HEARTLAND BANK

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Heartland BancCorp Earnings Grow 5% to $2.0 Million in 3Q16 from 3Q15; Declares Quarterly Cash Dividend of $0.3910 per Share

Gahanna, OH – October 20, 2016 – Heartland BancCorp ("the company," and "the bank") (OTCQB: HLAN), today reported that third quarter net income increased to $2.0 million, or $1.26 per diluted share, compared to $1.9 million, or $1.22 per diluted share, in the third quarter of 2015. In the first nine months of 2016, Heartland's net income increased 9.5% to $5.8 million, or $3.64 per diluted share, compared to $5.3 million, or $3.36 per diluted share, in the first nine months of 2015.

The company also announced its board of directors declared its regular quarterly cash dividend of $0.3910 per share. The dividend will be payable January 10, 2017, to shareholders of record as of December 25, 2016, providing a 2.80% current yield at recent market prices.

"We continue to execute our strategic growth plan and consistently generate solid results," said G. Scott McComb, Chairman, President and CEO. "With 13.5% year-over-year loan growth, our net interest income grew 9% in the first nine months of 2016, compared to the first nine months of 2015. New client acquisition continues to be an area of strength for us, reflecting our ability to gain market share. Our consistency in delivery of consultative solutions has also contributed to our solid growth. Our strong business fundamentals and practicing our employee defined shared values continues to be the foundation for our strength."

Third Quarter Financial Highlights (at or for the period ended September 30, 2016)

- Net income was $2.0 million, up from $1.9 million in the third quarter a year ago.
- Net interest margin remained strong at 3.90% compared to 3.92% in the preceding quarter and 3.96% in the third quarter a year ago.
- Annualized return on average assets was 1.06%, compared to the average of 0.80% generated by the 604 banks in the SNL MicroCap U.S. Bank Index.
- Annualized return on average equity was 11.61%, compared to the average of 8.01% generated by the SNL MicroCap U.S. Bank Index.
- Total deposits increased 9.8% to $667.9 million from a year ago.
- Net loans increased 13.5% to $601.4 million from a year ago.
- Non-performing assets were $5.2 million, or 0.66% of total assets, at September 30, 2016, compared to $5.7 million, or 0.75%, three months earlier and $4.1 million, or 0.59%, one year earlier.
- Tangible book value per share increased 10.7% to $45.21 per share compared to $40.84 per share one year earlier.
- Declared quarterly cash dividend of $0.3910 per share, which represents a 2.83% yield based on the September 30, 2016 stock price ($55.25).

In November 2015, Heartland completed a $5.4 million private placement to accredited investors of subordinated notes with fixed and variable rates producing a weighted interest rate of 4.986%. The proceeds give Heartland the opportunity to build out its business plan and meet the growing demand from clients and the marketplace.

Balance Sheet Review

"Our loan pipeline continues to grow at an annualized double digit pace, with net loans up $24.1 million, or 4.2% during the quarter. The agricultural, commercial and industrial (C&I) and residential mortgage portfolios continue to show robust growth, increasing 88%, 14% and 18%, respectively compared to a year ago," said McComb. Net loans increased 4.2% to $601.4 million at September 30, 2016, compared to $577.4 million at June 30, 2016 and increased 13.5% compared to $529.7 million at September 30, 2015.

Total deposits increased 9.8% to $667.9 million at quarter end, compared to $608.0 million a year earlier and increased 3.9% compared to $642.7 million three months earlier. Demand deposit accounts represented 22.6%, savings, NOW and money market accounts represented 36.1%, and CDs comprised 41.3% of the total deposit portfolio, at September 30, 2016.

Heartland's total assets increased 12.9% to $790.6 million at September 30, 2016, compared to $700.5 million a year earlier and increased 3.6% compared to $763.3 million three months earlier. Shareholders' equity increased 2.0% to $71.9 million at September 30, 2016, compared to $70.5 million at June 30, 2016 and increased 11.9% compared to $64.2 million one year ago. At quarter end, Heartland's book value increased 1.5% to $45.48 per share compared to $44.81 per share three months earlier and increased 10.6% from $41.11 per share one year earlier.

Operating Results

Total revenues (net interest income before the provision for loan losses, plus non-interest income) increased 9.1% to $7.9 million in the third quarter, compared to $7.3 million in the third quarter a year ago, and were up 2.8% compared to $7.7 million in the preceding quarter. Year-to-date, total revenues increased 9.5% to $23.2 million, compared to $21.1 million in the same period one year ago. Net interest income before the provision for loan loss increased 9.7% to $7.0 million in the third quarter of 2016, compared to $6.4 million in the third quarter a year ago, and increased 3.6% compared to $6.8 million in the preceding quarter. In the first nine months of the year, net interest income increased 8.6% to $20.5 million, compared to $18.9 million in the first nine months of 2015.

"Our net interest margin came under pressure during the third quarter, due to the low interest rate environment and the tightening spread between long and short yields. Nevertheless, our net interest margin remains healthy," McComb added. Heartland's net interest margin was 3.90% in the third quarter of 2016, compared to 3.92% in the preceding quarter and 3.96% in the third quarter a year ago. In the first nine months of the year, Heartland's net interest margin was 3.93% compared to 4.03% in the first nine months of 2015.

Noninterest income increased 4.5% to $914,000 in the third quarter, compared to $874,000 in the third quarter a year ago, and decreased compared to $940,000 in the preceding quarter. The preceding quarter noninterest income included $133,000 in net realized gains on available-for-sale securities compared to zero in the current quarter. In the first nine months of 2016, noninterest income increased 17.4% to $2.7 million, compared to $2.3 million in the first nine months of 2015.

Heartland's third quarter noninterest expenses were $5.0 million, compared to $4.3 million in the third quarter a year ago and $4.8 million in the preceding quarter. Year-to-date, noninterest expense increased 11.8% to $14.5 million, compared to $13.0 million in the same period one year ago. The year-over-year increase is primarily attributable to an increase in loan production, along with a management realignment to prepare the company for continued growth.

Credit Quality

Nonaccrual loans decreased 17.6% to $4.3 million at September 30, 2016, compared to $5.2 million three months earlier but increased compared to $3.0 million a year earlier. Loans past due 90 days and still accruing decreased to $461,000 from $479,000 at the end of the second quarter and $1.1 million a year ago. There were $815,000 in restructured loans included in nonaccrual loans at September 30, 2016, as compared to $594,000 a year earlier.

Performing restructured loans that were not included in nonaccrual loans at the end of the third quarter of 2016 were $3.2 million, compared to $3.8 million in the preceding quarter and an increase/decrease compared to $3.6 million a year ago. 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. "It's not uncommon for community banks to work with their borrowers when borrowers come upon business difficulties. Providing further detail in this area is something we have added to provide clarity," added McComb.

There was $400,000 in other real estate owned (OREO) and other non-performing assets on the books at September 30, 2016, compared to no OREO and other non-performing assets both at the preceding quarter end and at September 30, 2015.

Nonperforming assets (NPAs), consisting of nonperforming loans, OREO, and loans delinquent 90 days or more, were $5.2 million, or 0.66% of assets, at September 30, 2016, compared to $5.7 million, or 0.75% of assets, three months earlier, and $4.1 million, or 0.59% of assets a year ago.

Heartland's third quarter provision for loan losses was $135,000, the same as in the preceding quarter The provision for loan losses was $160,000 in the third quarter a year ago. As of September 30, 2016, the allowance for loan losses represented 135.8% of nonaccrual loans compared to 114.1% three months earlier, and 190.8% one year earlier.

The allowance for loan losses was $5.9 million, or 1.03% of total loans at September 30, 2016, compared to $6.0 million, or 1.03% of total loans at June 30, 2016, and $5.7 million, or 1.06% of total loans a year ago. Net charge-offs were $251,000 in the third quarter compared to $56,000 in the preceding quarter, and $8,000 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 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	Sept. 30, 2016	June 30, 2016	Sept. 30, 2015
Cash and cash equivalents	40,463,763	33,727,073	29,736,396
Available-for-sale securities	110,158,614	115,496,339	104,061,671
Held-to-maturity securities, fair value $6,289,982 and $6,845,100 at September 30, 2016 and 2015, respectively and $6,362,826 at June 30, 2016	5,972,843	5,987,094	6,498,787
Loans, net of allowance for loan losses of $5,867,741 and $5,649,773 at September 30, 2016 and 2015, respectively and $5,983,550 at June 30, 2016	601,400,849	577,357,438	529,733,539
Premises and equipment	13,921,042	13,930,605	13,458,703
Nonmarketable equity securities	2,825,439	2,825,439	2,658,239
Interest receivable	2,614,368	2,123,285	2,374,220
Goodwill	417,353	417,353	417,353
Deferred income taxes	1,765,794	1,765,794	1,881,258
Life insurance assets	9,446,365	9,453,665	9,337,159
Other	1,639,342	261,743	686,528
Total assets	$ 790,625,772	$ 763,345,828	$ 700,479,658
Liabilities and Shareholders' Equity			
Liabilities			
Deposits			
Demand	$ 150,913,820	$ 132,048,433	$ 119,445,210
Saving, NOW and money market	241,181,130	230,829,215	217,336,061
Time	275,809,945	279,800,706	271,254,619
Total deposits	667,904,895	642,678,354	608,035,890
Short-term borrowings	27,465,075	24,290,996	23,620,874
Long-term debt	15,460,000	15,460,000	-
Interest payable and other liabilities	7,931,744	10,464,687	4,617,893
Total liabilities	718,761,714	692,894,037	636,274,657
Shareholders' Equity			
Common stock, without par value; authorized 5,000,000 shares; issued 2016 - 1,580,228 shares 2015 - 1,561,781 shares and June 2016 - 1,572,178 shares	24,428,011	24,115,306	23,725,023
Retained earnings	46,002,554	44,582,957	39,765,320
Accumulated other comprehensive income (expense)	1,433,493	1,753,528	714,658
Total shareholders' equity	71,864,058	70,451,791	64,205,001
Total liabilities and shareholders' equity	$ 790,625,772	$ 763,345,828	$ 700,479,658
Book value per share	$ 45.48	$ 44.81	$ 41.11

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Consolidated Statements of Income

	Three Months Ended,			Nine Months Ended,	
Interest Income	Sept. 30, 2016	June 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
Loans	$ 7,198,912	$ 6,908,443	$ 6,497,915	$ 20,909,075	$ 19,130,541
Securities					
Taxable	417,825	401,212	335,461	1,254,422	952,108
Tax-exempt	404,060	422,614	383,968	1,237,644	1,156,269
Other	43,559	34,617	15,443	114,387	35,037
Total interest income	8,064,356	7,766,886	7,232,787	23,515,528	21,273,955
Interest Expense					
Deposits	952,850	908,841	846,062	2,753,615	2,404,828
Borrowings	108,922	99,498	3,291	282,642	10,018
Total interest expense	1,061,772	1,008,339	849,353	3,036,257	2,414,846
Net Interest Income	7,002,584	6,758,547	6,383,434	20,479,271	18,859,109
Provision for Loan Losses	135,000	135,000	160,000	510,000	640,000
Net Interest Income After Provision for Loan Losses	6,867,584	6,623,547	6,223,434	19,969,271	18,219,109
Noninterest income					
Service charges	502,355	489,939	500,789	1,446,943	1,447,861
Net Gains and commissions on loan sales	158,832	123,727	123,793	405,284	207,121
Net realized gains on available-for-sale securities	-	133,425	-	197,711	16,934
Net realized gain/(loss) on sales of foreclosed assets	-	-	5,250	-	5,308
Other	252,411	192,902	244,580	633,409	607,690
Total noninterest income	913,598	939,993	874,412	2,683,347	2,284,914
Noninterest Expense					
Salaries and employee benefits	2,790,860	2,792,939	2,501,325	8,518,363	7,531,362
Net occupancy and equipment expense	554,864	533,519	478,053	1,562,356	1,386,353
Data processing fees	264,328	287,053	270,360	816,917	816,850
Professional fees	246,129	129,549	140,972	487,717	433,700
Marketing expense	149,349	149,349	135,000	448,047	411,000
Printing and office supplies	57,885	51,960	33,805	154,042	127,091
State franchise taxes	128,701	139,500	105,982	407,701	317,945
FDIC Insurance premiums	100,000	98,000	111,000	296,000	318,000
Other	658,006	583,718	564,992	1,849,837	1,667,520
Total noninterest expense	4,950,122	4,765,587	4,341,489	14,540,980	13,009,821
Income before Income Tax	2,831,060	2,797,953	2,756,357	8,111,638	7,494,202
Provision for Income Taxes	793,593	787,318	813,343	2,285,331	2,175,321
Net Income	$ 2,037,467	$ 2,010,635	$ 1,943,014	$ 5,826,307	$ 5,318,881
Basic Earnings Per Share	$ 1.29	$ 1.28	$ 1.25	$ 3.71	$ 3.42
Diluted Earnings Per Share	$ 1.26	$ 1.26	$ 1.22	$ 3.64	$ 3.36

ADDITIONAL FINANCIAL INFORMATION

(Dollars in thousands except per share amounts)(Unaudited)

	Three Months Ended			Nine Months Ended	
	Sept. 30, 2016	June 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
Performance Ratios:					
Return on average assets	1.06%	1.07%	1.14%	1.02%	1.01%
Return on average equity	11.61%	11.77%	12.47%	11.24%	10.96%
Net interest margin	3.90%	3.92%	3.96%	3.93%	4.03%
Efficiency ratio	62.53%	62.99%	59.82%	63.32%	61.58%

Asset Quality Ratios and Data:	As of or for the Three Months Ended		
	Sept. 30, 2016	June 30, 2016	Sept. 30, 2015
Non accrual loans	$ 4,321	$ 5,246	$ 2,991
Loans past due 90 days and still accruing	461	479	1,126
Non-performing investment securities	-	-	-
OREO and other non-performing assets	400	-	-
Total non-performing assets	$ 5,182	$ 5,725	$ 4,117
Non-performing assets to total assets	0.66%	0.75%	0.59%
Net charge-offs quarter ending	$ 251	$ 56	$ 8
Allowance for loan loss	$ 5,868	$ 5,984	$ 5,650
Non accrual loans	$ 4,321	$ 5,246	$ 2,962
Allowance for loan loss to non accrual loans	135.80%	114.07%	190.75%
Allowance for loan losses to loans outstanding	1.03%	1.03%	1.06%
Book Values:			
Total shareholders' equity	$ 71,864	$ 70,452	$ 64,205
Less, goodwill	417	417	417
Shareholders' equity less goodwill	$ 71,447	$ 70,035	$ 63,788
Common shares outstanding	1,580,228	1,572,178	1,561,781
Less treasury shares	-	-	-
Common shares as adjusted	1,580,228	1,572,178	1,561,781
Book value per common share	**$ 45.48**	**$ 44.81**	**$ 41.11**
Tangible book value per common share	**$ 45.21**	**$ 44.55**	**$ 40.84**

Note: Transmitted on Globe Newswire on October 20, 2016, at 4:00 p.m. EDT.