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Heartland BancCorp Earnings Increase to \$2.8 Million, or \$1.68 Per Diluted Share, in 3Q17; Declares Quarterly Cash Dividend of \$0.4301 per Share

Gahanna, OH – October 17, 2017 – Heartland BancCorp (“the company,” and “the bank”) (OTCQB: HLAN), today reported third quarter net income increased 23.5% to \$2.8 million, or \$1.68 per diluted share, compared to \$2.2 million, or \$1.37 per diluted share, in the preceding quarter and grew 35.1% from \$2.0 million, or \$1.26 per diluted share, in the third quarter a year ago. In the first nine months of 2017, net income increased 17.0% to \$6.8 million, or \$4.18 per diluted share, compared to \$5.8 million, or \$3.64 per diluted share, in the first nine months of 2016.

The company also announced its board of directors declared a regular quarterly cash dividend of \$0.4301 per share. The dividend will be payable January 10, 2018, to shareholders of record as of December 25, 2017, providing a 2.30% current yield at recent market prices.

“We reported strong third quarter operating results, delivering steady loan growth and solid revenue with an above average net interest margin. This growth demonstrates the continued success of our business model; to provide value and stability to our clients,” stated G. Scott McComb, Chairman, President and CEO. “Knowing that your local community bank was built to last, not sell, adds a degree of certainty for clients and their desire for focused local management decisions. Additionally, we continue to expand our branch network with a recently opened branch in Clintonville and additional branches in Whitehall and Upper Arlington scheduled to open in 2018.”

Third Quarter Financial Highlights (at or for the period ended September 30, 2017)

- Net income was \$2.8 million, or \$1.68 per diluted share, in 3Q17.
- Net interest margin improved to 4.05% compared to 3.97% in the preceding quarter and 3.86% in the third quarter a year ago.
- Annualized return on average assets was 1.26% for the third quarter of 2017.
- Annualized return on average equity was 14.28%.
- Total assets increased 11.9% to \$885.1 million, compared to \$790.6 million a year earlier.
- Total deposits increased 14.5% to \$765.0 million from a year ago.
- Net loans increased 13.3% to \$681.4 million from a year ago.
- Tangible book value per share increased 6.0% to \$47.91 per share compared to \$45.21 per share one year earlier.
- Declared quarterly cash dividend of \$0.4301 per share, which represents a 2.28% yield based on the September 30, 2017, stock price (\$75.50).

Balance Sheet Review

“Loan growth was robust during the quarter, particularly in the agricultural, commercial and industrial (C&I), and residential mortgage sectors,” said McComb. Net loans increased 13.3% to \$681.4 million at September 30, 2017, compared to \$601.4 million at September 30, 2016 and increased 2.7% compared to \$663.4 million at June 30, 2017.

Total deposits increased 14.5% to \$765.0 million at September 30, 2017, compared to \$667.9 million a year earlier and increased 6.7% compared to \$716.8 million three months earlier. Demand deposit accounts represented 23.8%; savings, NOW and money market accounts represented 37.6%; and CDs comprised 38.6% of the total deposit portfolio, at September 30, 2017.

Heartland's total assets increased 11.9% to \$885.1 million at September 30, 2017, compared to \$790.6 million a year earlier and shareholders' equity increased 7.9% to \$77.5 million at September 30, 2017, compared to \$71.9 million one year ago. At quarter end, Heartland's tangible book value increased 6.0% to \$47.91 per share compared to \$45.21 per share one year earlier.

Operating Results

Heartland's net interest income before the provision for loan loss increased 15.0% to \$8.1 million in the third quarter of 2017, compared to \$7.0 million in the third quarter a year ago, and increased 6.8% compared to \$7.5 million in the preceding quarter. In the first nine months of the year, net interest income before the provision for loan loss increased 10.8% to \$22.7 million, compared to \$20.5 million in the first nine months of 2016.

Heartland's total revenues (net interest income before the provision for loan losses, plus non-interest income) increased 19.0% to \$9.4 million in the third quarter, compared to \$7.9 million in the third quarter a year ago, and increased 7.7% compared to \$8.7 million in the preceding quarter. Year-to-date, total revenues increased 13.1% to \$26.2 million, compared to \$23.2 million in the first nine months of 2016.

Net interest margin improved to 4.05% in the third quarter of 2017, compared to 3.97% in the preceding quarter and 3.86% in the third quarter a year ago. "The eight basis point increase in the net interest margin during the current quarter was primarily due to increased amortization of net loan origination fees. Commercial bankers at Heartland create value for their clients, and they are now better managed and more disciplined in being rewarded for that value. Growth in the construction portfolio along with the addition of SWAP products have enhanced this income category as well," said McComb. In the first nine months of 2017, the net interest margin was 3.99% compared to 3.93% in the first nine months a year ago.

Noninterest income improved 49.5% to \$1.4 million in the third quarter, compared to \$914,000 in the third quarter a year ago, and increased 13.3% compared to \$1.2 million in the preceding quarter. In the first nine months of 2017, noninterest income increased 30.7% to \$3.5 million, compared to \$2.7 million in the first nine months of 2016.

Heartland's third quarter noninterest expenses were \$5.4 million, the same as in the preceding quarter. Noninterest expense was \$5.0 million in the third quarter a year ago. The efficiency ratio for the third quarter of 2017 was 57.35%, compared to 61.43% for the preceding quarter and 62.53% in the third quarter of 2016.

Credit Quality

Nonaccrual loans decreased 25.8% to \$3.2 million at September 30, 2017, compared to \$4.3 million a year earlier and increased slightly compared to \$3.1 million three months earlier. There were \$753,000 in loans past due 90 days and still accruing at September 30, 2017, compared to \$22,000 at the end of the preceding quarter and \$461,000 a year ago. There were \$662,000 in restructured loans included in nonaccrual loans at September 30, 2017, as compared to \$735,000 three months earlier.

Performing restructured loans that were not included in nonaccrual loans at the end of the third quarter of 2017 were \$1.8 million, compared to \$1.9 million in the preceding quarter. Borrowers who are in financial difficulty and who have been granted concessions that may include interest rate reductions, term extensions, or payment alterations are categorized as restructured loans.

There was no other real estate owned (OREO) and other non-performing assets on the books at September 30, 2017, compared to \$400,000 a year ago.

Nonperforming assets (NPAs), consisting of nonperforming loans, OREO, and loans delinquent 90 days or more, were \$4.0 million, or 0.45% of assets, at September 30, 2017, compared to \$3.2 million, or 0.39% of assets, three months earlier, and decreased 23.6% compared to \$5.2 million, or 0.66% of assets, a year ago.

Heartland's third quarter provision for loan losses was \$255,000, the same as in the preceding quarter. This compares to \$135,000 in the third quarter a year ago. As of September 30, 2017, the allowance for loan losses represented 199.3% of nonaccrual loans compared to 198.5% three months earlier, and 135.8% one year earlier.

The allowance for loan losses was \$6.4 million, or 1.00% of total loans at September 30, 2017, compared to \$6.2 million, or 0.97% of total loans at June 30, 2017, and \$5.9 million, or 1.03% of total loans a year ago. Net charge-offs were \$107,000 in the third quarter, compared to \$20,000 in the preceding quarter and \$251,000 in the third quarter a year ago.

About Heartland BancCorp

Heartland BancCorp is a registered Ohio bank holding company and the parent of Heartland Bank, which operates fourteen full-service banking offices. Heartland Bank, founded in 1911, provides full-service commercial, small business, and consumer banking services; professional financial planning services; and other financial products and services. Heartland Bank is a member of the Federal Reserve, a member of the FDIC, and an Equal Housing Lender. Heartland BancCorp is currently quoted on the OTC Markets (OTCQB) under the symbol HLAN. Learn more about Heartland Bank at Heartland.Bank.

In May 2017, Heartland was ranked #57 on the American Banker magazine's list of Top 200 Publicly Traded Community Banks and Thrifts based on three-year average return on equity ("ROE") as of 12/31/16.

Safe Harbor Statement

This release contains forward-looking statements that reflect management's current views of future events and operations. These forward-looking statements are based on information currently available to the Company as of the date of this release. It is important to note that these forward-looking statements are not guarantees of future performance and involve risks and uncertainties, including, but not limited to, the ability of the Company to implement its strategy and expand its lending operations.

Heartland BancCorp

Consolidated Balance Sheets

Assets	<u>Sept 30, 2017</u>	<u>June 30, 2017</u>	<u>Sept 30, 2016</u>
Cash and cash equivalents	30,513,677	26,859,082	40,463,763
Available-for-sale securities	123,636,370	108,841,483	110,158,614
Held-to-maturity securities, fair value \$5,170,466 and \$6,289,982 at September 30, 2017 and 2016, respectively and \$5,608,318 at June 30, 2017	5,070,790	5,464,807	5,972,843
Loans, net of allowance for loan losses of \$6,386,109 and \$5,867,741 at September 30, 2017 and 2016, respectively and \$6,237,997 at June 30, 2017	681,372,890	663,437,938	601,400,849
Premises and equipment	21,523,740	18,078,901	13,921,042
Nonmarketable equity securities	2,830,339	2,830,339	2,825,439
Interest receivable	3,133,047	2,365,999	2,614,368
Goodwill	417,353	417,353	417,353
Deferred income taxes	2,374,481	2,374,481	1,765,794
Life insurance assets	12,793,724	12,909,209	9,446,365
Other	1,436,086	1,476,628	1,639,342
Total assets	<u>\$ 885,102,497</u>	<u>\$ 845,056,220</u>	<u>\$ 790,625,772</u>
Liabilities and Shareholders' Equity			
Liabilities			
Deposits			
Demand	\$ 182,342,329	\$ 162,886,976	\$ 150,913,820
Saving, NOW and money market	287,458,122	257,703,537	241,181,130
Time	295,224,771	296,232,569	275,809,945
Total deposits	<u>765,025,222</u>	<u>716,823,082</u>	<u>667,904,895</u>
Short-term borrowings	20,893,943	16,495,538	27,465,075
Long-term debt	15,460,000	30,960,000	15,460,000
Interest payable and other liabilities	6,195,572	5,426,589	7,931,744
Total liabilities	<u>807,574,737</u>	<u>769,705,209</u>	<u>718,761,714</u>
Shareholders' Equity			
Common stock, without par value; authorized 5,000,000 shares; issued 2017 - 1,609,528 shares 2016 - 1,580,228 shares and June 2017 - 1,589,028 shares	25,001,103	24,090,857	24,428,011
Stock issued with notes receivable	(727,478)	-	-
Retained earnings	53,097,717	50,978,591	46,002,554
Accumulated other comprehensive income (expense)	156,418	281,563	1,433,493
Total shareholders' equity	<u>77,527,760</u>	<u>75,351,011</u>	<u>71,864,058</u>
Total liabilities and shareholders' equity	<u>\$ 885,102,497</u>	<u>\$ 845,056,220</u>	<u>\$ 790,625,772</u>
Book value per share	<u>\$ 48.17</u>	<u>\$ 47.42</u>	<u>\$ 45.48</u>

Heartland BancCorp
Consolidated Statements of Income

	Three Months Ended,			Nine Months Ended	
	Sept 30, 2017	June 30, 2017	Sept 30, 2016	Sept 30, 2017	Sept 30, 2016
Interest Income					
Loans	\$ 8,452,381	\$ 7,900,422	\$ 7,198,912	\$ 23,724,071	\$ 20,909,075
Securities					
Taxable	429,856	390,666	417,825	1,184,686	1,254,422
Tax-exempt	404,840	397,889	404,060	1,196,159	1,237,644
Other	70,291	48,700	43,559	167,156	114,387
Total interest income	<u>9,357,368</u>	<u>8,737,677</u>	<u>8,064,356</u>	<u>26,272,072</u>	<u>23,515,528</u>
Interest Expense					
Deposits	1,188,053	1,069,704	952,850	3,220,721	2,753,615
Borrowings	116,829	129,388	108,922	362,921	282,642
Total interest expense	<u>1,304,882</u>	<u>1,199,092</u>	<u>1,061,772</u>	<u>3,583,642</u>	<u>3,036,257</u>
Net Interest Income	<u>8,052,486</u>	<u>7,538,585</u>	<u>7,002,584</u>	<u>22,688,430</u>	<u>20,479,271</u>
Provision for Loan Losses	<u>255,000</u>	<u>255,000</u>	<u>135,000</u>	<u>840,000</u>	<u>510,000</u>
Net Interest Income After Provision for Loan Losses	<u>7,797,486</u>	<u>7,283,585</u>	<u>6,867,584</u>	<u>21,848,430</u>	<u>19,969,271</u>
Noninterest income					
Service charges	514,781	509,996	502,355	1,505,619	1,446,943
Net Gains and commissions on loan sales	308,261	307,185	158,832	776,224	405,284
Net realized gains on available-for-sale securities	-	-	-	6,128	197,711
Net realized gain/(loss) on sales of foreclosed assets	-	139,497	-	139,497	-
Gain on redemption of life insurance proceeds	301,278	-	-	301,278	-
Increase in cash value of life insurance	86,341	84,614	86,090	263,560	212,237
Other	155,396	164,873	166,321	515,115	421,172
Total noninterest income	<u>1,366,057</u>	<u>1,206,165</u>	<u>913,598</u>	<u>3,507,421</u>	<u>2,683,347</u>
Noninterest Expense					
Salaries and employee benefits	3,205,006	3,111,741	2,790,860	9,483,003	8,518,363
Net occupancy and equipment expense	585,311	583,230	554,864	1,727,256	1,562,356
Data processing fees	316,111	327,627	264,328	947,512	816,917
Professional fees	163,914	159,584	246,129	448,378	487,717
Marketing expense	141,000	271,000	149,349	553,000	448,047
Printing and office supplies	56,761	49,022	57,885	170,777	154,042
State franchise taxes	141,825	141,825	128,701	425,475	407,701
FDIC Insurance premiums	98,500	80,500	100,000	258,500	296,000
Other	693,455	647,681	658,006	1,948,823	1,849,837
Total noninterest expense	<u>5,401,883</u>	<u>5,372,210</u>	<u>4,950,122</u>	<u>15,962,724</u>	<u>14,540,980</u>
Income before Income Tax	<u>3,761,660</u>	<u>3,117,540</u>	<u>2,831,060</u>	<u>9,393,127</u>	<u>8,111,638</u>
Provision for Income Taxes	<u>1,009,859</u>	<u>888,953</u>	<u>793,593</u>	<u>2,576,177</u>	<u>2,285,331</u>
Net Income	<u>\$ 2,751,801</u>	<u>\$ 2,228,587</u>	<u>\$ 2,037,467</u>	<u>\$ 6,816,950</u>	<u>\$ 5,826,307</u>
Basic Earnings Per Share	<u>\$ 1.73</u>	<u>\$ 1.40</u>	<u>\$ 1.29</u>	<u>\$ 4.29</u>	<u>\$ 3.71</u>
Diluted Earnings Per Share	<u>\$ 1.68</u>	<u>\$ 1.37</u>	<u>\$ 1.26</u>	<u>\$ 4.18</u>	<u>\$ 3.64</u>

ADDITIONAL FINANCIAL INFORMATION*(Dollars in thousands except per share amounts)(Unaudited)*

	Three Months Ended			Nine Months Ended	
	Sept 30, 2017	June 30, 2017	Sept. 30, 2016	Sept 30, 2017	Sept. 30, 2016
Performance Ratios:					
Return on average assets	1.26%	1.07%	1.06%	1.09%	1.02%
Return on average equity	14.28%	12.08%	11.61%	12.28%	11.24%
Net interest margin	4.05%	3.97%	3.86%	3.99%	3.93%
Efficiency ratio	57.35%	61.43%	62.53%	60.95%	63.32%
Asset Quality Ratios and Data:					
	As of or for the Three Months Ended				
	Sept 30, 2017	June 30, 2017	Sept. 30, 2016		
Non accrual loans	\$ 3,205	\$ 3,143	\$ 4,321		
Loans past due 90 days and still accruing	753	22	461		
Non-performing investment securities	-	-	-		
OREO and other non-performing assets	-	-	400		
Total non-performing assets	\$ 3,958	\$ 3,165	\$ 5,182		
Non-performing assets to total assets	0.45%	0.39%	0.66%		
Net charge-offs quarter ending	\$ 107	\$ 20	\$ 251		
Allowance for loan loss	\$ 6,386	\$ 6,238	\$ 5,868		
Non accrual loans	\$ 3,205	\$ 3,143	\$ 4,321		
Allowance for loan loss to non accrual loans	199.25%	198.47%	135.80%		
Allowance for loan losses to loans outstanding	1.00%	0.97%	1.03%		
Restructured loans included in non-accrual	\$ 662	\$ 735	\$ 815		
Performing restructured loans (RC-C)	\$ 1,814	\$ 1,902	\$ 3,200		
Book Values:					
Total shareholders' equity	\$ 77,528	\$ 75,351	\$ 71,864		
Less, goodwill	417	417	417		
Shareholders' equity less goodwill	\$ 77,111	\$ 74,934	\$ 71,447		
Common shares outstanding	1,609,528	1,589,028	1,580,228		
Less treasury shares	-	-	-		
Common shares as adjusted	1,609,528	1,589,028	1,580,228		
Book value per common share	\$ 48.17	\$ 47.42	\$ 45.48		
Tangible book value per common share	\$ 47.91	\$ 47.16	\$ 45.21		

Note: Transmitted on Globe Newswire on October 17, 2017, at 4:01p.m. EDT.