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Heartland BancCorp Earns \$1.8 Million in 1Q17; Declares Quarterly Cash Dividend of \$0.4301 per Share; Total Assets Surpass \$800 Million

GAHANNA, Ohio, April 18, 2017 (GLOBE NEWSWIRE) -- Heartland BancCorp (“the company,” and “the bank”) (OTCQB:HLAN), today reported first quarter net income was \$1.8 million, or \$1.13 per diluted share, compared to \$2.2 million, or \$1.33 per diluted share, in the preceding quarter and \$1.8 million, or \$1.12 per diluted share in the first quarter a year ago.

The company also announced its board of directors declared a regular quarterly cash dividend of \$0.4301 per share. The dividend will be payable July 10, 2017, to shareholders of record as of June 25, 2017, providing a 2.21% current yield at recent market prices.

“Our year-over-year results reflect our investment in talent acquisition and branch expansion to support continued, consistent growth and financial performance,” stated G. Scott McComb, Chairman, President and CEO. “During 2016, we made strategic investments in our personnel, expanding our banking team to prepare for future growth and to strengthen expertise in areas such as financial planning. In addition, we have added fixed costs to expand our branch network into the Hilliard and Clintonville markets, and to begin the construction of our new corporate center in Whitehall. We made these additional investments in our future, while returning a year-over-year increase in earnings of 3%.”

First Quarter Financial Highlights (at or for the period ended March 31, 2017)

- Net income was \$1.8 million, or \$1.13 per diluted share, in 1Q17.
- Net interest margin remained strong at 3.94% compared to 3.99% in the preceding quarter and 3.98% in the first quarter a year ago.
- Annualized return on average assets was 0.93% for the first quarter of 2017, compared to the average of 0.79% generated by the 564 banks in the SNL MicroCap U.S. Bank Index in 2016.
- Annualized return on average equity was 10.34%, compared to the average of 7.96% generated by the SNL MicroCap U.S. Bank Index.
- Total assets increased 7.6% to \$818.4 million, compared to \$760.8 million a year earlier.
- Total deposits increased 9.1% to \$704.2 million from a year ago.
- Net loans increased 14.1% to \$635.7 million from a year ago.
- Non-performing assets improved to \$4.3 million, or 0.53% of total assets, at March 31, 2017, compared to \$4.6 million, or 0.59%, three months earlier and \$6.1 million, or 0.81%, one year earlier.
- Tangible book value per share increased 5.1% to \$45.50 per share compared to \$43.30 per share one year earlier.
- Declared quarterly cash dividend of \$0.4301 per share, which represents a 2.231% yield based on the March 31, 2017 stock price (\$77.00).

Balance Sheet Review

“Strong economic growth in our primary market area continues to fuel solid demand for loans, primarily in the agricultural, commercial and industrial (C&I) and residential mortgage loan sectors,” said McComb. Net loans increased 14.1% to \$635.7 million at March 31, 2017, compared to \$557.0 million at March 31, 2016 and increased 2.9% compared to \$617.9 million at December 31, 2016.

Heartland’s total deposits increased 9.1% to \$704.2 million at March 31, 2017, compared to \$645.6 million a year earlier and increased 5.9% compared to \$664.7 million three months earlier. Demand deposit accounts represented 22.4%, savings, NOW and money market accounts represented 37.4%, and CDs comprised 40.3% of the total deposit portfolio, at March 31, 2017.

Total assets increased 7.6% to \$818.4 million at March 31, 2017, compared to \$760.8 million a year earlier and shareholders’ equity increased 6.6% to \$72.6 million at March 31, 2017, compared to \$68.2 million one year ago. At quarter end, Heartland’s tangible book value increased 5.1% to \$45.50 per share compared to \$43.30 per share one year earlier.

Operating Results

Heartland’s net interest income before the provision for loan loss increased 5.6% to \$7.1 million in the first quarter of 2017, compared to \$6.7 million in the first quarter a year ago, and decreased 2.5% compared to \$7.3 million in the preceding quarter.

Total revenues (net interest income before the provision for loan losses, plus non-interest income) increased 6.4% to \$8.0 million in the first quarter, compared to \$7.5 million in the first quarter a year ago, and decreased compared to \$8.2 million in the preceding quarter.

Heartland’s net interest margin was 3.94% in the first quarter of 2017, compared to 3.99% in the preceding quarter and 3.98% in the first quarter a year ago. The slight contraction in the net interest margin for the quarter was impacted by higher levels of liquidity, with an average of \$23 million in overnight investments compared to \$18 million in the preceding quarter, in addition to long-term borrowing to position the bank for future increases in market interest rates and augment deposits to fund strong loan growth.

Noninterest income was \$935,000 in the first quarter, compared to \$830,000 in the first quarter a year ago, and \$876,000 in the preceding quarter.

First quarter noninterest expenses were \$5.2 million, compared to \$4.8 million in the first quarter a year ago and \$5.0 million in the preceding quarter. The efficiency ratio for the first quarter of 2017 was 64.64%, compared to 64.48% for the first quarter of 2016. “We have continued our investment in new personnel across all business lines with a view of increasing revenues and reducing our efficiency ratio as the bank executes on its growth initiatives,” said McComb.

Credit Quality

Nonaccrual loans decreased 13.8% to \$3.6 million at March 31, 2017, compared to \$4.2 million three months earlier and remained relatively unchanged compared to a year earlier. There were \$266,000 in loans past due 90 days and still accruing at March 31, 2017, compared to none at the end of the preceding quarter and \$2.6 million a year ago. There were \$740,000 in restructured loans included in nonaccrual loans at March 31, 2017, as compared to \$1.2 million three months earlier.

Performing restructured loans that were not included in nonaccrual loans at the end of the first quarter of 2017 were \$2.3 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 \$400,000 in other real estate owned (OREO) and other non-performing assets on the books at March 31, 2017, the same as in the preceding quarter end. There was no OREO and other non-performing assets at March 31, 2016.

Heartland's nonperforming assets (NPAs), consisting of nonperforming loans, OREO, and loans delinquent 90 days or more, were \$4.3 million, or 0.53% of assets, at March 31, 2017, compared to \$4.6 million, or 0.59% of assets, three months earlier, and \$6.1 million, or 0.81% of assets a year ago.

The first quarter provision for loan losses was \$330,000, compared to \$135,000 in the preceding quarter and \$240,000 in the first quarter a year ago. As of March 31, 2017, the allowance for loan losses represented 165.3% of nonaccrual loans compared to 135.2% three months earlier, and 165.7% one year earlier.

The allowance for loan losses was \$6.0 million, or 0.94% of total loans at March 31, 2017, compared to \$5.7 million, or 0.91% of total loans at December 31, 2016, and \$5.9 million, or 1.05% of total loans a year ago. Net charge-offs were \$20,000 in the first quarter compared to \$304,000 in the preceding quarter, and \$51,000 in the first quarter a year ago.

About Heartland BancCorp

Heartland BancCorp is a registered Ohio bank holding company and the parent of Heartland Bank, which operates thirteen full-service banking offices. Heartland Bank, founded in 1911, provides full service commercial, small business, and consumer banking services; alternative investment services; insurance 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 HeartlandBank.com.

In May 2016, Heartland was ranked #77 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 12/31/15.

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	March 31, 2017	Dec. 31, 2016	March 31, 2016
Cash and cash equivalents	35,295,248	21,360,328	50,409,176
Available-for-sale securities	103,322,669	103,040,574	116,371,892
Held-to-maturity securities, fair value \$5,722,494 and \$6,368,233 at March 31, 2017 and 2016, respectively and \$5,771,601 at December 31, 2016	5,552,890	5,570,879	5,988,749
Loans, net of allowance for loan losses of \$6,008,531 and \$5,904,718 at March 31, 2017 and 2016, respectively and \$5,698,631 at December 31, 2016	635,681,470	617,861,089	556,966,762
Premises and equipment	14,910,491	14,055,450	13,614,047
Nonmarketable equity securities	2,830,339	2,825,439	2,658,239
Foreclosed assets held for sale	400,000	400,000	-
Interest receivable	2,679,291	2,240,709	2,537,113
Goodwill	417,353	417,353	417,353
Deferred income taxes	2,374,481	2,557,509	1,765,794
Life insurance assets	12,824,596	9,531,991	9,392,956
Other	2,131,784	1,441,033	647,980
Total assets	<u>\$ 818,420,612</u>	<u>\$ 781,302,354</u>	<u>\$ 760,770,061</u>
 Liabilities and Shareholders' Equity			
Liabilities			
Deposits			
Demand	\$ 157,531,055	\$ 162,690,185	\$ 127,783,871
Saving, NOW and money market	263,127,467	223,817,354	240,534,031
Time	283,518,058	278,166,617	277,293,146
Total deposits	<u>704,176,580</u>	<u>664,674,156</u>	<u>645,611,048</u>
Short-term borrowings	20,422,504	24,456,241	30,657,576
Long-term debt	15,460,000	15,460,000	5,460,000
Interest payable and other liabilities	5,727,564	5,311,789	10,883,276
Total liabilities	<u>745,786,648</u>	<u>709,902,186</u>	<u>692,611,900</u>
 Shareholders' Equity			
Common stock, without par value; authorized 5,000,000 shares; issued 2017 - 1,587,228 shares 2016 - 1,564,581 shares and December 2016 - 1,583,228 shares	24,033,757	24,595,195	23,913,514
Retained earnings	49,408,956	47,545,465	43,187,045
Accumulated other comprehensive income (expense)	(808,749)	(740,492)	1,057,602
Total shareholders' equity	<u>72,633,964</u>	<u>71,400,168</u>	<u>68,158,161</u>
Total liabilities and shareholders' equity	<u>\$ 818,420,612</u>	<u>\$ 781,302,354</u>	<u>\$ 760,770,061</u>
Book value per share	<u>\$ 45.76</u>	<u>\$ 45.10</u>	<u>\$ 43.56</u>

Heartland BancCorp
Consolidated Statements of Income

	Three Months Ended,		
	March 31, 2017	Dec. 31, 2016	March 31, 2016
Interest Income			
Loans	\$ 7,371,268	\$ 7,569,129	\$ 6,801,720
Securities			
Taxable	364,164	350,014	435,385
Tax-exempt	393,430	397,670	410,970
Other	48,165	23,351	36,211
Total interest income	<u>8,177,027</u>	<u>8,340,164</u>	<u>7,684,286</u>
Interest Expense			
Deposits	962,964	948,685	891,924
Borrowings	116,704	112,343	74,222
Total interest expense	<u>1,079,668</u>	<u>1,061,028</u>	<u>966,146</u>
Net Interest Income	<u>7,097,359</u>	<u>7,279,136</u>	<u>6,718,140</u>
Provision for Loan Losses	<u>330,000</u>	<u>135,000</u>	<u>240,000</u>
Net Interest Income After Provision for Loan Losses	<u>6,767,359</u>	<u>7,144,136</u>	<u>6,478,140</u>
Noninterest income			
Service charges	480,842	497,286	454,649
Net Gains and commissions on loan sales	160,778	198,565	122,725
Net realized gains on available-for-sale securities	6,128	-	64,286
Increase in cash value of life insurance	92,605	60,626	65,438
Other	194,846	119,968	122,658
Total noninterest income	<u>935,199</u>	<u>876,445</u>	<u>829,756</u>
Noninterest Expense			
Salaries and employee benefits	3,166,256	2,894,910	2,934,564
Net occupancy and equipment expense	558,715	563,235	473,973
Data processing fees	303,774	303,607	265,536
Professional fees	124,880	193,836	112,039
Marketing expense	141,000	115,334	149,349
Printing and office supplies	64,994	101,279	44,197
State franchise taxes	141,825	123,301	139,500
FDIC Insurance premiums	79,500	72,000	98,000
Other	607,687	629,669	608,113
Total noninterest expense	<u>5,188,631</u>	<u>4,997,171</u>	<u>4,825,271</u>
Income before Income Tax	<u>2,513,927</u>	<u>3,023,410</u>	<u>2,482,625</u>
Provision for Income Taxes	<u>677,365</u>	<u>861,458</u>	<u>704,420</u>
Net Income	<u>\$ 1,836,562</u>	<u>\$ 2,161,952</u>	<u>\$ 1,778,205</u>
Basic Earnings Per Share	<u>\$ 1.16</u>	<u>\$ 1.37</u>	<u>\$ 1.14</u>
Diluted Earnings Per Share	<u>\$ 1.13</u>	<u>\$ 1.33</u>	<u>\$ 1.12</u>

ADDITIONAL FINANCIAL INFORMATION

(Dollars in thousands except per share amounts)(Unaudited) Three Months Ended

	March 31, 2017		Dec. 31, 2016		March 31, 2016	
Performance Ratios:						
Return on average assets	0.93	%	1.12	%	0.97	%
Return on average equity	10.34	%	12.24	%	10.76	%
Net interest margin	3.94	%	3.99	%	3.98	%
Efficiency ratio	64.64	%	61.27	%	64.48	%

Asset Quality Ratios and Data:

	As of or for the Three Months Ended					
	March 31, 2017		Dec. 31, 2016		March 31, 2016	
Non accrual loans	\$	3,635	\$	4,216	\$	3,563
Loans past due 90 days and still accruing		271		-		2,564
Non-performing investment securities		-		-		-
OREO and other non-performing assets		400		400		-
Total non-performing assets	\$	4,306	\$	4,616	\$	6,127
Non-performing assets to total assets	0.53	%	0.59	%	0.81	%
Net charge-offs quarter ending	\$	20	\$	304	\$	51
Allowance for loan loss	\$	6,008	\$	5,698	\$	5,905
Non accrual loans	\$	3,635	\$	4,216	\$	3,563
Allowance for loan loss to non accrual loans	165.28	%	135.15	%	165.73	%
Allowance for loan losses to loans outstanding	0.94	%	0.91	%	1.05	%

Book Values:

Total shareholders' equity	\$	72,634	\$	71,400	\$	68,158
Less, goodwill		417		417		417
Shareholders' equity less goodwill	\$	72,217	\$	70,983	\$	67,741
Common shares outstanding		1,587,228		1,583,228		1,564,581
Less treasury shares		-		-		-
Common shares as adjusted		1,587,228		1,583,228		1,564,581
Book value per common share	\$	45.76	\$	45.10	\$	43.56
Tangible book value per common share	\$	45.50	\$	44.83	\$	43.30