



Heartland BancCorp

Columbus, Ohio



Q1 2020 Financial Update
As of April 27, 2020



(OTCQX: HLAN)

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

(OTCQX: HLAN)

It is Heartland Bank's mission to provide the best-personalized financial services at competitive prices for the economic growth and well-being of individuals and businesses within our communities. This goal shall be accomplished through well-trained, caring employees, with unquestionable integrity, who practice sound and innovative banking principles, which will maximize bank profits and growth.



Our Response to COVID-19

Employees

- Reduced staff to minimize exposure, rotational pandemic leave pay
- Retail remote work to support other areas with PPP and loan processing
- Proactively encourage 60-65 to stay home
- Temperature check, sanitization / cleaning guidelines in place
- Proactively keeping associate's home with illness symptoms, with pay
- Weekly support local efforts and appreciation for our branch associates
- Ramped-up Northern Kentucky to ensure support following closing

Consumers

- 12 of our 15 Central Ohio region branches and 2 of 3 N. Kentucky branches remain open, with drive-thru only transactions
- Customer relief such as
 - **Heartland Helps** program to defer loan payments on auto loans, mortgages, and HELOCs for 90 days with no late fees
 - No penalty for early CD withdrawals
 - Repossession actions on vehicles halted for 90 days
 - Foreclosure activity on homes halted for 90 days

Businesses

- Business relief such as:
 - Ability to defer payments for up to 90 days, with up to 180 days in interest only payments there after
- **546 approved PPP loans for \$105 million**
- Driving the Cbus episodes focusing on COVID-19 response and resources

Communities

- Creation of #SupportLocal initiative where each branch patronizes a local business for lunch each Friday
- Sponsorship of CD102.5 Cares program to provide advertising to small businesses
- Supported satellite branch homes (Friendship Village Columbus & Worthington Christian Village) with lunches for nurses & front office staff



PPP & Deferments Update

PPP

Status	Number	Balance
Application	308	\$16.9 million
Approved – Not Funded	12	\$1.3 million
Approved – Funded	534	\$103.8 million
Total	854	\$122.0 million

- **Assisted 10,000+ employees in our communities**
- Loan stats:
 - Average size of \$143k
 - Median size of \$57k
 - 6 loans > \$2 million
 - 78 loans between \$350k and \$2 million
 - 770 loans < \$350k
 - \$4.6 million in estimated fees

Deferments

Type	Number	Balance
Business	264	\$138.4 million
Consumer	107	\$22.5 million
Total	371	\$160.9 million

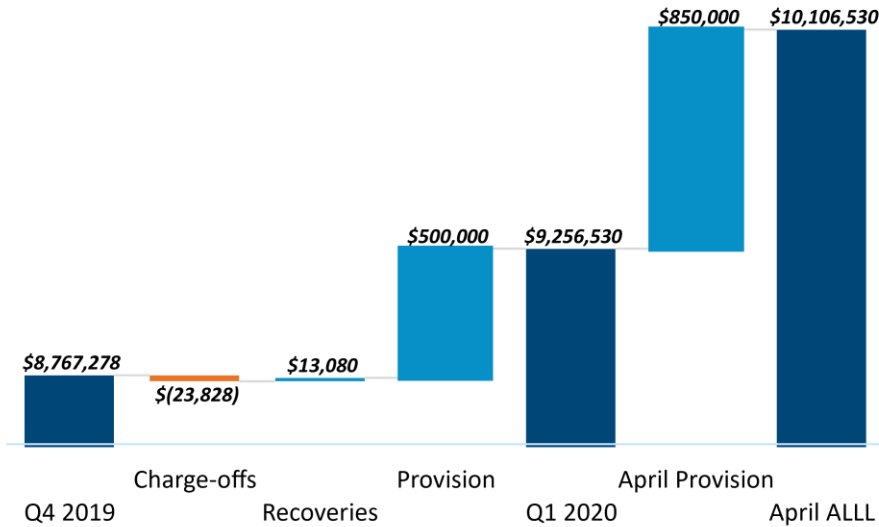
Top 3 Industries

Industry	Balance	% of Industry Balance
Hotels	\$34.5 million	42%
Churches	\$15.5 million	28%
Lessors of Residential Buildings	\$11.4 million	17%

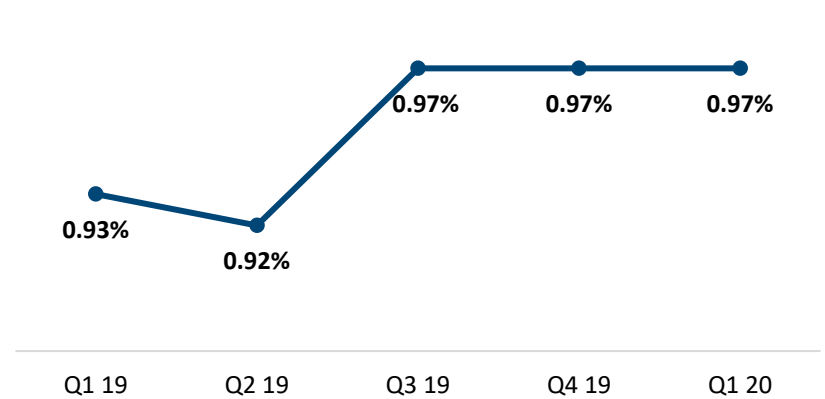


Credit Risk Management

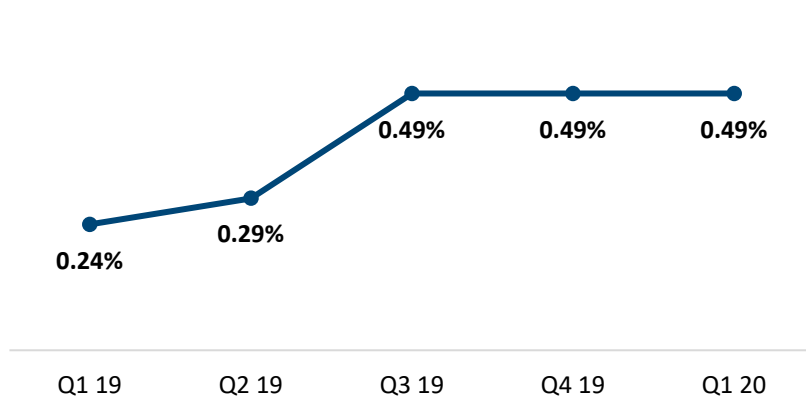
ALLL Walkforward



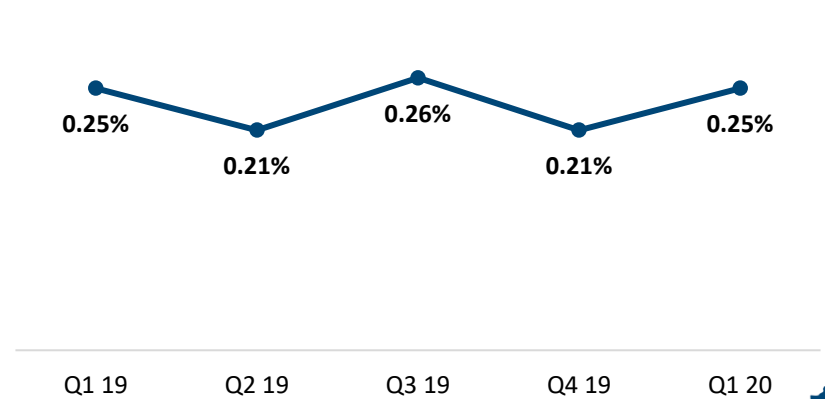
ALLL as % of Total Loans



Past Due Loans (30+)



Nonaccrual Loans %



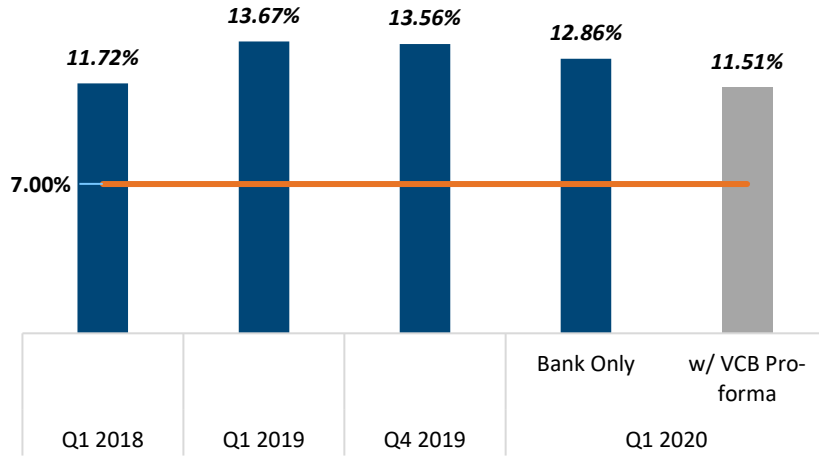
Balance Sheet Concentrations

Industry (based on 2-digit NAICS)	Further Breakout	Outstanding Balance
Accommodation and Food Services	<ul style="list-style-type: none"> ▪ Hotels - \$82 million ▪ Restaurants - \$7 million 	<p style="text-align: right;">\$93 million <i>(9.7% of total loans)</i></p>
Other Services	<ul style="list-style-type: none"> ▪ Religious Organizations - \$55 million ▪ Personal Service - \$5 million 	<p style="text-align: right;">\$78 million <i>(8.2% of total loans)</i></p>
Healthcare and Social Assistance	<ul style="list-style-type: none"> ▪ Assisted Living Facilities - \$28 million ▪ Skilled Nursing Facilities - \$7 million ▪ Continuing Care - \$4 million 	<p style="text-align: right;">\$51 million <i>(5.3% of total loans)</i></p>
Manufacturing	<ul style="list-style-type: none"> ▪ Breweries - \$15 million ▪ Sign Manufacturing - \$4 million 	<p style="text-align: right;">\$43 million <i>(4.5% of total loans)</i></p>
Retail Trade	<ul style="list-style-type: none"> ▪ Gas Stations with Convenience - \$5 million ▪ Supermarket & Other Grocery - \$4 million ▪ Used Car Dealers - \$3 million 	<p style="text-align: right;">\$20 million <i>(2.1% of total loans)</i></p>

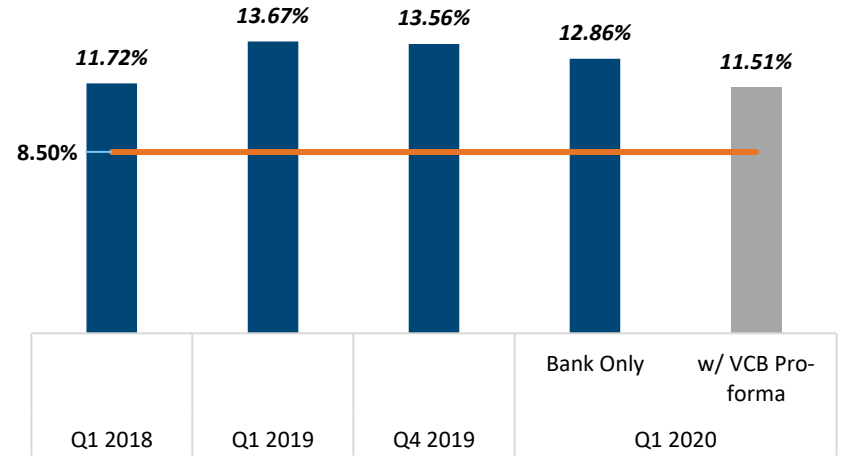


Capital Management

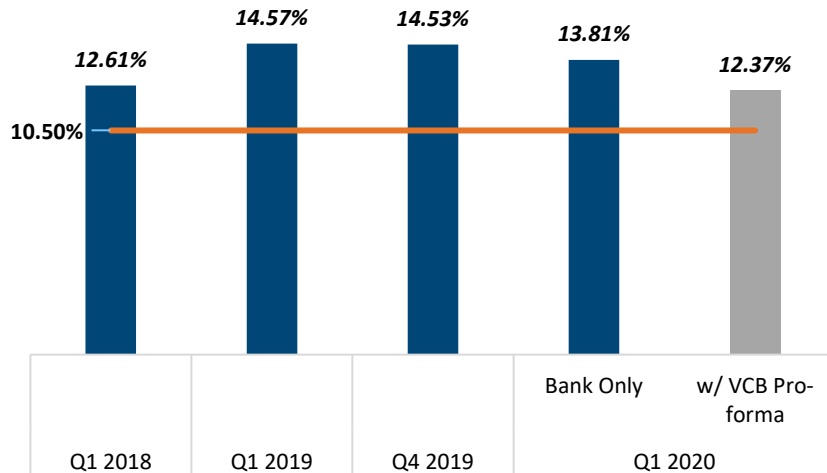
Common Equity Tier 1 Capital Ratio



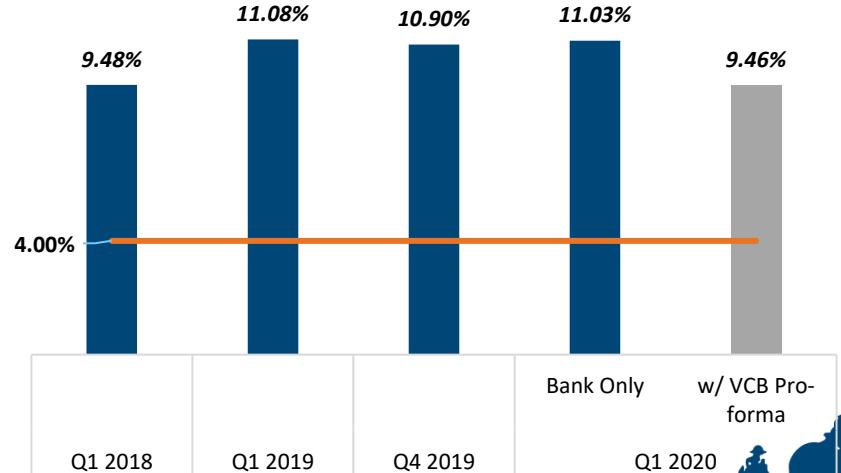
Tier 1 Capital Ratio



Total Capital Ratio



Tier 1 Leverage Ratio



2020 First Quarter Financial Highlights

Revenue

\$12.8 million

↑ 12% y/y

Net Income

\$2.9 million

↓ 2% y/y

TBVPS

\$61.67

↑ 6% y/y

ROAA

1.03%

↓ 11 bps y/y

ROAE

9.20%

↓ 110 bps y/y

EPS

\$1.43

↓ \$0.02 y/y

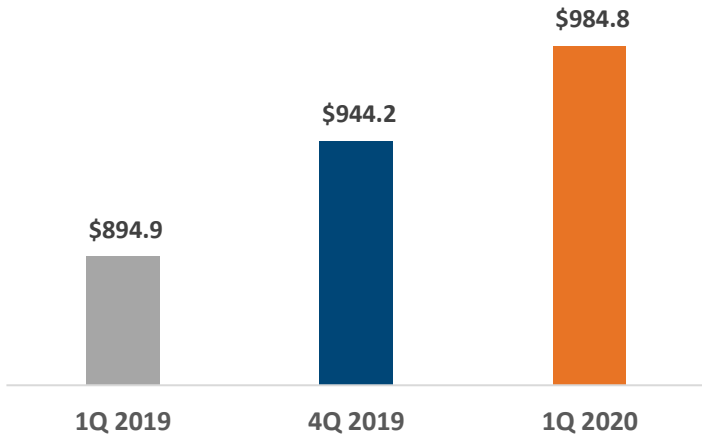
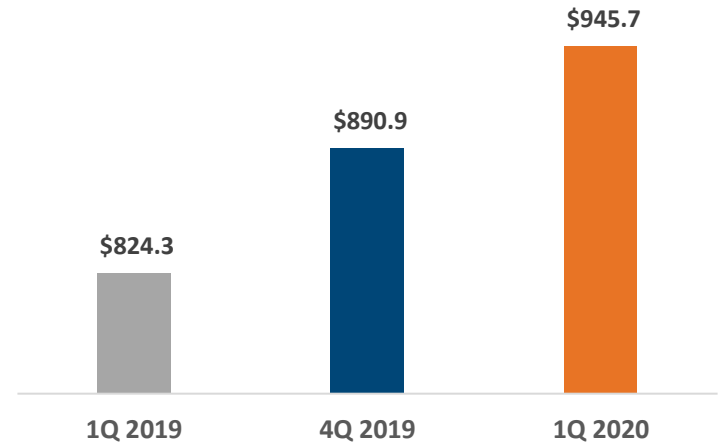
- Net loans increased 6% q/q to \$946 million
- Total deposits increased 4% q/q to \$985 million
- Noninterest DDA flat q/q at \$256 million
- Net interest margin (NIM) of 3.82%, down 5 bps from the prior quarter
- Efficiency ratio of 68.24%, up 307 bps from the prior year
- Credit quality and capital remain strong



Balance Sheet

Loans

- Net loans up \$121.3m, or 15% y/y
- Growth drivers
 - Total CRE up \$54.0m, or 11% y/y
 - 1-4 family up \$36.0m, or 17% y/y
 - C&I up \$34.6m, or 34% y/y
 - C&I now 14% of loans, up from 12% in 1Q 2019
- ALLL/Total loans now 0.97%, up from 0.93% in 1Q 2019



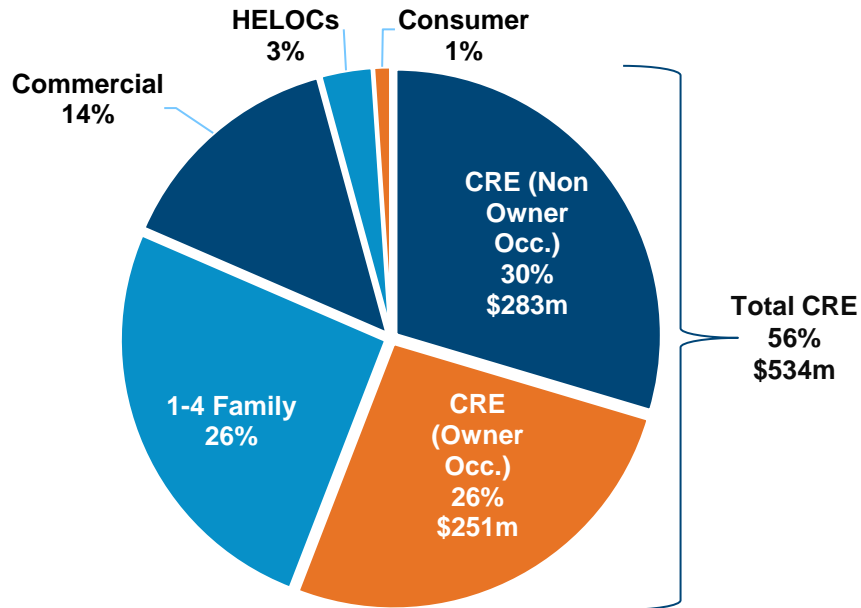
Deposits

- Total deposits up \$90.0m, or 10% y/y
- Growth drivers
 - DDA up \$8.4m, or 3% y/y
 - Savings, NOW and MMDA up \$63.3m, or 20% y/y
 - CDs up \$18.3m, or 6%
- \$238 million in CDs set to reprice in 2020, with an average current rate of 2.07%



Diversified Portfolio Mixes

Total Loan Portfolio

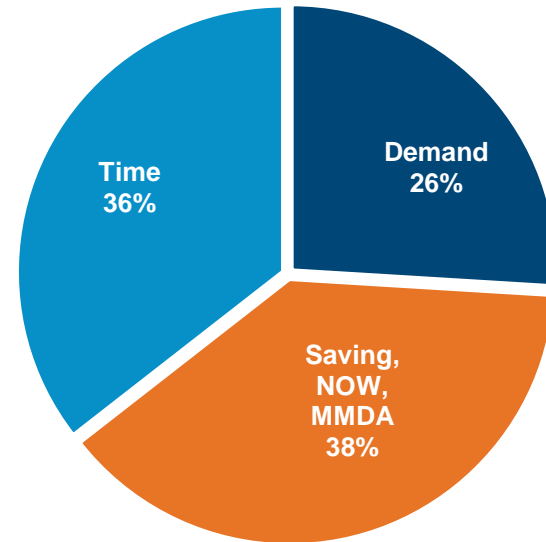


Yield on Loans: 5.33%

Top 3 CRE Industries

- Hotels – 8.4% of total loans
- Lessor of Nonresidential Buildings – 6.7%
- Churches – 5.7%

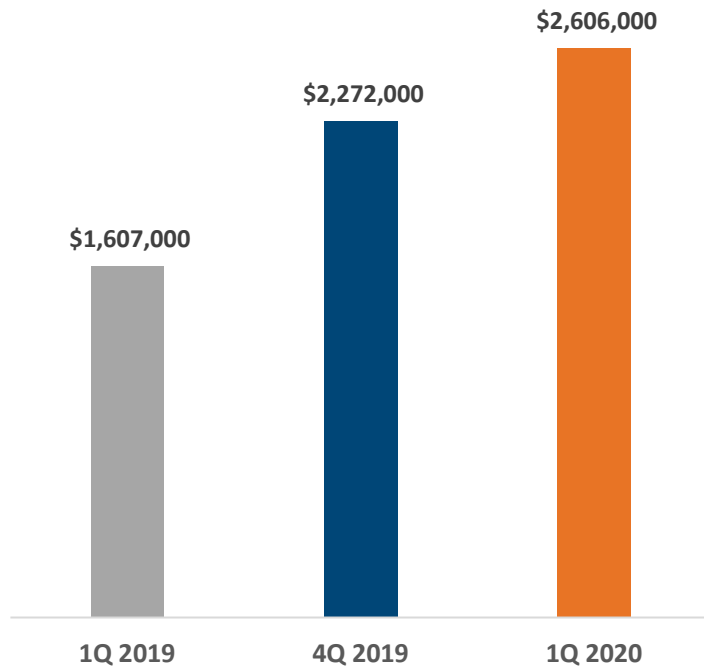
Total Deposit Portfolio



Cost of Deposits: 1.02%



Noninterest Income



Year over Year Change

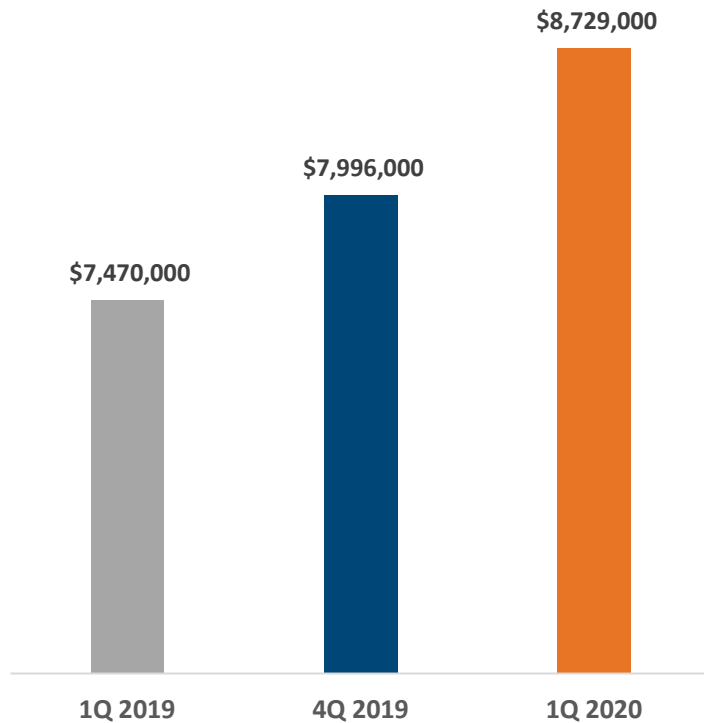
- Noninterest income up \$999k, or 62%
- Growth drivers
 - Net gains and commissions on loan sales and servicing up \$790k, or 198%
 - Heartland Planning Associates income up \$118k, or 116%
 - Title Insurance Income up \$81k, or 45%
 - Total TCTA contribution of \$475k during 1Q20, up from \$395k in 1Q19

Linked Quarter Change

- Noninterest income up \$334k, or 15%
- Growth drivers
 - Net gains and commissions on loan sales and servicing up \$422k, or 55%
 - Primarily driven by SWAP fees



Noninterest Expense



Year over Year Change

- Noninterest expense up \$1.3m, or 17%
- Growth drivers
 - Salaries and employee benefits up \$824k, or 18%
 - 34 new associates YoY to support strong balance sheet and income growth
 - Net occupancy and equipment expense up \$121k, or 13%
 - Rollout of new Online Banking system (Q2)
 - Expansion of technology infrastructure

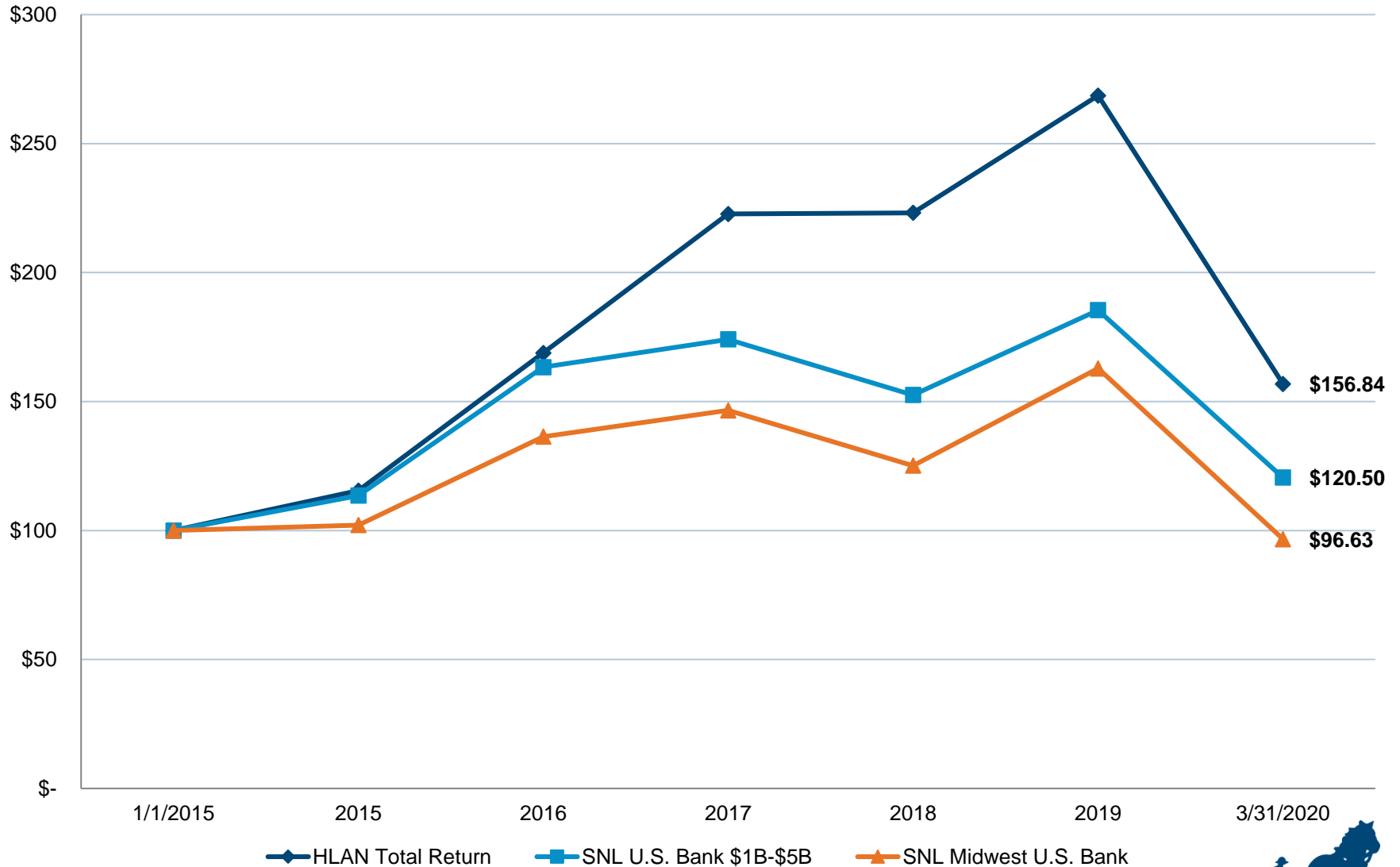
Linked Quarter Change

- Noninterest expense up \$733k, or 9%
- Growth drivers
 - Salaries and employee benefits up \$630k, or 13%
 - Data processing fees up \$69k, or 19%



Heartland BancCorp Total Return

Value of \$100 invested at January 1, 2015



Heartland BancCorp (OTCQX: HLAN)

Investment Metrics

Stock Price	\$55.00
Shares Outstanding	2.00 M
Market Cap	\$110.0 M
P/E Ratio (ttm)	8.7x
TBV per Share (MRQ)	\$61.67
Price/TBV	89%
ROAA (MRQ)	1.03%
ROAE (MRQ)	9.20%
Efficiency Ratio (MRQ)	68.24%
Dividend Yield	4.15%

Investment Value

Sustained track record of strong earnings performance – strong NIM, healthy NII, attractive dividend yield

Diversified revenue streams

Strong senior leadership team

Infrastructure in place for future expansion

Solid credit quality & CRE risk management culture

Focus on growing core deposit franchise

Strong Northern Kentucky Regional team poised for growth



VCB Acquisition Update

Summary

- ✓ Heartland BancCorp (“HLAN”) to acquire Victory Community Bank (“VCB”), a community bank headquartered in Fort Mitchell, Kentucky from Victory Bancorp, Inc.
- ✓ Aggregate consideration of \$38.9 million⁽¹⁾
- ✓ VCB shareholders received approximately \$35.5 million cash consideration, and 58,934 shares of HLAN

Strategic Rationale

- ✓ Acquisition expands HLAN’s branch footprint into the attractive and growing Northern Kentucky / Cincinnati metropolitan area
 - ✓ Diversifies HLAN’s revenue stream while increasing geographic diversification thereby reducing concentration risk
 - ✓ 16 branches, 1 state → 19 branches, 2 states
 - ✓ \$1.3 billion pro forma assets
- ✓ Low execution risk – retaining key in-market leadership, entered into a cooperation agreement with Victory Mortgage and performed detailed due diligence

Additional Details

- ✓ Closed April 7, 2020
- ✓ EPS accretion of ~12% in 2020 and ~19% in 2021⁽²⁾
- ✓ Tangible book value dilution of 11% and earn back period of 3.3 years⁽³⁾
- ✓ Hired Pamela Goetting, SVP, Director of Northern Kentucky Region



(1) Based on HLAN’s closing stock price of \$58.00 as of 4/7/2020
(2) Based on management budget for HLAN and VCB

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