEREST EXPENSE-

For the three months ended June 30, 2010 and 2009, net interest expense was $15.6 million and $15.3 million, respectively. Net interest expense consisted primarily of interest expense under our 2007 Credit Facility during both periods. Additionally, interest income, unused commitment fees associated with the Baltic Trading 2010 Credit Facility and amortization of deferred financing costs related to the 2007 Credit Facility and Baltic Trading 2010 Credit Facility are included in both periods. The increase in net interest expense for the second quarter of 2010 versus the second quarter of 2009 was primarily a result of higher outstanding debt due to the acquisition of additional vessels during the second quarter through the fourth quarter of 2009 offset by a decrease in LIBOR rates.

INCOME TAX EXPENSE-

For the three months ended June 30, 2010, income tax expense was $719 as compared to $0 during the three months ended June 30, 2009. This income tax expense includes federal, state and local income taxes on net income earned by Genco (USA), one of our wholly owned subsidiaries. Pursuant to certain agreements, we technically and commercially manage vessels for Baltic Trading, as well as provide technical management of vessels for MEP in exchange for specified fees for these services provided. These services are provided by Genco USA, which has elected to be taxed as a corporation for United States federal income tax purposes. As such, Genco (USA) is subject to United States federal income tax on its worldwide net income, including the net income derived from providing these services. Refer to the Income taxes section of Note 2 Summary of Significant Accounting Policies included in our condensed financial statements for further information.

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST-

For the three months ended June 30, 2010, net income attributable to noncontrolling interest was $1.9 million as compared to $0 during the three months ended June 30, 2009. This amount represents the net income attributable to the noncontrolling interest of Baltic Trading, which completed its IPO on March 15, 2010.

Six months ended June 30, 2010 compared to the six months ended June 30, 2009

REVENUES-

For the six months ended June 30, 2010, revenues increased 5.1% to $200.0 million versus $190.4 million for the six months ended June 30, 2009. Revenues increased by approximately $9.7 million primarily as a result of the increase in the size of our fleet and revenue earned by Baltic Trading s vessels of $7.0 million offset by lower charter rates achieved for some of our vessels.

The average Time Charter Equivalent (TCE) rate of our fleet decreased 7.3% to $30,326 a day for the six months ended June 30, 2010 from $32,724 a day for the six months ended June 30, 2009. The decrease in TCE rates resulted from lower charter rates achieved during the six months ended June 30, 2010 versus the same period last year for twenty-one vessels in our fleet offset by higher charter rates for thirteen of the vessels in our fleet.

For the six months ended June 30, 2010 and 2009, we had ownership days of 6,609.8 days and 5,792.0 days, respectively. Fleet utilization was 99.5% and 98.8% for the six month periods ended June 30, 2010 and 2009, respectively.

VOYAGE EXPENSES-

For the six months ended June 30, 2010 and 2009, we did not incur port and canal charges or any significant expenses related to the consumption of bunkers (fuel) as part of our vessels overall expenses because all of our vessels were employed under time charters, spot market-related time charters, or in pools that require the charterer or pool to bear all of those expenses.

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For the six months ended June 30, 2010 and 2009, voyage expenses were $1.8 million and $2.9 million, respectively, and consisted primarily of brokerage commissions paid to third parties.

VESSEL OPERATING EXPENSES-

Vessel operating expenses increased to $31.0 million from $27.5 million for the six months ended June 30, 2010 and 2009, respectively, due to the operation of a larger fleet. This was primarily a result of the operation of five Baltic Trading vessels which were delivered during the second quarter of 2010, which accounted for $1.3 million of vessel operating expenses during the six months ended June 30, 2010. Additionally, the increase was related to higher expenses related to repairs and stores during the six months ended June 30, 2010 as compared to the six months ended June 30, 2009.

Daily vessel operating expenses decreased to $4,697 per vessel per day for the six months ended June 30, 2010 from $4,743 per day for the three months ended June 30, 2009. Although total vessel operating expenses increased during the six months ended June 30, 2010 as compared to the same period last year, the number of ownership days increased by a higher percentage during the same period. As such, there was only a slight overall decrease in daily vessel operating expenses. We believe daily vessel operating expenses are best measured for comparative purposes over a 12-month period in order to take into account all of the expenses that each vessel in our fleet will incur over a full year of operation. For the first half of 2010, we budgeted daily vessel operating expenses at a weighted average rate of $5,350 per vessel per day. Our actual daily vessel operating expenses per vessel for the six months ended June 30, 2010 have been $653 below the budgeted rate. We expect DVOE for the second half of 2010 to be $5,100 per vessel per day.

GENERAL, ADMINISTRATIVE AND MANAGEMENT FEES-

For the six months ended June 30, 2010 and 2009, general, administrative and management fees were $13.0 million and $9.7 million, respectively. The increase in general, administrative and management fees was primarily due to costs associated with the operation of Baltic Trading, which resulted in $1.9 million of additional expense, as well as the addition of personnel as the fleet expanded. We incur management fees to third-party technical management companies for the day-to-day management of our vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies. The increase in general, administrative and management fees was a result of the operation of a larger fleet as well as an increase in monthly management fees.

DEPRECIATION AND AMORTIZATION-

For the six months ended June 30, 2010, depreciation and amortization charges grew to $51.1 million from $41.9 million for the six months ended June 30, 2009. The increase was primarily due to the operation of a larger fleet, including the five Baltic Trading vessels delivered during the second quarter of 2010 which accounted for $1.2 million of the increase.

OTHER (EXPENSE) INCOME-

NET INTEREST EXPENSE-

For the six months ended June 30, 2010 and 2009, net interest expense was $30.9 million and $29.3 million, respectively. Net interest expense consisted primarily of interest expense under our 2007 Credit Facility during both periods. Additionally, interest income, unused commitment fees associated with the 2010 Baltic Trading Credit Facility and amortization of deferred financing costs related to the 2007 Credit Facility and the 2010 Baltic Trading Credit Facility are included in both periods. The increase in net interest expense for the six months ended June 30, 2010 versus the six months ended June 30, 2009 was primarily a result of higher outstanding debt due to the acquisition of additional vessels during the second quarter through the fourth quarter of 2009 offset by a decrease in LIBOR rates.

INCOME TAX EXPENSE-

For the six months ended June 30, 2010, income tax expense was $719 as compared to $0 during the six months ended June 30, 2009. This income tax expense includes federal, state and local income taxes on net income earned by Genco Management (USA) Limited (Genco (USA)), one of our wholly owned subsidiaries. Pursuant to certain agreements, we technically and commercially manage vessels for Baltic Trading, as well as provide technical

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management of vessels for MEP in exchange for specified fees for these services provided. These services are provided by Genco USA, which has elected to be taxed as a corporation for United States federal income tax purposes. As such, Genco (USA) is subject to United States federal income tax on its worldwide net income, including the net income derived from providing these services. Refer to the Income taxes section of Note 2 Summary of Significant Accounting Policies included in our condensed financial statements for further information.

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST-

For the six months ended June 30, 2010, net income attributable to noncontrolling interest was $1,550 million as compared to $0 during the six months ended June 30, 2009. This amount represents the net income attributable to the noncontrolling interest of Baltic Trading, which completed its IPO on March 15, 2010.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have financed our capital requirements with cash flow from operations, equity offerings and bank debt. We have used our funds primarily to fund vessel acquisitions, regulatory compliance expenditures, the repayment of bank debt and the associated interest expense and the payment of dividends. We will require capital to fund ongoing operations, acquisitions and debt service. Please refer to the discussion under the subheading Dividend Policy below for additional information regarding dividends. We also may consider debt and additional equity financing alternatives from time to time. However, if market conditions become negative, we may be unable to raise additional equity capital or debt financing on acceptable terms or at all.

Currently, we indirectly own 5,699,088 shares of Baltic Trading s Class B Stock, which represents a 25.35% ownership interest in Baltic Trading and 83.59% of the aggregate voting power of Baltic Trading s outstanding shares of voting stock. On April 16, 2010, Baltic Trading entered into a $100 million senior secured revolving credit facility with Nordea Bank Finland plc, acting through its New York branch (the Baltic Trading 2010 Credit Facility). The Baltic Trading 2010 Credit Facility matures on April 16, 2014. See 2010 Baltic Trading Credit Facility section below for a full description of this facility. To remain in compliance with a net worth covenant in the Baltic Trading 2010 Credit Facility, Baltic Trading would need to maintain a net worth of $232.8 million after the payment of any dividends. We do not believe these restrictions would have a significant impact on our liquidity.

We have entered into commitment letters for two secured term loan facilities during July 2010 in order to fund future vessel acquisitions. On July 14, 2010, we entered into a commitment letter for a $100 million secured term loan facility to fund or refund to us a portion of the purchase price of the proposed acquisition of five vessels from companies within the Metrostar group of companies. Additionally, on July 16, 2010, we entered into a commitment letter for a $253 million senior secured term loan facility to fund a portion of the purchase price of the proposed acquisition of thirteen vessels from Bourbon. Refer to Note 23 Subsequent Events of our condensed financial statements for further information regarding these loan facilities.

On July 21, 2010, we entered into an Underwriting Agreement (the Notes Underwriting Agreement) with Deutsche Bank Securities Inc., BNP Paribas Securities Corp. and Credit Suisse Securities USA (the Representatives), as representatives for the several underwriters referred to in the Notes Underwriting Agreement, relating to the issuance and sale in a public offering of $110 million aggregate principal amount of the Notes. In connection with this offering, we granted the underwriters a 30-day option to purchase up to an additional $15 million aggregate principal amount of convertible senior notes, which the underwriters exercised in full on July 22, 2010. The offering of the Notes has been registered under the Securities Act of 1933, as amended (the Securities Act), by us as part of its Registration Statement on Form S-3 (No. 333-155758) (the Form S-3) filed with the Securities and Exchange Commission (the SEC) and was consummated on July 27, 2010.

On July 21**,** we also entered into an underwriting agreement (the Common Stock Underwriting Agreement) with the Representatives, as representatives for the several underwriters referred to in the Common Stock Underwriting Agreement, pursuant to which we agreed to sell to such underwriters an aggregate of 3,125,000 shares (together with the 468,750 additional shares referred to below, the Shares) of common stock, par value $0.01 per share, of Genco (the Common Stock), at a purchase price of $15.28 per share (the Purchase Price), which reflects a price to the public of $16.00 per share less underwriting discounts and commissions of $0.72 per share. In connection with this offering, we granted the underwriters a 30-day option to purchase up to an additional 468,750 shares of Common Stock at a price per share equal to the Purchase Price, which the underwriters exercised

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in full on July 22, 2010. The offering of the Common Stock has been registered under the Securities Act by us as part of the Form S-3 filed with the SEC and was consummated on July 27, 2010.

We anticipate that internally generated cash flow in addition to the three additional aforementioned loan facilities and offering proceeds will be sufficient to fund the operations of our fleet, including our working capital requirements, for the next twelve months. Pursuant to the current terms of the 2007 Credit Facility, the existing collateral maintenance financial covenant is waived, which required us to maintain pledged vessels with a value equal to at least 130% of our current borrowings, and accelerated the reductions of the total facility which began on March 31, 2009. Please read the 2007 Credit Facility section below for further details. The collateral maintenance covenant will be waived until we can represent that we are in compliance with all of our financial covenants.

Dividend Policy

Historically, our dividend policy, which commenced in November 2005, has been to declare quarterly distributions to shareholders by each February, May, August and November, substantially equal to our available cash from operations during the previous quarter, less cash expenses for that quarter (principally vessel operating expenses and debt service) and any reserves our board of directors determines we should maintain. These reserves covered, among other things, drydocking, repairs, claims, liabilities and other obligations, interest expense and debt amortization, acquisitions of additional assets and working capital. In the future, we may incur other expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends. Under the current terms of the 2007 Credit Facility, we are required to suspend the payment of cash dividends until we can represent that we are in a position to satisfy the collateral maintenance covenant. Refer to the 2009 10-K for further information regarding the current terms of the 2007 Credit Facility. As such, a dividend was not declared for the quarter ended June 30, 2010. The following table summarizes the dividends declared based on the results of each fiscal quarter:

	Dividend per share		Declaration date
FISCAL YEAR ENDED DECEMBER 31, 2010			
2nd Quarter			N/A
1st Quarter			N/A
FISCAL YEAR ENDED DECEMBER 31, 2009			
4th Quarter			N/A
3rd Quarter			N/A
2nd Quarter			N/A
1st Quarter			N/A
FISCAL YEAR ENDED DECEMBER 31, 2008			
4th Quarter			N/A
3rd Quarter	$	1.00	10/23/08
2nd Quarter	$	1.00	7/24/08
1st Quarter	$	1.00	4/29/08

The declaration and payment of any dividend is subject to the discretion of our board of directors and our compliance with the collateral maintenance covenant, which is currently waived. The timing and amount of dividend payments will depend on our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our loan agreements, the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors. Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors.

We believe that, under current law, our dividend payments from earnings and profits will constitute qualified dividend income and, as such, will generally be subject to a 15% U.S. federal income tax rate with respect to non-corporate U.S. shareholders that meet certain holding period and other requirements (through 2010). Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a U.S. shareholder s tax basis in its common stock on a dollar-for-dollar basis and, thereafter, as capital gain.

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Share Repurchase Program

On February 13, 2008, our board of directors approved our share repurchase program for up to a total of $50.0 million of our common stock. Share repurchases will be made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. The timing and amount of purchases under the program were determined by management based upon market conditions and other factors. Purchases may be made pursuant to a program adopted under Rule 10b5-1 under the Securities Exchange Act. The program does not require us to purchase any specific number or amount of shares and may be suspended or reinstated at any time in our discretion and without notice. Repurchases under the program are subject to restrictions under the 2007 Credit Facility. Currently, the terms of the 2007 Credit Facility require us to suspend all share repurchases until we can represent that we are in a position to again satisfy the collateral maintenance covenant. Refer to the 2007 Credit Facility section below for further information. There were no share repurchases during the three and six months ended June 30, 2010 or 2009.

Cash Flow

Net cash provided by operating activities for the six months ended June 30, 2010 and 2009 was $118.0 million and $109.8 million, respectively. The increase in cash provided by operating activities was primarily due to higher depreciation and amortization expenses related to the operation of a larger fleet as well as a reduction in net income and the amount of time charter amortization.

Net cash used in investing activities for the six months ended June 30, 2010 and 2009 was $304.6 million and $2.4 million, respectively. The increase was primarily due to cash used for the purchase of Baltic Trading s five initial vessels and deposits made for the acquisition of 21 vessels during the second quarter of 2010. For the six months ended June 30, 2010, cash used in investing activities primarily related to the purchase of vessels in the amount of $214.4 million and the deposit on vessels in the amount of $84.9 million. For the six months ended June 30, 2009, cash used in investing activities primarily related to deposits on vessels to be acquired of $1.4 million.

Net cash provided by (used in) financing activities was $194.4 million during the six months ended June 30, 2010 as compared to $(3.6) million during the six months ended June 30, 2009. The $198.0 million increase in net cash provided by financing activities was primarily due to the proceeds from the issuance of common stock in the amount of $214.5 million from the initial public offering of Baltic Trading that was completed on March 15, 2010 as well as the drawdown of $10.0 million under the Baltic Trading 2010 Credit Facility. Cash provided by financing activities was also offset by the $25.0 million repayment of debt under the 2007 Credit Facility, $3.7 million for payments of common stock issuance costs, and $1.3 million of deferred financing costs. For the same period last year, net cash used in financing activities consisted of a $3.6 million payment of deferred financing costs.

2007 Credit Facility

On July 20, 2007, we entered into a credit facility with DnB Nor Bank ASA (the 2007 Credit Facility) for the purpose of acquiring the nine Capesize vessels and refinancing our 2005 Credit Facility and Short-Term Line. DnB Nor Bank ASA is also Mandated Lead Arranger, Bookrunner, and Administrative Agent. We have used borrowings under the 2007 Credit Facility to repay amounts outstanding under our previous credit facilities, which have been terminated. The maximum amount that may be borrowed under the 2007 Credit Facility at June 30, 2010 is $1.3 billion. As of June 30, 2010, we have utilized our maximum borrowing capacity under the 2007 Credit Facility.

The collateral maintenance financial covenant is currently waived and our cash dividends and share repurchases have been suspended until this covenant can be satisfied. Our borrowings bear interest at the London Interbank Offered Rate (LIBOR) plus an applicable margin of 2.00% per annum. A commitment fee of 0.70% per annum is payable on the unused daily portion of the 2007 Credit Facility.

The significant covenants in the 2007 Credit Facility have been disclosed in the 2009 10-K. As of June 30, 2010, we believe we are in compliance with all of the financial covenants under our 2007 Credit Facility, as amended, with the exception of the collateral maintenance financial covenant, which has been waived as discussed above.

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2010 Baltic Trading Credit Facility

On April 16, 2010, Baltic Trading entered into a $100.0 million senior secured revolving credit facility with Nordea Bank Finland plc, acting through its New York branch (the 2010 Baltic Trading Credit Facility). The 2010 Baltic Trading Credit Facility matures on April 16, 2014, and borrowings under the facility bear interest at LIBOR plus an applicable margin of 3.25% per annum. A commitment fee of 1.25% per annum is payable on the unused daily portion of the 2010 Baltic Trading Credit Facility, which began accruing on March 18, 2010 under the terms of the commitment letter entered into on February 25, 2010. In connection with the commitment letter, Baltic Trading paid an upfront fee of $0.3 million. Additionally upon executing the 2010 Baltic Trading Credit Facility, Baltic Trading paid the remaining upfront fee of $0.9 million, for total fees of $1.3 million. Of the total facility amount of $100.0 million, $25.0 million is available for working capital purposes. As of June 30, 2010, total available working capital borrowings were $15.0 million as $10.0 million was drawn down during the three months ended June 30, 2010. As of June 30, 2010, $90.0 million remains available under the 2010 Credit Facility.

Baltic Trading intends to use the 2010 Baltic Trading Credit Facility primarily for bridge financing for future vessel acquisitions. Borrowings, except those for working capital purposes, are to be repaid with proceeds from Baltic Trading s follow-on equity offerings or otherwise within twelve months from drawdown. Borrowings not repaid within such twelve months will be converted into term loans and repaid in equal monthly installments over the subsequent twelve-month period. All amounts outstanding, including borrowings for working capital, must be repaid in full on the 2010 Baltic Trading Credit Facility s maturity date. Baltic Trading does not anticipate that borrowings under the 2010 Baltic Trading Credit Facility will be used to satisfy its long-term capital needs.

Borrowings under the 2010 Baltic Trading Credit Facility are secured by liens on Baltic Trading s initial vessels and other related assets. Borrowings under the facility are subject to the delivery of security documents with respect to Baltic Trading s initial vessels. Alternatively, Baltic Trading could provide cash collateral equal to $225.0 million minus the aggregate purchase price of its first five vessels delivered if Baltic Trading wishes to draw down on the 2010 Baltic Trading Credit Facility while awaiting delivery of the Capesize vessel expected to be delivered in October 2010. As of June 30, 2010, the Company had provided for cash collateral in the amount of $12.0 million in order to invoke this option. This amount has been reflected as restricted cash at June 30, 2010. This cash collateral would be released or forwarded to the seller of the vessel once such vessel is delivered and concurrently made subject to a lien under the 2010 Baltic Trading Credit Facility. Baltic Trading s subsidiaries owning the initial vessels act as guarantors under the 2010 Baltic Trading Credit Facility.

All amounts owing under the 2010 Baltic Trading Credit Facility are also secured by the following:

- cross-collateralized first priority mortgages of each of Baltic Trading s initial vessels;

- an assignment of any and all earnings of Baltic Trading s initial vessels; and

- an assignment of all insurance on the mortgaged vessels.

The 2010 Baltic Trading Credit Facility requires Baltic Trading to comply with a number of covenants, including financial covenants related to liquidity, consolidated net worth, and collateral maintenance; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); compliance with ERISA; maintenance of flag and class of Baltic Trading s initial vessels; restrictions on consolidations, mergers or sales of assets; restrictions on changes in the Manager of Baltic Trading s initial vessels (or acceptable replacement vessels); limitations on changes to the Management Agreement between us and Baltic Trading; limitations on liens; limitations on additional indebtedness; restrictions on paying dividends; restrictions on transactions with affiliates; and other customary covenants.

The 2010 Baltic Trading Credit Facility includes the following financial covenants which apply to Baltic Trading and its subsidiaries on a consolidated basis and are measured at the end of each fiscal quarter beginning with March 31, 2010, except for the minimum cash covenant, which began being measured at June 30, 2010:

- Cash and cash equivalents plus the undrawn amount available for working capital under the facility must not be less than $0.8 million per vessel for all vessels in Baltic Trading s fleet.

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- Consolidated net worth must be greater than (i) seventy-five percent of the net proceeds of the IPO of Baltic Trading s stock, plus (ii) the $75 million equity contribution from the Company plus (iii) 50% of the value of any subsequent primary equity offerings of Baltic Trading.

- The aggregate fair market value of the mortgaged vessels must at all times be at least 160% of the aggregate outstanding principal amount under the 2010 Baltic Trading Credit Facility. However, if any borrowings other than working capital borrowings are not repaid with 12 months of the drawdown thereof, then the aggregate fair market value of the mortgaged vessels must at all times be at least 200% of the aggregate outstanding principal amount under the 2010 Baltic Trading Credit Facility.

We believe we are in compliance with all of the financial covenants under the 2010 Baltic Trading Credit Facility as of June 30, 2010.

Under the 2010 Baltic Trading Credit Facility, Baltic Trading is not permitted to make loans to Genco Shipping & Trading Limited or Genco Investments LLC if an event of default existed at the time of the loan or could be reasonably expected to result therefrom. In addition, Baltic Trading would not be permitted under the facility to declare or pay dividends to its shareholders (including Genco Investments LLC) if an event of default existed at the time of payment or would be caused thereby. As of June 30, 2010, to remain in compliance with a net worth covenant in the facility, Baltic Trading would need to maintain a net worth of $232.8 million after the payment of any dividends. We do not believe these restrictions would have a significant impact on our liquidity.

Interest Rate Swap Agreements, Forward Freight Agreements and Currency Swap Agreements

At June 30, 2010, we had ten interest rate swap agreements with DnB NOR Bank to manage interest costs and the risk associated with changing interest rates. The total notional principal amount of the swaps is $756.2 million and the swaps have specified rates and durations.

Refer to the table in Note 10 Interest Rate Swap Agreements of our condensed financial statements which summarizes the interest rate swaps in place as of June 30, 2010 and December 31, 2009.

We have considered the creditworthiness of both ourselves and the counterparty in determining the fair value of the interest rate derivatives, and such consideration resulted in an immaterial adjustment to the fair value of derivatives on the balance sheet. Valuations prior to any adjustments for credit risk are validated by comparison with counterparty valuations. Amounts are not and should not be identical due to the different modeling assumptions. Any material differences are investigated.

As part of our business strategy, we may enter short-term forward currency contracts to protect ourselves from the risk of the fluctuations in the exchange rate associated with the cost basis of the Jinhui shares.

As part of our business strategy, we may enter into arrangements commonly known as forward freight agreements, or FFAs, to hedge and manage market risks relating to the deployment of our existing fleet of vessels. These arrangements may include future contract, or commitments to perform in the future a shipping service between ship owners, charterers and traders. Generally, these arrangements would bind us and each counterparty in the arrangement to buy or sell a specified tonnage freighting commitment forward at an agreed time and price and for a particular route. Although FFAs can be entered into for a variety of purposes, including for hedging, as an option, for trading or for arbitrage, if we decided to enter into FFAs, our objective would be to hedge and manage market risks as part of our commercial management. It is not currently our intention to enter into FFAs to generate a stream of income independent of the revenues we derive from the operation of our fleet of vessels. If we determine to enter into FFAs, we may reduce our exposure to any declines in our results from operations due to weak market conditions or downturns, but may also limit our ability to benefit economically during periods of strong demand in the market. We have not entered into any FFAs as of June 30, 2010.

Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of June 30, 2010. The table incorporates Baltic Trading s agreements to acquire one Capesize vessel and three Handysize vessels for an aggregate remaining purchase price of $146.7 million. Baltic Trading borrowed $29.9 million on July 9, 2010 to

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fund the remaining purchase price of one of the Handysize vessels it has agreed to acquire and plans to fund the remaining vessel acquisitions with cash generated from the proceeds from its IPO, which was completed on March 15, 2010, and the 2010 Baltic Trading Credit Facility. The table also incorporates Genco s agreements to acquire sixteen Supramax vessels, including the three vessels to be resold to MEP, for an aggregate remaining purchase price of $490.5 million. The remaining purchase price of the vessels in the table also include the 1% fee payable to the financial advisor that helped facilitate the acquisition of the sixteen Supramax vessels and reflected in the table based on estimated delivery dates. The table also incorporates Genco s agreements to acquire five Handysize vessels for an aggregate remaining purchase price of $149.6 million. Additionally, the table incorporates the employment agreement entered into in September 2007 with our Chief Financial Officer, John Wobensmith. The interest and fees also reflect the 2007 Credit Facility, the Baltic Trading 2010 Credit Facility, the $125 million Convertible Notes utilizing the coupon rate of 5% which were issued on July 27, 2010 and the interest rate swap agreements as discussed above under Interest Rate Swap Agreements, Forward Freight Agreements and Currency Swap Agreements.

	Total	Within the Year (1)	One to Three Years	Three to Five Years	More than Five Years
			(U.S. dollars in thousands)		
Credit Agreements (3)	$ 1,341,900	$ 25,000	$ 188,815	$ 395,535	$ 732,550
Convertible Notes	125,000				125,000
Remainder of purchase price of vessels (2)	792,310	670,048	122,262		
Interest and borrowing fees	268,803	35,287	120,267	75,463	37,786
Executive employment agreement	574	237	337		
Office lease	5,416	254	1,036	1,036	3,096

(1) Represents the six month period ending December 31, 2010.

(2) The timing of this obligation is based on the actual or estimated delivery dates for the anticipated delivery of vessels as provided by the seller of the respective vessels. Upon the delivery of the Genco Ocean and Baltic Wind on July 26, 2010 and August 4, 2010, respectively, the remaining aggregate purchase price of $59.9 million was paid to the seller of the vessels. Additionally, upon delivery of the Genco Lorraine and Genco Loire on July 29, 2010 and August 4, 2010, respectively, the remaining aggregate purchase price of $64.8 million was paid to the seller of the vessels. Upon delivery of the Genco Lorraine and Genco Loire, we incurred a 1% fee payable, or $0.6 million, to the financial advisor that helped facilitate the acquisition of these vessels as noted above.

(3) On July 9, 2010, $29.9 million was drawn down by Baltic Trading from the Baltic Trading 2010 Credit Facility in order to fund the purchase of the Baltic Wind, which was delivered on August 4, 2010.

Interest expense has been estimated using the fixed hedge rate for the effective period and notional amount of the debt which is effectively hedged and 0.5625% for the portion of the debt that has no designated swap against it, plus the applicable bank margin of 2.00%. We are obligated to pay certain commitment fees in connection with the 2007 Credit Facility and the Baltic Trading 2010 Credit Facility, which have been reflected within interest and borrowing fees.

Capital Expenditures

We make capital expenditures from time to time in connection with our vessel acquisitions. Excluding Baltic Trading s vessels, our fleet currently consists of nine Capesize drybulk carriers, eight Panamax drybulk carriers, six Supramax drybulk carriers, six Handymax drybulk carriers and nine Handysize drybulk carriers. Baltic Trading s fleet currently consists of one Capesize drybulk carrier, four Supramax drybulk carriers and one Handysize drybulk carrier.

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In addition to acquisitions that we may undertake in future periods, we will incur additional expenditures due to special surveys and drydockings. We estimate our drydocking costs and scheduled off-hire days for our fleet through 2011 to be:

Year		**Estimated Drydocking Cost (U.S. dollars in millions)**	**Estimated Off-hire Days**
2010 (July 1- December 31, 2010)	$	1.2	40
2011	$	5.5	160

The costs reflected are estimates based on drydocking our vessels in China. We estimate that each drydock will result in 20 days of off-hire. Actual costs will vary based on various factors, including where the drydockings are actually performed. We expect to fund these costs with cash from operations.

During the six months ended June, 2010, we incurred a total of $2.6 million of drydocking costs.

We estimate that two of our vessels will be drydocked in the remainder of 2010. An additional eight of our vessels will be drydocked in 2011.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Inflation

Inflation has only a moderate effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, general and administrative, and financing costs. However, we expect our costs to increase based on the anticipated increased cost for repairs, maintenance and lubricants.

CRITICAL ACCOUNTING POLICIES

Refer to the Critical Accounting Policies as disclosed in the 2009 10-K. There have been no changes in these policies in the six months ended June 30, 2010.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on our earnings and cash flow in relation to our borrowings. We held ten interest rate swap agreements with DnB NOR Bank at June 30, 2010 and December 31, 2009 to manage future interest costs and the risk associated with changing interest rates. The total notional principal amount of the swaps is $756.2 million, and the swaps have specified rates and durations. Refer to the table in Note 10 Interest Rate Swap Agreements of our condensed financial statements which summarizes the interest rate swaps in place as of June 30, 2010 and December 31, 2009.

The swap agreements with effective dates prior to June 30, 2010 synthetically convert variable rate debt to fixed rate debt at the fixed interest rate of swap plus the applicable margin of 2.00% as discussed as discussed in the 2007 Credit Facility section of Note 9 Long-Term Debt of our condensed financial statements.

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The total liability associated with the swaps at June 30, 2010 is $50.8 million, of which $0.7 million is current, and $44.1 million at December 31, 2009, and are presented as the fair value of derivatives on the balance sheet. The asset associated with the swaps at June 30, 2010 and December 31, 2009 is $0 and $2.1 million, respectively. As of June 30, 2010 and December 31, 2009, the Company has accumulated other comprehensive (deficit) income (AOCI) of ($50.6) million and ($41.8) million, respectively, related to the effectively hedged portion of the swaps. Hedge ineffectiveness associated with the interest rate swaps resulted in a minimal amount of other (expense) income during the three and six months ended June 30, 2010 and 2009, respectively. At June 30, 2010, ($26.4) million of AOCI is expected to be reclassified into income over the next 12 months associated with interest rate derivatives.

We are subject to market risks relating to changes in LIBOR rates because we have significant amounts of floating rate debt outstanding. For the six months ended June 30, 2010, we paid LIBOR plus 2.00% on the 2007 Credit Facility for the debt in excess of any designated swap s notional amount for such swap s effective period. Prior to January 26, 2009, the margin was only 0.85%. Additionally, for the six months ended June 30, 2010, Baltic Trading paid LIBOR plus 3.25% on outstanding debt. A 1% increase in LIBOR would result in an increase of $2.72 million in interest expense for the six months ended June 30, 2010, considering the increase impacts only the unhedged portion of the debt.

Derivative financial instruments

As of June 30, 2010, we held ten interest rate swap agreements with DnB NOR Bank to manage interest costs and the risk associated with changing interest rates. The total notional principal amount of the swaps is $756.2 million, and the swaps have specified rates and durations. Refer to the table in Note 10 Interest Rate Swap Agreements of our condensed financial statements, which summarizes the interest rate swaps in place as of June 30, 2010 and December 31, 2009.

The differential to be paid or received for these swap agreements is recognized as an adjustment to interest expense as incurred. The interest rate differential pertaining to the interest rate swaps for the three months ended June 30, 2010 and 2009 was $7.6 million and $6.6 million, respectively. The interest rate differential pertaining to the interest rate swaps for the six months ended June 30, 2010 and 2009 was $15.2 million and $12.3 million, respectively. The Company is currently utilizing cash flow hedge accounting for the swaps whereby the effective portion of the change in value of the swaps is reflected as a component of AOCI. The ineffective portion is recognized as other (expense) income, which is a component of other (expense) income. If for any period of time, the Company did not designate the swaps for hedge accounting, the change in the value of the swap agreements prior to designation would be recognized as other (expense) income.

Amounts receivable or payable arising at the settlement of hedged interest rate swaps are deferred and amortized as an adjustment to interest expense over the period of interest rate exposure provided the designated liability continues to exist. Amounts receivable or payable arising at the settlement of unhedged interest rate swaps are reflected as other (expense) income and is listed as a component of other (expense) income.

Refer to Interest rate risk section above for further information regarding the interest rate swap agreements.

Currency and exchange rates risk

The international shipping industry s functional currency is the U.S. Dollar. Virtually all of our revenues and most of our operating costs are in U.S. Dollars. We incur certain operating expenses in currencies other than the U.S. dollar, and the foreign exchange risk associated with these operating expenses is immaterial.

As part of our business strategy, we may enter into short-term forward currency contracts to protect ourselves from the risk arising from the fluctuation in the exchange rate associated with the cost basis of the Jinhui shares.

Investments

We hold an investment in Jinhui of $53.3 million, which is classified as available for sale under Accounting Standards Codification 320-10, Investments Debt and Equity Securities (ASC 320-10) (formerly SFAS No. 115,

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Accounting for Certain Investments in Debt and Equity Securities). The investment is classified as a current or noncurrent asset based on our intent to hold the investment at each reporting date. The investments that are classified as available for sale are subject to risk of changes in market value, which if determined to be impaired (other than temporarily impaired), could result in realized impairment losses. The Company reviews the carrying value of such investments on a quarterly basis to determine if any valuation adjustments are appropriate under ASC 320-10. We will continue to evaluate the investment on a quarterly basis to determine the likelihood of any further significant adverse effects on the fair value. For the quarter ended June 30, 2010, we have not deemed our investment to be impaired. In the event we determine that the Jinhui investment is subject to any impairment, the amount of the impairment would be reclassified from AOCI and recorded as a loss in the income statement for the amount of the impairment.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our President and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, our President and Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time the Company may be subject to legal proceedings and claims in the ordinary course of its business, principally personal injury and property casualty claims. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. The Company is not aware of any legal proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on the Company, its financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2009, which could materially affect our business, financial condition or future results. Below is updated information to the following risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2009.

Our recent issuance of convertible notes could affect our business in the future.

The recent issuance of our 5.00% Convertible Senior Notes due August 15, 2015 could affect us and our business in the following ways:

- The indebtedness associated with our convertible notes, together with indebtedness incurred under our 2007 Credit Facility and that we expect to incur under our $253 Million Term Loan Facility and $100 Million Term Loan Facility, will be substantial. Our ability to obtain additional financing or pursue new business opportunities may be negatively impacted.

- We may need to refinance the convertible notes and our other debt on terms that may be unfavorable to us (if refinancing is available at all) if our cash flow is insufficient to service the notes and such other debt.

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- We may make cash payments to satisfy our conversion obligations under the notes, which could materially adversely affect our liquidity, cash flows, and results of operations.

- In the event of certain mergers or acquisitions of us, the indenture for the convertible notes may require us to repurchase the notes or the surviving entity to assume our obligations under the notes. These requirements may deter or prevent a business combination that may be favorable to our securityholders.

ITEM 6. EXHIBITS

Exhibit	Document
3.1	Amended and Restated Articles of Incorporation of Genco Shipping & Trading Limited.(1)
3.2	Articles of Amendment of Articles of Incorporation of Genco Shipping & Trading Limited as adopted July 21, 2005.(2)
3.3	Articles of Amendment of Articles of Incorporation of Genco Shipping & Trading Limited as adopted May 18, 2006.(3)
3.4	Certificate of Designations of Series A Preferred Stock.(4)
3.5	Amended and Restated By-Laws of Genco Shipping & Trading Limited, dated as of March 24, 2010.(5)
4.1	Indenture, dated July 27, 2010, between Genco Shipping & Trading Limited and The Bank of New York Mellon.(6)
4.2	Supplemental Indenture, dated July 27, 2010, between Genco Shipping & Trading Limited and The Bank of New York Mellon.(6)
10.1	Master Agreement, dated June 24, 2010, among Bourbon SA, Genco, and the Sellers named therein.(7)
10.2	Memorandum of Agreement, dated June 3, 2010, between Hesperos Holdings S.A. and Genco Shipping & Trading Limited.(7)
10.3	Memorandum of Agreement, dated June 3, 2010, between Princeton Shipholding S.A. and Genco Shipping & Trading Limited.(7)
10.4	Memorandum of Agreement, dated June 3, 2010, between Sillem Shipholding Limited and Genco

Exhibit	Document
	Shipping & Trading Limited.(7)
10.5	Memorandum of Agreement, dated June 3, 2010, between Vanderlin Maritime Inc. and Genco Shipping & Trading Limited.(7)
10.6	Memorandum of Agreement, dated June 3, 2010, between Seafarer Shipping & Trading Company and Genco Shipping & Trading Limited.(7)
10.7	Memorandum of Agreement, dated June 28, 2010, between Genco Diocletian Limited and Melos LLC.(7)
10.8	Memorandum of Agreement, dated June 28, 2010, between Genco Diocletian Limited and Massallia LLC.(7)
10.9	Memorandum of Agreement, dated June 28, 2010, between Genco Diocletian Limited and Mycenae LLC.(7)
31.1	Certification of President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of President pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following materials from Genco Shipping & Trading Limited s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009 (Unaudited), (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009 (Unaudited), (iii) Condensed Consolidated Statements of Equity for the six months ended June 30, 2010 and 2009 (Unaudited), (iv) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2010 and 2009 (Unaudited), (v) Condensed Consolidated Statements of Cash Flow for the six months ended June 30, 2010 and 2009 (Unaudited), and (vi) Notes to Condensed Consolidated Financial Statements for the three and six months ended June 30, 2010 and 2009 (Unaudited).**

(*) Filed with this report.

(**) Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files in Exhibit 101 hereto are not deemed filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are not deemed filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(1) Incorporated by reference to Genco Shipping & Trading Limited s Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on July 6, 2005.

(2) Incorporated by reference to Genco Shipping & Trading Limited s Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on July 21, 2005.

(3) Incorporated by reference to Genco Shipping & Trading Limited s Report on Form 8-K, filed with the Securities and Exchange Commission on May 18, 2006.

(4) Incorporated by reference to Genco Shipping & Trading Limited s Report on Form 8-K, filed with the Securities and Exchange Commission on April 9, 2007.

(5) Incorporated by reference to Genco Shipping & Trading Limited s Report on Form 8-K, filed with the Securities and Exchange Commission on March 25, 2010.

(6) Incorporated by reference to Genco Shipping & Trading Limited s Report on Form 8-K, filed with the

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	GENCO SHIPPING & TRADING LIMITED
DATE: August 9, 2010	By: /s/ Robert Gerald Buchanan Robert Gerald Buchanan President (Principal Executive Officer)
DATE: August 9, 2010	By: /s/ John C. Wobensmith John C. Wobensmith Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)

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