

HEARTLAND FINANCIAL USA INC
Form PRE 14A
March 16, 2018

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

HEARTLAND FINANCIAL USA, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:

2. Form, Schedule, or Registration Statement No.:

3. Filing Party:

4. Date Filed:

April 6, 2018

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Heartland Financial USA, Inc. to be held at the Hotel Julien Dubuque, 200 Main Street, Dubuque, Iowa, on Wednesday, May 16, 2018, at 6:00 p.m. Central Daylight Time

At our Annual Meeting, we will discuss and vote on the matters described in the proxy materials. Your vote is important, regardless of the number of shares you own.

If you are sent a Notice of Internet Availability of Proxy Materials (the "Notice") but would prefer to receive the traditional printed proxy materials free of charge, please follow the instructions on the Notice to request the printed materials via U.S. mail. If you received the traditional printed proxy materials in lieu of the Notice, you may vote your shares online, by telephone, or by mail by following the instructions on the proxy card.

We ask you to join the directors and other fellow stockholders for cocktails and hors d'oeuvres at a reception following the Annual Meeting. In order to comfortably accommodate all stockholders, we ask that you please RSVP by following the reception instructions included with your proxy materials. The reception will be held at the Hotel Julien Dubuque, 200 Main Street, Dubuque, Iowa, beginning at approximately 7:00 p.m. You need not attend the Annual Meeting in order to attend the reception.

Sincerely,

Lynn B. Fuller
Chairman of the Board

1398 Central Avenue · Dubuque, Iowa 52001 · (563) 589-2100

NOTICE OF
ANNUAL
MEETING OF
STOCKHOLDERS

TO THE STOCKHOLDERS OF HEARTLAND FINANCIAL:

DATE AND
TIME

Wednesday, May 16, 2018 at 6:00 p.m.

PLACE

Hotel Julien Dubuque, 200 Main Street, Dubuque, Iowa

ITEMS OF
BUSINESS

- (1) Elect three individuals to serve as Class I directors for a three-year term expiring in 2021.
- (2) Approve amendments to the Company's Certificate of Incorporation to: (a) increase the maximum Board size from 9 members to 11 members, and (b) increase the maximum age at which a director may be elected from age 70 to age 72.
- (3) Ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018.
- (4) Take a non-binding, advisory vote on executive compensation.
- (5) Transact such other business as may properly be presented at the Annual Meeting.

RECORD
DATE

Stockholders of record at the close of business on March 19, 2018, are the stockholders entitled to vote at the Annual Meeting and any adjournments or postponements of the meeting.

VOTING BY
PROXY

Whether or not you plan to attend the Annual Meeting, please vote your shares promptly to ensure they are represented. In the event there are an insufficient number of votes for a quorum, or to approve or ratify any of the foregoing proposals, the Annual Meeting may be adjourned or postponed in order to permit further solicitation of proxies.

þ The Board of Directors recommends a vote "FOR" the three Class I nominees for election as directors for three-year terms ending 2021, as listed in the proxy statement, and a vote "FOR" Proposals 2(a), 2(b), 3 and 4.

By Order of the Board of Directors:

Michael J. Coyle, Corporate Secretary
Dubuque, Iowa
April 6, 2018

The prompt return of proxies will save us the expense of further requests for proxies to ensure a quorum at the Annual Meeting. You may access our proxy materials and vote your shares online by following the instructions on the Notice. If you receive a proxy card, you may vote your shares online, by telephone, or by mail by following the instructions on your proxy card. If you hold shares through a broker or other nominee, please follow the voting instructions provided to you by that broker or other nominee.

Important notice regarding the availability of proxy materials for the Annual Meeting of Stockholders to be held on Wednesday, May 16, 2018. The proxy statement and Annual Report to Stockholders are available through the Investor Relations section of Heartland's website at www.htlf.com

TABLE OF CONTENTS

Page #

<u>Stockholder Letter</u>	
<u>Notice of Annual Meeting of Stockholders</u>	
<u>Proxy Statement</u>	
<u>Proposal 1 - Election of Directors</u>	
<u>Corporate Governance and the Board of Directors</u>	
<u>Security Ownership of Certain Beneficial Owners and Management</u>	
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	
<u>Executive Officers and Directors Compensation</u>	
<u>Compensation Discussion and Analysis</u>	
<u>Summary Compensation Table</u>	
<u>Grants of Plan-Based Awards</u>	
<u>Outstanding Equity Awards</u>	
<u>Stock Vested</u>	
<u>Potential Payments Upon Termination or Change in Control</u>	
<u>Related Person Transactions</u>	
<u>Audit and Corporate Governance Committee Reports</u>	
<u>Relationship with Independent Registered Public Accounting Firm</u>	
<u>Proposal 2 - Approval of Amendments to Certificate of Incorporation</u>	
<u>Proposal 2(a) - Amendment to Certificate of Incorporation to Increase the Maximum Size of the Board of Directors</u>	
<u>Proposal 2(b) - Amendment to Certificate of Incorporation to Increase the Maximum Age at which a Director May Be Elected</u>	
<u>Proposal 3 - Ratification of the Appointment of Independent Registered Public Accounting Firm</u>	
<u>Proposal 4 - Advisory Vote on Executive Compensation</u>	
<u>Other Matters</u>	

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Heartland Financial USA, Inc. (“Heartland,” the “Company” or “we”) of proxies to be voted at the Annual Meeting of Stockholders to be held at the Hotel Julien Dubuque, 200 Main Street, Dubuque, Iowa, on Wednesday, May 16, 2018, at 6:00 p.m. Central Daylight Time, or at any adjournments or postponements of the meeting. We first mailed this proxy statement and proxy card on or about April 6, 2018.

Please read this proxy statement carefully. You should consider the information contained in this proxy statement when deciding how to vote your shares at the Annual Meeting. The following information regarding the meeting and the voting process is presented in a question and answer format.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

WHY AM I RECEIVING THIS NOTICE OR PROXY STATEMENT AND PROXY CARD?

You are receiving proxy materials from us because on March 19, 2018, which is the record date for the Annual Meeting, you owned shares of our common stock or Series D preferred stock. This proxy statement describes the matters that will be presented for a vote by the stockholders at the Annual Meeting.

When you submit a proxy, you appoint the designated proxy holder as your representative at the Annual Meeting. The proxy holder will vote your shares as you have instructed whether or not you attend the Annual Meeting. Even if you plan to attend, you should vote your shares in advance of the Annual Meeting in case your plans change.

WHAT MATTERS WILL BE VOTED ON AT THE ANNUAL MEETING?

You are being asked to vote on the following matters proposed by our Board of Directors:

- (1) Elect three individuals to serve as Class I directors for a three-year term expiring in 2021.
Approve amendments to the Company’s Certificate of Incorporation to: (a) increase the maximum Board size from 9 members to 11 members, and (b) increase the maximum age at which a director may be elected from age 70 to age 72.
- (2) Ratify the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2018.
- (3) Take a non-binding, advisory vote on executive compensation.
- (4) Transact such other business as may properly be presented at the Annual Meeting.

þ The Board of Directors recommends a vote “FOR” the three Class I nominees for election as directors for three-year terms ending 2021, as listed in the proxy statement, and a vote “FOR” Proposals 2(a), 2(b), 3 and 4.

These matters are more fully described in this proxy statement. We are not aware of any other matters that will be voted on at the Annual Meeting. However, if you have voted your shares and a proposal is properly presented at the Annual Meeting that is not identified in the proxy materials, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her judgment.

HOW MANY VOTES DO OUR STOCKHOLDERS HAVE?

Holders of common stock have one vote for each share of common stock owned at the close of business on March 19, 2018, the record date for the Annual Meeting. Pursuant to the terms of the Certificate of Designation for our Series D preferred stock, holders of our Series D preferred stock vote as a single class on an as-converted basis with the holders of common stock. Holders of our Series D preferred stock have 39.8883 votes per share based on the current conversion ratio.

HOW DO I VOTE?

STOCKHOLDERS OF RECORD

In addition to voting your shares in person at the Annual Meeting, you can also vote your shares of common stock or Series D preferred stock in advance of the Annual Meeting by submitting a proxy using one of the following options:

- * online using the instructions for Internet voting shown on the Notice or proxy card;
- * by telephone using the instructions for telephone voting shown on the proxy card;
- * by mail by marking the proxy card with your instructions and then signing, dating and returning the proxy card in the enclosed return addressed envelope.

“STREET NAME” HOLDERS

You must follow the voting instructions provided by your broker or other nominee. Under Nasdaq listing standards, brokers who hold your shares in “street name” have the authority to vote shares for which they do not receive instructions on all routine matters submitted for approval at the Annual Meeting. In the absence of your specific instructions as to how to vote, your broker will not have authority to vote on the matters considered non-routine, which includes all actions other than Proposal 3, the ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2018.

WHAT IF I CHANGE MY MIND AFTER I RETURN MY PROXY?

If you hold your shares in your own name, you may revoke your proxy and change your vote at any time before the polls close at the Annual Meeting. You may do this by:

- * signing another proxy with a later date and returning that proxy to Mr. Michael J. Coyle, Secretary, Heartland Financial USA, Inc., 1398 Central Avenue, Dubuque, Iowa 52001;
- * sending notice to us that you are revoking your proxy; or
- * voting in person at the Annual Meeting.

If you hold your shares in the name of your broker and desire to revoke your proxy, you will need to contact your broker.

HOW MANY VOTES DO WE NEED TO HOLD THE ANNUAL MEETING?

A majority of the shares of common stock and Series D preferred stock, on an as-converted basis, that are outstanding as of the record date must be present in person or by proxy at the Annual Meeting in order to hold the Meeting and conduct business.

Shares are counted as present at the Annual Meeting if the stockholder either:

- * is present and votes in person at the Annual Meeting; or
- * has properly voted via Internet, phone, or proxy card.

On March 19, 2018, there were [] shares of common stock outstanding, and [] shares of Series D preferred stock outstanding, convertible into [] shares of common stock. Therefore, shares of common stock and Series D preferred stock with at least [] votes need to be present to constitute a quorum to hold the Annual Meeting and conduct business.

WHERE CAN STOCKHOLDERS GET COPIES OF OUR ANNUAL REPORT?

Stockholders may receive a free copy of our 2017 Annual Report on Form 10-K, including financial statements, by sending a written request to Mr. Michael J. Coyle, Secretary, Heartland Financial USA, Inc., 1398 Central Avenue, Dubuque, Iowa 52001.

WHAT HAPPENS IF A NOMINEE FOR DIRECTOR IS UNABLE TO STAND FOR ELECTION?

The Board may, by resolution, provide for a lesser number of directors or designate a substitute nominee. In the latter case, shares represented by proxy may be voted for a substitute nominee. You cannot vote for more than three nominees. The Board has no reason to believe any nominee will be unable to stand for election.

WHAT OPTIONS DO I HAVE IN VOTING ON EACH OF THE PROPOSALS?

You may vote “FOR” or “WITHHOLD” authority to vote for each nominee for director. You may vote “FOR,” “AGAINST” or “ABSTAIN” on any other proposal that may properly be brought before the meeting.

HOW MANY VOTES ARE NEEDED FOR EACH PROPOSAL?

The directors are elected by a plurality and the three individuals receiving the highest number of votes cast “FOR” their election will be elected as directors of Heartland.

The affirmative vote of a majority of the issued and outstanding shares of our common stock and Series D preferred stock, voting together on an as-converted basis, is required to approve the amendments to our Certificate of Incorporation.

The affirmative vote of a majority of the outstanding shares of our common stock and Series D preferred stock, voting together on an as-converted basis, present in person or by proxy at the Annual Meeting and entitled to vote is required to approve the other proposals.

The vote on executive compensation is advisory and will not be binding upon Heartland or the Board of Directors. However, the Compensation/Nominating Committee of the Board will consider the voting results in establishing our executive compensation plan for subsequent years.

Broker non-votes will not be counted as entitled to vote, but will count for purposes of determining whether or not a quorum is present. So long as a quorum is present, broker non-votes will have no effect on the outcome of the matters to be taken up at the meeting. Abstentions and withhold votes will have the same effect as negative votes.

WHERE DO I FIND THE VOTING RESULTS OF THE MEETING?

We will announce preliminary voting results at the Annual Meeting. The voting results will also be disclosed in a Current Report on Form 8-K that we will file with the Securities and Exchange Commission (the “SEC”) by the close of business on the fourth business day after the Annual Meeting.

WHO BEARS THE COST OF SOLICITING PROXIES?

We bear the cost of soliciting proxies. In addition to solicitations by mail, officers, directors and employees of Heartland, or its subsidiaries, may solicit proxies in person or by telephone. These persons will not receive any special

or additional compensation for soliciting proxies. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

PROPOSAL 1 ELECTION OF DIRECTORS

Elect three individuals to serve as Class I directors for a three-year term expiring in 2021.

The Board of Directors recommends that you vote your shares FOR each of the nominees.

At the Annual Meeting on Wednesday, May 16, 2018, you will be entitled to vote for three Class I Directors to serve for terms expiring in 2021. The Board of Directors is divided into three classes of directors having staggered terms of three years. One of the three nominees for election as a Class I director has been a director for more than ten years: Mr. Lynn B. Fuller. Mr. R. Michael McCoy was first named a director in 2014, was elected as a Class I director in May 2015, and is being nominated for re-election as a Class I director. Mr. Martin J. Schmitz is being nominated as a director for the first time to fill a vacancy created by the retirement of Mr. John W. Cox, Jr., pursuant to Heartland's maximum age limitation for directors contained in its Certificate of Incorporation. Each of the nominees has agreed to serve as a director, if elected. If for any reason any of the nominees become unable to serve before the election, the holders of proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting.

Set forth below is information concerning the nominees for election and concerning the other directors whose terms of office will continue after the meeting. Included in the information is each director's age, year first elected and business experience during the previous five years.

DIRECTOR NOMINEES

CLASS I (Term Expires 2021)

Lynn B. Fuller Director Since 1987 Age 68

Professional Experience:

Mr. Fuller has been Chief Executive Officer of Heartland since 1999, Chairman of the Board of Heartland since 2000 and was President of Heartland from 1990 until January 2015. He began his banking career with Dubuque Bank and Trust Company in 1971. He then worked as an officer at First National Bank of St. Paul from 1976 until returning to Dubuque Bank and Trust Company in 1978. Mr. Fuller has the deepest knowledge and understanding of Heartland and has extensive experience in the banking business, with hands-on operational experience and decades of experience in all aspects of commercial banking.

Other Boards and Appointments:

Director of Heartland subsidiaries Dubuque Bank and Trust Company, Wisconsin Bank & Trust, New Mexico Bank & Trust, Arizona Bank & Trust, Rocky Mountain Bank, Minnesota Bank & Trust and Citizens Finance Co. for more than five years; Director of Heartland subsidiaries Citizens Finance

of Illinois Co. and Citizens Finance Parent Co. since 2013; Director of Heartland subsidiary Morrill & Janes Bank and Trust Company since its acquisition by Heartland in 2013; Director of Premier Valley Bank since its acquisition by Heartland in 2015; and Director of Citywide Banks since its acquisition by Heartland in 2017.

R. Michael McCoy Director Since 2014 Age 69

Professional Experience:

Mr. McCoy was the President and CEO of the McCoy Group, Inc., a full-service commercial truck leasing, rental and contract maintenance company, from 1998 to 2012. Mr. McCoy brings Heartland not only significant experience in the operation of a business headquartered in Dubuque, Iowa, but significant business contacts in the central Iowa and Wisconsin markets from which a significant portion of small business loans we originate are sourced.

Other Boards and Appointments:

Director of Heartland subsidiary Dubuque Bank and Trust Company for more than five years.

Martin J. Schmitz Age 60

Professional Experience:

Mr. Schmitz is past Chairman of Citywide Banks, Heartland's subsidiary bank in Colorado, where he oversaw business development and commercial banking. In addition, he was involved in the administration of credit management, and audit and regulatory functions. He was with the organization for 21 years.

Prior to his time at Citywide, Mr. Schmitz spent 18 years in the Denver commercial real estate business as Vice President with a commercial real estate group specializing in investment, economics and business administration. Mr. Schmitz brings to our Board community bank leadership experience and knowledge of the Denver metropolitan area.

Other Boards and Appointments:

Director of Citywide Banks, which became a Heartland subsidiary in 2017, for more than five years; Trustee of Regis University, Denver, Colorado, since 2004; and Director of Boys and Girls Clubs of Metro Denver since 2008.

CONTINUING DIRECTORS

CLASS II (Term Expires 2019)

Mark C. Falb Director Since 1995 Age 70

Professional Experience:

Mr. Falb has served as Vice Chairman of the Board of Heartland and Chairman of the Audit/Corporate Governance Committee of Heartland since 2001, and served as Chairman of the Compensation/Nominating Committee of Heartland from 2001 to 2015. He has been Chairman of the Board and Chief Executive Officer of Kendall/Hunt Publishing Company, a publisher of textbooks for the Pre-Kindergarten through 12th grade market and the higher education market, since 1992. He has been Chairman of the Board and Chief Executive Officer of Westmark Enterprises, Inc., a real estate development company, since 1993. A CPA (inactive), Mr. Falb brings to our Board considerable experience in executive management of nationally-based organizations and experience in finance and financial accounting. Mr. Falb has significant community contacts and is considered a leader in one of our principal markets in Dubuque, Iowa and the Tri-State area of Iowa, Illinois and Wisconsin.

Other Boards and Appointments:

Director and Chairman of the Board of Heartland subsidiary Dubuque Bank and Trust Company and Director of Heartland subsidiary Citizens Finance Co. for more than five years; and Director of Heartland subsidiaries Citizens Finance of Illinois Co. and Citizens Finance Parent Co. since 2013.

John K. Schmidt Director Since 2001 Age 58

Professional Experience:

Mr. Schmidt has been the Chief Financial Officer of A.Y. McDonald Industries since 2013 and was named Corporate Secretary in 2014. Mr. Schmidt was the Chief Operating Officer (from 2004) and Chief Financial Officer (from 1991) of Heartland until joining A.Y. McDonald Industries. Mr. Schmidt was also an officer of Dubuque Bank and Trust Company from 1984 to 2004 and President from 1999 to 2004. Prior to joining Dubuque Bank and Trust Company in 1984, Mr. Schmidt was employed by the Office of the Comptroller of the Currency (the "OCC") and Peat Marwick Mitchell, currently known as KPMG LLP. A CPA (inactive), Mr. Schmidt brings to our Board extensive knowledge in operational bank management and accounting.

Other Boards and Appointments:

Director of Heartland subsidiaries Dubuque Bank and Trust Company and Citizens Finance Co. for more than five years; Director of Heartland subsidiaries Citizens Finance of Illinois Co. and Citizens Finance Parent Co. since 2013; Member of the Loras College Board of Regents, Dubuque, Iowa, since 2011, currently serving as Immediate Past Chairman; Vice President of Steeple Square, Dubuque, Iowa; and Director of A.Y. McDonald Industries since 2013.

Duane E. White Director Since 2013 Age 62

Professional Experience:

Mr. White has been a partner at Aveus, a management consulting firm in St. Paul, Minnesota since 2013. Prior to joining Aveus, Mr. White was an independent consultant for six years. Mr. White also has over nine years of banking experience with U.S. Bancorp, including as President of the mortgage division for three years, Senior Vice President of Mergers and Acquisitions for two years, Senior Vice President of Marketing Support and Product Management, and Senior Vice President of Corporate Development. He began his career as an examiner for the OCC and was also involved with the regulatory supervision of problem banks in his role as the Assistant to the Regional Director of Special Projects. Mr. White brings considerable expertise in financial services to our Board, including merger and acquisition activity, as well as knowledge and perspective with respect to the Minneapolis and St. Paul, Minnesota markets.

Other Boards and Appointments:

Director of Heartland subsidiary Minnesota Bank & Trust for more than five years; and Director of Fair Isaac Corporation from 2009 to 2016.

CONTINUING DIRECTORS

CLASS III (Term Expires 2020)

Thomas L. Flynn Director Since 2002 Age 62

Professional Experience:

Mr. Flynn, who has served as Vice Chairman of the Board of Heartland since 2005 and Chairman of the Compensation/Nominating Committee of Heartland since 2015, was President of Aggregate Materials Company located in East Dubuque, Illinois from 1999 until his retirement in 2014. Mr. Flynn was President and Chief Executive Officer of Flynn Ready-Mix Concrete Co. from 1999 until his retirement in 2012. He was Chief Financial Officer of Flynn Ready-Mix from 1977 until 1999. He is a past Chairman of the Board of Directors of the National Ready-Mix Concrete Association. Mr. Flynn is a former member of the Iowa Legislature, having served for eight years as a State Senator. He also served for ten years as an adjunct faculty member in the Business Department of a local liberal arts college teaching courses in finance and business research methods. Mr. Flynn brings to our Board considerable small business expertise, business contacts in one of our principal markets and skill in governance.

Other Boards and Appointments:

Director and Vice Chairman of the Board of Heartland subsidiary Dubuque Bank and Trust Company and Director of Heartland subsidiary Citizens Finance Co. for more than five years; and Director of Heartland subsidiaries Citizens Finance of Illinois Co. and Citizens Finance Parent Co. since 2013.

Bruce K. Lee Director Since 2017 Age 57

Professional Experience:

Mr. Lee has served as President of Heartland since January 2015 and has over 30 years of experience in the banking industry. Prior to joining Heartland, Lee spent twelve years at Fifth Third, a \$130 billion regional bank holding company headquartered in Cincinnati, Ohio. At Fifth Third, he held numerous leadership positions, including the following:

Executive Vice President and Chief Credit Officer; Executive Vice President and Director of the company's special assets group; and Executive Vice President, Commercial Banking Division Head and Affiliate Senior Commercial Banker. Prior to that, he served as President and CEO of a Fifth Third affiliate bank in northwestern Ohio, where he managed sales and service functions for retail, commercial, residential mortgage and investments, along with the staff functions of finance, human resources and marketing. Mr. Lee has wide-ranging banking experience and perspective as Heartland expands its size and geographic reach.

Other Boards and Appointments:

Director of Heartland subsidiary Rocky Mountain Bank since 2016.

Kurt M. Saylor Director Since 2013 Age 65

Professional Experience:

Mr. Saylor retired in December 2016 from his role as President and Chief Executive Officer of Morrill & Janes Bank and Trust Company, a Heartland subsidiary bank. He had served in that role since 2002. He began his banking career as an examiner with the Office of State Bank Commissioner in Kansas after graduating from college. He joined Morrill & Janes Bank and Trust Company in 1975. During his tenure with Morrill & Janes Bank and Trust Company, he served as Chairman and Chief Executive Officer of Century Capital Financial (City National Bank) in Kilgore, Texas, from 1997 to 2008 and as Chairman and Chief Executive Officer of FBC Financial Corp (1st Bank Oklahoma) in Claremore, Oklahoma, from 1998 to 2011. Mr. Saylor brings to our Board community bank leadership experience and familiarity with operating under a multi-bank holding company structure. In addition, he has community knowledge and perspective with respect to the Kansas City metropolitan area.

Other Boards and Appointments:

Director of Heartland subsidiary Morrill & Janes
Bank and Trust Company for more than five years.

All of our directors will hold office for the terms indicated, and until their respective successors are duly elected and qualified. Other than Mr. Saylor, who was first elected a director in accordance with the Merger Agreement with Morrill Bancshares, Inc. on October 18, 2013, and Mr. Schmitz, who is being nominated as a director in accordance with the Merger Agreement with Citywide Banks of Colorado, Inc., no director has been nominated or is serving pursuant to any arrangement that requires that they be selected as a director.

CORPORATE
GOVERNANCE
AND THE
BOARD OF
DIRECTORS

Our Board of Directors

There are currently nine members on the Board of Directors of Heartland. Although it is the responsibility of Heartland's officers to manage day-to-day operations, the Board oversees our business and monitors the performance of our management.

Director Independence. Our Board has determined that each of Messrs. Falb, Flynn, McCoy, Schmidt and White are "independent" directors as defined in the listing standards of the Nasdaq Stock Market ("Nasdaq") and the rules and regulations of the SEC. Retiring director Mr. Cox is not considered independent because of an immediate family member's significant business relationship with Heartland's subsidiary banks. The Board has also determined that Messrs. Fuller and Lee, as the Chief Executive Officer and President, respectively, of Heartland, are not independent. Mr. Saylor is not an independent director, because he served through December 2016 as President and Chief Executive Officer of Morrill & Janes Bank and Trust Company, a Heartland subsidiary bank. Mr. Schmitz, a nominee for director, is a former executive of Citywide Banks, a Heartland subsidiary bank, and will not be an independent director, if elected. In considering the independence of the directors, our Board reviewed questionnaires prepared by each director, reviewed its own records of transactions with directors and their family members, and inquired of directors whether they, or any member of their immediate families, had engaged in any transaction with us, other than transactions made in the ordinary course of business.

Meetings. Our directors meet on at least a quarterly basis, or as needed at special meetings held periodically throughout the year. During 2017, the Board of Directors held four regular meetings and five special meetings. All directors attended at least 75% of the meetings of the Board of Directors and its Committees on which they served.

The independent directors are offered the opportunity at each meeting of the Board of Directors to meet separately in executive session. During 2017, the independent directors met in such capacity six times. Each of our Audit/Corporate Governance Committee and our Compensation/Nominating Committee consists solely of independent directors, and these committees meet in conjunction with most regular board meetings.

It is Heartland's practice that all directors be in attendance at the Annual Meeting unless excused by the Chairman of the Board. In 2017, all directors attended the Annual Meeting in person.

Board Leadership. Under our Bylaws, the Chairman of the Board presides at meetings of the Board at which he is in attendance. Mr. Fuller, our Chief Executive Officer, has been Chairman of our Board of Directors since 2000. As the director with the most knowledge of Heartland's business, the Board has determined that Mr. Fuller is the director most capable of leading discussions on important matters affecting Heartland, including formulation and implementation of corporate strategy. In addition, our Board believes that Mr. Fuller's role as Chairman creates a firm link with management, a clear indication of management authority, and causes the Board to function more effectively and efficiently. Our Board believes that our performance during Mr. Fuller's tenure reflects the effectiveness of his leadership and his goal of advancing Heartland's interests over personal gain.

Mr. Falb and Mr. Flynn, in their capacities as Vice Chairmen of the Board, assist in setting the agendas for Board meetings and executive sessions of the Board, as well as regularly interacting with Mr. Fuller to convey concerns of

the independent directors. While they provide critical independent leadership on the Board, Mr. Falb and Mr. Flynn are not formally designated as Lead Directors.

Risk Management - Background. Heartland applies three lines of defense to risk management. Under this structure, the first line of defense is management at Heartland's subsidiaries, together with managers of centralized operations units at Heartland assigned to support them. Collectively, they are responsible for managing the risks appurtenant to their areas of responsibility. This responsibility includes developing policies, procedures and controls, and executing them. At the second line of defense, Heartland applies enterprise risk management concepts, under the leadership of the Chief Risk Officer, to coordinate, monitor and report on the adequacy and effectiveness of risk management processes. Within the centralized risk management function at Heartland are enterprise risk, consumer compliance, loan review and Bank Secrecy Act functions. Finally, Heartland maintains at the holding company level an internal audit function, providing third line of defense oversight of the entire risk management framework.

Risk Management - The Board. The Board of Directors is involved in overseeing all risks across the enterprise and actively participates by establishing risk policies, limits and tolerances, and reviewing reports provided by management and the Chief Risk Officer for monitoring those activities. The Audit/Corporate Governance Committee oversees risks associated with financial reporting, including internal control over financial reporting, and identifies and oversees compliance with changing laws and regulations. The Compensation/Nominating Committee identifies, reviews and oversees risks created by Heartland's executive benefit programs and employee compensation plans. The Compensation/Nominating Committee also consults with the Chief Risk Officer for risk input pertaining to compensation.

Risk Management - Senior Management. Senior management of Heartland has direct oversight and involvement in risk management via reporting and regular cross-functional communications. Senior management personnel are assigned responsibility to monitor and manage risk within their functional areas of responsibility, aided by the input and support of other managers. Typically, the senior manager will work with Heartland and subsidiary bank staff to develop, implement and monitor standardized policies, procedures, products, risk limits and tolerances. Additional oversight, monitoring and feedback is provided through the Risk Management System administered by the Chief Risk Officer. The Board believes that this structure enables Heartland to proactively manage material risks as close as reasonably possible to the level where functional decisions are made.

Committees of the Board

Audit/Corporate Governance Committee. The members of the Audit/Corporate Governance Committee are Messrs. Falb, Flynn, McCoy, Schmidt and White. Each of Messrs. Falb, Flynn, McCoy, Schmidt and White is an "independent" director under the listing standards of Nasdaq and the rules and regulations of the SEC. The Board of Directors has determined that each of Messrs. Falb, Flynn and Schmidt qualify as, and should be named as, an "audit committee financial expert" as set forth in the rules and regulations of the SEC. Each member of the Audit/Corporate Governance Committee also meets the independence requirements for audit committee membership under the rules of the SEC.

The primary duties and functions of the Audit/Corporate Governance Committee are to :

- * monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;
retain, oversee, review and terminate, if necessary, the Company's independent registered public accounting firm,
- * pre-approve all services greater than \$25,000 and ratify all services less than \$25,000 performed by such firm (tax-related services must be pre-approved, regardless of dollar amount);
provide an avenue of communication among the Company's independent registered public accounting firm,
- * management, the risk management function (i.e., Chief Risk Officer, Loan Review and Compliance), the internal audit function and the Board of Directors;
- * encourage adherence to, and continuous improvement of, the Company's policies, procedures and practices at all levels;
- * review areas of potential significant financial risk to the Company;
- * monitor compliance with legal and regulatory requirements and establish appropriate corporate governance policies for the company.

The Audit/Corporate Governance Committee's duties and functions are set forth in more detail in its Charter. In addition, the Board of Directors adopted Corporate Governance Guidelines to codify its governance practices. The Charter and the Corporate Governance Guidelines can be found under the Investor Relations section of our website, www.htlf.com.

Mr. Falb has served as Chairman of the Audit/Corporate Governance Committee since 2001. During 2017, the Audit/Corporate Governance Committee met five times. To promote independence of the audit function, the Audit/Corporate Governance Committee consults both separately and jointly with our independent registered public accounting firm, internal auditors and management.

The Report of the Audit/Corporate Governance Committee is contained later in this proxy statement, and the processes used by the Audit/Corporate Governance Committee to approve audit and non-audit services are described later in this proxy statement under the caption, "Relationship With Independent Registered Public Accounting Firm-Audit/Corporate Governance Committee Pre-Approval Policy."

Compensation/Nominating Committee. The Compensation/Nominating Committee is comprised of Messrs. Falb, Flynn, McCoy, Schmidt and White. Each of Messrs. Falb, Flynn, McCoy, Schmidt and White is an “independent” director as defined by listing requirements of the Nasdaq, an “outside” director pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, and a “non-employee” director under Section 16 of the Securities Exchange Act of 1934. Mr. Flynn has served as Chairman of the Compensation/Nominating Committee since May 2015.

The primary duties and functions of the Compensation/Nominating Committee are to:

- * discharge the responsibilities of the Board relating to the compensation of the Company’s executive officers, including the Chief Executive Officer;
- * evaluate and make recommendations to the Board relating to the compensation of individuals serving as directors of the Company;
- * direct the preparation of and approve an Annual Report on Executive Compensation for inclusion in the Company’s proxy statement in accordance with all applicable rules and regulations; and
- * identify individuals qualified to become members of the Board of Directors and select such individuals as director nominees for the next Annual Meeting of Stockholders.

The Compensation/Nominating Committee duties and functions are set forth in more detail in its Charter, which can be found under the Investor Relations section of our website, www.htlf.com. The Compensation/Nominating Committee held six meetings in 2017.

The process used by the Compensation/Nominating Committee to evaluate and determine executive compensation is described in this proxy statement under the caption “Executive Officers Compensation - Compensation Discussion and Analysis - Administration of Our Compensation Program.” The Report of the Compensation/Nominating Committee is also contained later in this proxy statement.

Director Nominations and Qualifications

In carrying out its nominating function, the Compensation/Nominating Committee evaluates all potential nominees for election, including incumbent directors, Board nominees and stockholder nominees, in the same manner. We did not receive any stockholder recommendations for nominees for the 2018 Annual Meeting. The Compensation/Nominating Committee believes that, at a minimum, potential directors should have the highest personal and professional ethics, integrity and values, a sufficient educational and professional background that enables them to understand our business, exemplary management and communications skills, demonstrated leadership skills, sound judgment in his or her professional and personal life, a strong sense of service to the communities which we serve and an ability to meet the standards and duties set forth in our Code of Conduct. The Committee also believes that directors should share the Company’s philosophy, including the same sense of mission, vision and values. Additionally, the Committee would prefer experience with publicly held companies, growth businesses or sales.

No nominee is eligible for election or re-election as a director if, at the time of such election, such person is 70 or more years of age. Each nominee must also be willing to devote sufficient time to carrying out his or her Board duties and responsibilities effectively. Although our Compensation/Nominating Committee considers diversity, including diversity of experience, gender and ethnicity in nominations, it does not have a formal diversity policy.

The Compensation/Nominating Committee also evaluates potential nominees to determine if they have any conflicts of interest that may interfere with their ability to serve as effective Board members and whether they are “independent” in accordance with Nasdaq listing standards (to ensure that at least a majority of the directors will, at all times, be independent). In the past, the Compensation/Nominating Committee has not retained any third party to assist it in

identifying candidates, but it has the authority to retain a third-party firm or professional for purposes of identifying candidates.

Stockholder Communications with the Board, Nomination and Proposal Procedures

General Communications with the Board. As set forth on our website, www.htlf.com, our Board of Directors can be contacted at our corporate headquarters at 1398 Central Avenue, P.O. Box 778, Dubuque, Iowa 52004-0778, Attn: Michael J. Coyle, Corporate Secretary, or by telephone at our administrative offices at (563) 589-2100 or toll free at (888) 739-2100. Each communication will be forwarded to the Board or the specific directors identified in the communication as soon as reasonably possible.

Nominations of Directors. In order for a stockholder nominee to be considered by the Compensation/Nominating Committee as a nominee and be included in our proxy statement, the nominating stockholder must file a written notice of the proposed director nomination with our Corporate Secretary, at the above address, at least 120 days prior to the anniversary of the date the previous year's proxy statement was mailed to stockholders. For our 2019 Annual Meeting, such notice would need to be received on or before December 7, 2018. Nominations must include the full name and address of the proposed nominee and a brief description of the proposed nominee's business experience for at least the previous five years. All submissions must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. The Compensation/Nominating Committee may request additional information in order to make a determination as to whether to nominate the person for director.

In accordance with our Bylaws, a stockholder may nominate a director from the floor for election at an Annual Meeting of Stockholders only if such stockholder delivers written notice of the nomination to our Corporate Secretary, at the above address, not less than 30 days nor more than 75 days prior to the date of the Annual Meeting. The stockholder's notice of intention to nominate a director must include (i) the name and address of record of the stockholder who intends to make the nomination; (ii) a representation that the stockholder is a holder of record of shares of the corporation entitled to vote at such meeting, and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) the name, age, business and residence address and principal occupation or employment of each nominee; (iv) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (v) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC, as then in effect; and (vi) the consent of each nominee to serve as a director of the corporation if so elected. We may request additional information after receiving the notification for the purpose of determining the proposed nominee's eligibility to serve as a director. Persons nominated for election to the Board, in accordance with the above requirements, will not be included in our proxy statement.

Other Stockholder Proposals. To be considered for inclusion in our proxy statement for the 2019 Annual Meeting of Stockholders, stockholder proposals must be received by our Corporate Secretary, at the above address, no later than December 7, 2018, and must otherwise comply with the notice and other provisions of our Bylaws, as well as SEC rules and regulations.

For proposals to be made by a stockholder from the floor and voted upon at an Annual Meeting, the stockholder must file written notice of the proposal with our Corporate Secretary not less than 30 nor more than 75 days prior to the scheduled date of the Annual Meeting.

The stockholder proposal must include a brief description of the proposal and the reasons for making the proposal; the name and address, as they appear with our Transfer Agent, of the stockholder proposing such business; the number of shares of common stock held by the stockholder; and any other financial or other interests of such stockholder in the proposal.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all directors and employees. The Code sets forth the standard of ethics we expect all of our directors and employees to follow, including our Chief Executive Officer and Chief Financial Officer. All directors have received, and acknowledged in writing, the Code of Business Conduct and Ethics Policy, along with the Code of Business Conduct and Ethics Violation Reporting Procedure. The Code of Business Conduct is posted on our website, www.htlf.com. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding any amendment to, or waiver of, the Code of Business Conduct with respect to

our Chief Executive Officer and Chief Financial Officer and persons performing similar functions, by posting such information on our website.

Director Compensation

Our Board of Directors believes that any compensation received by a non-employee director should be tied directly to the success of Heartland and, by extension, the success of all Heartland stockholders. Non-employee directors are compensated for service on the Heartland Board of Directors by issuance of restricted stock units (“RSUs”) granted under the Amended and Restated 2012 Long-Term Incentive Plan in an amount determined by the Compensation/Nominating Committee at its Annual Meeting. The RSUs are awarded as of the date of the Annual Meeting and vest on June 5th of the following year. In the event a director leaves the Board for any reason prior to any vesting date (other than due to death or change of control), the director forfeits all right to the respective RSUs. In the event of the death of the non-employee director or a change in control, the RSUs vest immediately and completely. Directors serving as committee members of the Compensation/Nominating Committee or Audit/Corporate Governance Committee are also paid \$1,000 per committee meeting.

To further reinforce the tie between directors and stockholders, our directors are subject to stock ownership guidelines that require total ownership between 30,000 and 100,000 shares, depending on their tenure with the Company.

Each of Messrs. Cox, McCoy, Saylor, Schmidt and White were granted 910 RSUs on May 17, 2017, as their sole compensation for service on the Board of Directors of Heartland for the period from the 2017 Annual Meeting to the 2018 Annual Meeting. Mr. Falb and Mr. Flynn who chair the Audit/Corporate Governance and Compensation/Nominating Committees, respectively, were each granted 1,095 RSUs. All RSUs granted to directors in 2017 will vest and be issued on June 5, 2018. Mr. Fuller and Mr. Lee, who were Heartland or bank subsidiary officers in 2017, did not receive any compensation for serving on the Board of Heartland or any of its subsidiary banks.

Messrs. Cox, Falb, Flynn, McCoy, Saylor, Schmidt and White also serve on the Board of one of our subsidiary banks and receive cash compensation and/or Heartland common stock for such service. Our subsidiary banks compensate directors by granting RSUs for Heartland common stock, though the directors are paid in cash for committee work on the Boards of our subsidiary banks. Heartland directors who served as directors of subsidiary banks received 125 RSUs during 2017 for their services on the Boards of subsidiary banks.

The following table shows non-employee director compensation during 2017 for service on the Heartland Board of Directors and the Boards of our subsidiary banks:

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ⁽¹⁾	Stock Awards ⁽²⁾	Total
John W. Cox, Jr.	\$—	\$ 46,788	\$46,788
Mark C. Falb	\$14,850	\$ 55,407	\$70,257
Thomas L. Flynn	\$17,450	\$ 55,407	\$72,857
R. Michael McCoy	\$12,500	\$ 47,045	\$59,545
Kurt M. Saylor	\$3,025	\$ 46,726	\$49,751
John K. Schmidt	\$12,500	\$ 47,045	\$59,545
Duane E. White	\$11,850	\$ 47,057	\$58,907

(1) The amounts in this column include fees paid in cash for service on a committee at Heartland or one of Heartland's subsidiaries.

(2) The amounts in this column represent the fair value, determined based upon the market price of our common stock on the date of grant in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, of RSUs granted for service as directors of Heartland, as indicated above, as well as RSUs granted for service as directors of subsidiary banks. Messrs. Falb, Flynn, McCoy and Schmidt each received 125 RSUs for service as directors of Dubuque Bank and Trust Company on May 16, 2017, Mr. Cox received 125 RSUs for service as director of

Illinois Bank & Trust on May 22, 2017, Mr. Saylor received 125 RSUs for service as director of Morrill & Janes Bank on May 30, 2017, and Mr. White received 125 RSUs for service as director of Minnesota Bank & Trust on May 11, 2017.

SECURITY
OWNERSHIP OF
CERTAIN
BENEFICIAL
OWNERS AND
MANAGEMENT

The following table lists the beneficial ownership of our common stock as of January 31, 2018, by each person we know to beneficially own more than 5% of our outstanding common stock, by each director or nominee, by each executive officer named in the summary compensation table and by all directors and executive officers of Heartland as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class ⁽²⁾
5% Stockholders, Directors and Nominees		
BlackRock, Inc., 55 East 52nd Street, New York, NY 10022	1,593,107	(3) 5.3%
Directors		
John W. Cox, Jr.	28,059	(4) *
Mark C. Falb	179,654	(5) *
Thomas L. Flynn	78,677	(6) *
Lynn B. Fuller	1,042,169	(7) 3.5%
Bruce K. Lee	10,231	*
R. Michael McCoy	44,429	(8) *
Kurt M. Saylor	301,596	(9) 1.0%
John K. Schmidt	148,929	(10) *
Duane E. White	18,889	*
Other Named Executive Officers		
Brian Fox	14,158	(11) *
Bryan R. McKeag	12,749	(12) *
Andrew E. Townsend	27,441	(13) *
All Directors and Executive Officers as a Group (20 persons)	1,968,461	6.6%

* Less than one percent

(1) The above beneficial owners have sole voting and investment power with respect to shares of common stock owned, except as set forth in the footnotes below. Share totals include restricted stock units that will vest within 60 days of January 31, 2018.

(2) Based upon 30,051,860 shares of common stock outstanding on January 31, 2018, plus any restricted stock units that will vest within 60 days of January 31, 2018 for that person.

(3) Based upon a Schedule 13G filed on February 1, 2018. BlackRock, Inc. has sole voting power with respect to 1,548,157 shares and sole dispositive power with respect to 1,593,107 shares.

(4) Includes 21,086 shares held by John W. Cox, Jr., Inc. Mr. Cox controls voting and disposition of these shares.

(5) Includes 68,856 shares held in a trust for which Mr. Falb's spouse serves as trustee, 38,798 shares held in a trust for which Mr. Falb serves as trustee, and 72,000 shares held in a charitable foundation in which Mr. Falb has no pecuniary interest.

(6) Includes 2,987 shares held by Mr. Flynn's spouse in an individual retirement account (IRA) and 36,170 shares held by Mr. Flynn jointly with his spouse.

(7) Includes 5,000 shares held in a trust for which Mr. Fuller's spouse serves as trustee, 598,554 shares held in a trust for which Mr. Fuller serves as sole trustee, 123,078 shares held in a trust for which Mr. Fuller serves as co-trustee, and 301,616 shares held in a limited liability limited partnership, for which Mr. Fuller acts as a general partner and for which his spouse and two sons are limited partners. Of the shares of common stock disclosed in the table, Mr. Fuller has pledged 205,887 shares as collateral for a personal loan.

(8) Includes 33,635 shares held by Mr. McCoy jointly with his spouse.

(9) Includes 85,763 shares held in a trust for which Mr. Saylor's spouse serves as trustee, and 215,833 shares held in a trust for which Mr. Saylor serves as trustee.

(10) Includes an aggregate of 18,483 shares held by Mr. Schmidt's spouse and minor child and 3,506 shares held by Mr. Schmidt jointly with his spouse. Of the shares of common stock disclosed in the table, 25,000 shares held in Mr. Schmidt's name are subject to a pledge as collateral for a personal loan.

(11) Shares are held in a revocable trust for which Mr. Fox serves as trustee.

(12) Includes 9,117 shares held in a living trust for which Mr. McKeag serves as trustee.

(13) Includes 26,278 shares held by Mr. Townsend jointly with his spouse.

SECTION 16(a)
BENEFICIAL
OWNERSHIP
REPORTING
COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires that our directors, executive officers and 10% stockholders file reports of ownership and changes in ownership with the SEC. Such persons are also required to furnish us with copies of all Section 16(a) forms they file. The following directors and executive officers filed late reports on Form 4 during the year ended December 31, 2017: Mr. Saylor (one report for one transaction) and Mr. Douglas Horstmann, former President and CEO of Dubuque Bank and Trust Company, a Heartland subsidiary (two reports for two transactions). Based upon information provided by officers and directors, except with respect to these late reports, we believe all our officers, directors and 10% stockholders filed all reports on a timely basis in 2017.

EXECUTIVE
OFFICER
COMPENSATION
Compensation
Discussion and
Analysis

Overview

This Compensation Discussion and Analysis (“CD&A”) addresses our total compensation philosophy and objectives with respect to our named executive officers. The CD&A also covers compensation factors, elements of compensation and the basis for compensation decisions for 2017.

We design our executive compensation program to be both competitive in the marketplace and to align the interests of our executive officers with the long-term interests of our stockholders. Our goal is to pay total direct compensation (base salary plus annual and long-term incentive compensation) that is competitive in our markets, and that attracts and retains talented executives. This generally means that we pay total direct compensation near the median of our peer group for comparable positions for target performance. Base salaries of our executives are typically near the peer group median, and in conjunction with annual and long-term incentive compensation, are targeted at the median. Incentives can be earned at above-median rates, but generally only for outstanding performance relative to the performance standards established by the Compensation/Nominating Committee.

2017 was a year of solid performance for our Company, including the following highlights:

- * Annual net income of \$75.3 million;
- * Net interest margin of 4.04%, compared to 3.95% during 2016;
- * Total assets increased to \$9.81 billion, an increase of 19% from year end 2016;
- Diversified our market area and asset base with acquisition of Citywide Banks of Denver,
- * Colorado (3rd Quarter 2017) and Signature Bank of Minnetonka, Minnesota (1st Quarter 2018); and
- * Announced agreement to acquire FirstBank & Trust of Lubbock, Texas.

HIGHLIGHTS

- * Total Assets ↑19%
- * Largest Acquisition to Date
- * 4.04% Net Interest Margin

Our executive compensation program includes a mix of base salary, annual incentive, and equity awards. Variable compensation based on performance is a significant component of total compensation. Our performance standards for

annual incentive cash awards link to return on equity, efficiency ratio, loan growth and deposit growth. In 2017, we amended the performance standards to separately factor organic growth versus acquired growth in loans and deposits. We believe this change allows our executives to be rewarded for accretive acquisitions in addition to traditional organic growth. Payout continues to range from 0% to 150% for all incentive opportunities to enhance the sensitivity of awards to performance. Targets for our performance standards are determined with reference to median peer performance, Heartland's historical performance and Heartland's 2017 financial plan targets.

For long-term incentives, we continue to use a balanced portfolio approach, whereby we granted a blend of time-based RSUs and one-year and three-year performance-based RSUs. Time-based RSUs vest ratably over three years, while the one-year performance-based RSUs vest two years after measurement of performance and the three-year performance-based RSUs vest immediately upon measurement of performance. One-year performance-based RSUs were awarded based on 2017

earnings per share and both organic and acquired loan growth. Three-year performance-based RSUs were based on three-year earnings per share growth in comparison to peers and three-year return on tangible common equity in comparison to peers. Return on tangible common equity is defined as the amount equal to (a) net income available to common shareholders, divided by (b) average common equity less goodwill and core deposit intangibles and customer relationship intangibles, net. This measure is not determined in accordance with generally accepted accounting principles (“GAAP”).

Because of the uncertainties related to the Tax Cuts and Jobs Act and how it would impact results as measured against previously-set compensation standards, the Compensation/Nominating Committee voted on December 12, 2017, that all 2017 return on equity results used to calculate annual incentive and long-term incentive awards be adjusted to exclude the effects of any tax reform. The Act subsequently was signed into law on December 22, 2017.

We believe that this compensation program has, over the past five years, very closely aligned the value we have generated for stockholders with the compensation of our executives. The table below, which graphs CEO pay against total stockholder return (“TSR”), illustrates the alignment of CEO pay with company performance. Heartland has delivered strong total stockholder return in its peer group and versus other similarly situated banks:

- (1) Indexed TSR assumes an initial investment of \$100 at the start of year one (2013) and reflects the annual increase/(decrease) in such investment as a result of annual TSR.
- (2) Mr. Fuller's total compensation as disclosed in Heartland's proxy statements.
- (3) Reflects the 50th percentile of Heartland's 2017 primary peer group, which is described later in this Compensation Discussion and Analysis section.
- (4) Reflects the 50th percentile of Heartland's 2017 secondary peer group, a broader group of banks with total assets ranging from \$5 billion to \$20 billion.

Administration of Our Executive Compensation Program

Role of the Compensation/Nominating Committee. The Compensation/Nominating Committee, which consists solely of independent directors, is primarily responsible for setting executive compensation for Heartland and then reporting

its decisions to our Board of Directors. Each year, at its January and March meetings, the Compensation/Nominating Committee makes decisions on base salary adjustments, annual and long-term incentive awards based on prior performance, and performance standards and targets for the coming year.

In making compensation decisions, the Compensation/Nominating Committee reviews and evaluates a broad range of material requested and received from management and its compensation consultant, including but not limited to, the following:

- * financial reports covering, among other things, historical and year-to-date financial performance vs. the financial plan and financial performance vs. the peer group;
- * individual performance information for the CEO and other executive officers;
- * reports on Heartland's strategic objectives and future financial plans;
- * information on executive officers' stock ownership;
- * agreements and other plan documents regarding compensation; and
- * competitive market data from consultants retained by the Compensation/Nominating Committee.

In formulating our performance-based compensation programs for executive officers, our Compensation/Nominating Committee considers the risk created by tying compensation to financial goals, including the risk of encouraging short-term behavior by tying a portion of compensation to annual goals, and the risks presented by encouraging higher earnings and asset and deposit growth. The Compensation/Nominating Committee is guided by the Guidance on Sound Incentive Compensation Policies jointly issued by the financial institution regulatory agencies in 2010, which establishes a framework for assessing the soundness of incentive compensation plans, programs and arrangements maintained by financial institutions, and encourages balanced risk-taking incentives compatible with effective controls and risk management and with general principles of strong corporate governance. The Compensation/Nominating Committee meets with Heartland's Chief Risk Officer annually and discusses any risks presented by its annual incentive program.

The Compensation/Nominating Committee believes that a sensible approach to balancing risk-taking and rewarding achievement of reasonable, but not necessarily easily attainable, goals has always been a component of the executive compensation program. The Compensation/Nominating Committee has regularly revisited the joint agency guidance as an effective tool for conducting its own assessment of the balance between risk and reward built into Heartland's executive compensation program.

The Compensation/Nominating Committee reviewed with the Chief Risk Officer of Heartland the incentive compensation arrangements for the named executive officers and has made reasonable efforts to ensure that such arrangements are appropriately balanced, do not create inappropriate risk-taking and do not impair the safety and soundness of Heartland and its subsidiary banks. We believe that tying a substantial portion of total direct compensation to long-term incentives keeps the named executive officers focused on the company's long-term performance. Other features in our executive compensation program discourage excessive risk-taking and encourage a focus on long-term performance. These features include performance standards that account for quality of growth, meaningful stock ownership guidelines and clawback provisions.

Role of Management. Our management evaluates employee performance, establishes business performance targets and objectives and recommends salaries, cash incentive and equity awards. Our CEO, President, Corporate Secretary and Chief Human Resources Officer assist the Chairman of the Compensation/Nominating Committee with setting the agenda for the Committee's meetings and coordinate the preparation of materials for all such meetings. At the request of the Compensation/Nominating Committee, our CEO, President and Chief Human Resources Officer also provide information regarding our strategic objectives, evaluations of executive officers' performance and compensation recommendations for executive officers other than themselves. Our CEO, President and Chief Human Resources

Officer do not approve the compensation arrangements of any executive officers or participate in the formulation of their own compensation.

Role of Advisors - Peer Comparison. Grant Thornton LLP (“GT”) was retained by the Compensation/Nominating Committee in 2017 to provide compensation consulting services. GT’s role includes providing market information on compensation levels and practices, assisting in the design of compensation programs, providing input on related technical and regulatory matters and working with other advisors in developing peer groups.

In considering the retention of GT, the Compensation/Nominating Committee assessed GT’s independence in accordance with Nasdaq listing standards and considered that:

- *GT does not provide any other services to Heartland, other than unrelated employment tax advisory services;
- *The fees paid to GT by Heartland for its services as compensation consultant represent an insignificant portion of the total revenues of GT;
- *GT maintains policies and procedures designed to prevent conflicts of interest between GT and the companies to which it provides services, as well as between its individual employees and such companies;
- *Neither Heartland nor any member of the Compensation/Nominating Committee has any other business or personal relationship with GT or the employees of GT who provide services to the Committee;
- *GT, and its employees who provide services to the Compensation/Nominating Committee, do not own any shares of Heartland common stock; and
- *No executive officer of Heartland has any business or personal relationship with GT or its employees who provide services to the Compensation/Nominating Committee.

Based upon these and other factors, the Compensation/Nominating Committee concluded that the retention of GT did not present any conflicts of interest and that such retention was appropriate.

The Compensation/Nominating Committee annually reviews a competitive analysis generated by its compensation consultant as a benchmark for our executive compensation program. The Committee establishes appropriate and competitive ranges of annual and long-term compensation, with consideration for comparable benchmarks within the primary peer group. Various components of executive compensation (e.g., base salaries, equity compensation, retirement plan contributions and other benefits) are benchmarked against comparable positions within the primary peer group. In addition, the Compensation/Nominating Committee reviews information prepared by the compensation consultant on the usage of shares and related dilution levels for equity incentive plans within the primary peer group.

The Compensation/Nominating Committee, with the assistance of its compensation consultant, annually reviews the primary peer group which it uses to analyze the competitiveness of our executive compensation program. The members of the primary peer group are selected based on comparable industry, amount of total assets, market cap, and growth and returns over the past three to five years. The 2017 primary peer group added 13 companies and removed six companies from the 2016 primary peer group based on the criteria above. The table below lists the 28 companies that comprise our 2017 primary peer group:

NAME	CITY, STATE	TICKER	NAME	CITY, STATE	TICKER
Chemical Financial Corporation	Midland, MI	CHFC	Simmons First National Corporation	Pine Bluff, AR	SFNC
Western Alliance Bancorporation	Phoenix, AZ	WAL	LegacyTexas Financial Group, Inc.	Plano, TX	LTXB
International Bancshares Corporation	Laredo, TX	IBOC	Independent Bank Corp.	Rockland, MA	INDB
Great Western Bancorp, Inc.	Sioux Falls, SD	GWB	Park National Corporation	Newark, OH	PRK
Banc of California, Inc.	Irvine, CA	BANC	First Merchants Corporation	Muncie, IN	FRME
Banner Corporation	Walla Walla, WA	BANR	BancFirst Corporation	Oklahoma City, OK	BANF
Columbia Banking System, Inc.	Tacoma, WA	COLB	S&T Bancorp, Inc.	Indiana, PA	STBA
Glacier Bancorp, Inc.	Kalispell, MT	GBCI	Ameris Bancorp	Moultrie, GA	ABCB
Customers Bancorp, Inc.	Wyomissing, PA	CUBI	Eagle Bancorp, Inc.	Bethesda, MD	EGBN
FCB Financial Holdings, Inc.	Weston, FL	FCB	Tompkins Financial Corporation	Ithaca, NY	TMP
	Billings, MT	FIBK		Uniondale, NY	FFIC

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form PRE 14A

First Interstate BancSystem, Inc.			Flushing Financial Corporation		
NBT Bancorp Inc.	Norwich, NY	NBTB	Southside Bancshares, Inc.	Tyler, TX	SBSI
Renasant Corporation	Tupelo, MS	RNST	1st Source Corporation	South Bend, IN	SRCE
Union Bankshares Corporation	Richmond, VA	UBSH	First Busey Corporation	Champaign, IL	BUSE

Because it recognizes the inherent limitations on benchmarked data, the Compensation/Nominating Committee does not establish compensation based on pre-established ratios of executive compensation to peer group data. Instead, peer group

data is one factor in the Committee's analysis, and it is used for a validation check of the final compensation package chosen for our executives.

Consideration of Advisory Vote. As determined by our stockholders in 2017, we annually submit our executive compensation arrangements to stockholders for a non-binding, advisory vote. The Compensation/Nominating Committee believes that an annual "say on pay" vote provides it with more direct and current input regarding the effectiveness of its compensation policies. At each of our Annual Meetings since the "say on pay" vote began, over 94% of the votes have been cast in favor of our executive compensation program. The Compensation/Nominating Committee interprets this high level of approval as an indication of our stockholders' endorsement of the program. The Compensation/Nominating Committee recognizes that effective practices evolve, and the Committee will continue to consider changes as needed to keep our executive compensation program competitive and performance-based.

Elements of Compensation

The compensation of our named executive officers is comprised of four primary components: (1) base salary, (2) annual incentive cash awards, and (3) long-term incentive equity compensation, which together constitute total direct compensation, and (4) additional benefits.

As illustrated by the following table, a substantial part of our CEO's total direct compensation for 2017 was performance-based:

2017 CEO Total Direct Compensation Mix

Fixed Compensation	Amount	% of Total Compensation	
Base Salary	\$501,675	40	%
Total Fixed Compensation	\$501,675	40	%
Variable-Based Compensation	Amount	% of Total Compensation	
Long-Term Equity Incentive - Performance-Based RSUs	\$259,877	20	%
Long-Term Equity Incentive - Time-Based RSUs	\$158,066	12	%
Annual Incentive Cash Award	\$352,778	28	%
Total Variable-Based Compensation	\$770,721	60	%
Total Direct Compensation	\$1,272,396	100	%

Base Salary. The Compensation/Nominating Committee regards base salary as an important component of executive compensation because it provides executives with the assurance of a regular income. Base salaries are intended to assist us in attracting executives and recognizing different levels of responsibility and contribution. The Compensation/Nominating

Committee targets base salaries for our named executive officers near the peer group median for comparable positions, with additional consideration given to the executive's qualifications and experience, scope of responsibility and potential to achieve the goals and objectives established. Past performance and internal pay equity are also considered.

The following table lists the base salaries for our named executive officers in 2017 in comparison to 2016 and 2015:

Officer	2015	2016	2017
Lynn B. Fuller	\$486,388	\$499,219	\$501,675
Bruce K. Lee	\$383,519	\$400,000	\$485,417
Bryan R. McKeag	\$305,625	\$312,113	\$316,913
Andrew E. Townsend	\$—	\$240,000	\$266,250
Brian J. Fox	\$—	\$—	\$275,025

Mr. Fox joined the group of named executive officers after the June 2017 retirement of Douglas Horstmann, the President and CEO of Heartland's flagship bank, Dubuque Bank & Trust. Mr. Fuller and Mr. McKeag received modest salary increases in 2017, while Mr. Lee and Mr. Townsend received more significant base salary increases in 2017 to align them more closely to the peer group median for their positions.

Annual Incentive Cash Awards. Our Compensation/Nominating Committee administers an executive incentive program that allows our named executive officers to earn annual incentive cash awards. The performance standards for the awards are designed to encourage not only financial performance, but to ensure growth in quality assets, to limit excessive risk-taking and to reward adherence to our longer-term financial plan. For our named executive officers, targets for the performance standards are based on Heartland's financial plan targets, with all of our named executive officers having a portion of their annual incentive tied to Heartland's return on common equity ("ROE"); efficiency ratio; organic loan growth, exclusive of loans obtained through acquisitions ("organic loan growth"); acquired loan growth; deposit growth, excluding certificates of deposit and deposits obtained through acquisitions ("organic deposit growth"); and acquired deposit growth. As Chief Credit Officer, Mr. Townsend does not have a component for deposit growth, but instead has performance standards for non-performing assets and net charge-offs.

The target annual incentive cash award for each named executive officer is based upon a percentage of his base salary. For 2017, the target annual incentive was 80% of base salary for Msrs. Fuller and Lee, 60% for Mr. McKeag, and 50% for Msrs. Townsend and Fox.

The total annual incentive cash award for each named executive officer is the sum of smaller awards based on each of the performance standards described above. The smaller awards are calculated using the following formula:

$$\text{Award Based on Each Performance Standard} = \text{Executive Officer's Salary} \times \frac{\text{Target Annual Incentive}}{\text{Target}} \times \frac{\text{Weighting of Performance Standard}}{\text{Target}} \times \frac{(2017 \text{ Result} \div 2017 \text{ Target})}{\text{Target}}$$

The named executive officers may receive a maximum payout of up to 150% of target on all performance standards. No payout is received if threshold levels of performance are not met, with payouts beginning at 50% of targeted award levels for threshold performance.

Because we believe earnings and ROE are the most important indicators of market performance, and therefore best align the interests of our named executive officers with our stockholders, the largest proportion of the potential annual incentive cash award of our named executive officers is based upon ROE. To encourage superior performance, our ROE target is set at 10.25% or greater, which we believe is strong performance in relation to our peers based on competitive analysis.

As a growth-oriented bank holding company, it is also our objective to encourage growth in our most important asset: loans. Accordingly, both organic loan growth and acquired loan growth are significant factors for the annual incentive cash award of each of our named executive officers. Furthermore, because Mr. Townsend is in a particularly important position to influence the quality of loan growth, we base a portion of his annual incentive cash award on the ratio of nonperforming assets to total assets and on the ratio of net charge-offs to average total loans.

Our Compensation/Nominating Committee also bases a portion of the annual incentive cash award on organic deposit growth and acquired deposit growth for all named executive officers other than Mr. Townsend. Deposit growth is important to maintain liquidity and healthy reserves and to uphold a strong net interest margin.

The efficiency ratio is another factor in the named executive officers' annual incentive cash awards. This performance standard focuses attention on organizational efficiency. We believe the efficiency ratio, which measures productivity, is another indicator of returning value to our stockholders.

The remaining component upon which a portion of a named executive officer's annual incentive cash award may be earned is a discretionary standard. This allows the Compensation/Nominating Committee to take a broader view of the prior year's performance and allows the Committee to consider additional qualitative and quantitative factors, including risk management, merger and acquisition activity, credit quality, talent management, regulatory relations, special projects and unplanned/unexpected circumstances. Because of Heartland's successful system conversions and integration of a large bank acquisition in 2017, its strong net interest margin, aggressive growth and pipeline for future growth, and other factors, the Compensation/Nominating Committee awarded a payout of 125% for all named executive officers within the discretionary category.

The tables below show business plan targets and 2017 results that were used to calculate the annual incentive cash award for each of our named executive officers, dollars in thousands:

Mr. Fuller

Performance Standard	Weighting	2017 Target	2017 Result	2017 Score
Adjusted Return on Equity (non-GAAP) ⁽¹⁾	40.00 %	10.25 %	9.82 %	78.50 %
Efficiency Ratio (non-GAAP) ⁽²⁾	10.00 %	65.00 %	65.40 %	90.00 %
Loan Growth, Organic	7.50 %	\$267,586	\$(42,101)	— %
Loan Growth, Acquired	7.50 %	\$500,000	\$1,081,846	150.00%
YTD Non-Time Deposit Growth, Organic	7.50 %	\$299,506	\$(12,260)	— %
YTD Non-Time Deposit Growth, Acquired	7.50 %	\$500,000	\$1,245,670	150.00%
Board Discretionary	20.00 %	100.00 %	125.00 %	125.00%

Mr. Lee

Performance Standard	Weighting	2017 Target	2017 Result	2017 Score
Adjusted Return on Equity (non-GAAP) ⁽¹⁾	40.00 %	10.25 %	9.82 %	78.50 %
Efficiency Ratio (non-GAAP) ⁽²⁾	10.00 %	65.00 %	65.40 %	90.00 %
Loan Growth, Organic	7.50 %	\$267,586	\$(42,101)	— %
Loan Growth, Acquired	7.50 %	\$500,000	\$1,081,846	150.00%
YTD Non-Time Deposit Growth, Organic	7.50 %	\$299,506	\$(12,260)	— %
YTD Non-Time Deposit Growth, Acquired	7.50 %	\$500,000	\$1,245,670	150.00%
Board Discretionary	20.00 %	100.00 %	125.00 %	125.00%

Mr. McKeag

Performance Standard	Weighting	2017 Target	2017 Result	2017 Score
Adjusted Return on Equity (non-GAAP) ⁽¹⁾	40.00 %	10.25 %	9.82 %	78.50 %
Efficiency Ratio (non-GAAP) ⁽²⁾	10.00 %	65.00 %	65.40 %	90.00 %
Loan Growth, Organic	7.50 %	\$267,586	\$(42,101)	— %
Loan Growth, Acquired	7.50 %	\$500,000	\$1,081,846	150.00%
YTD Non-Time Deposit Growth, Organic	7.50 %	\$299,506	\$(12,260)	— %
YTD Non-Time Deposit Growth, Acquired	7.50 %	\$500,000	\$1,245,670	150.00%

Board Discretionary

20.00 % 100.00 % 125.00 % 125.00%

Mr. Townsend

Performance Standard	Weighting	2017 Target	2017 Result	2017 Score
Adjusted Return on Equity (non-GAAP) ⁽¹⁾	40.00 %	10.25 %	9.82 %	78.50 %
Efficiency Ratio (non-GAAP) ⁽²⁾	10.00 %	65.00 %	65.40 %	90.00 %
Loan Growth, Organic	7.50 %	\$267,586	\$(42,101)	— %
Loan Growth, Acquired	7.50 %	\$500,000	\$1,081,846	150.00 %
Nonperforming Assets to Total Assets	10.00 %	0.90 %	0.76 %	135.00 %
Net Charge-Offs to Average Loans Outstanding	10.00 %	0.20 %	0.24 %	80.00 %
Board Discretionary	15.00 %	100.00 %	125.00 %	125.00 %

Mr. Fox

Performance Standard	Weighting	2017 Target	2017 Result	2017 Score
Adjusted Return on Equity (non-GAAP) ⁽¹⁾	40.00 %	10.25 %	9.82 %	78.50 %
Efficiency Ratio (non-GAAP) ⁽²⁾	10.00 %	65.00 %	65.40 %	90.00 %
Loan Growth, Organic	7.50 %	\$267,586	\$(42,101)	— %
Loan Growth, Acquired	7.50 %	\$500,000	\$1,081,846	150.00 %
YTD Non-Time Deposit Growth, Organic	7.50 %	\$299,506	\$(12,260)	— %
YTD Non-Time Deposit Growth, Acquired	7.50 %	\$500,000	\$1,245,670	150.00 %
Board Discretionary	20.00 %	100.00 %	125.00 %	125.00 %

(1) Refer to the table, “Reconciliation of Non-GAAP Measure - Adjusted Return on Equity.”

(2) Refer to the table “Reconciliation of Non-GAAP Measure-Efficiency Ratio.”

Below are the components of the return on common stockholders’ equity calculation that reconcile to the comparable GAAP measures, dollars in thousands:

Reconciliation on Non-GAAP Measure - Adjusted Return on Equity

	For the Year Ended December 31, 2017
Net income available to common stockholders (GAAP)	\$75,226
Tax adjustment for the impact of the enactment of the Tax Cuts and Jobs Act	10,396
Net income available to common stockholders after impact of the enactment of the Tax Cuts and Jobs Act (non-GAAP)	\$85,622
Average common stockholders’ equity (GAAP)	\$871,683
Return on average common equity (GAAP)	8.63 %
Return on average common equity after adjustment for the enactment of the Tax Cuts and Jobs Act (non-GAAP) ⁽¹⁾	9.82 %

(1) The calculation of return on equity is based on net income before the adjustment to income tax expense related to the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017. This calculation is a non-GAAP measure but because of the uncertainties related to the Act and how it would impact results as measured against previously-set compensation standards, the Compensation/Nominating Committee voted on December 12, 2017, that all 2017 return on equity results used to calculate annual incentive and long-term incentive awards be adjusted to exclude the effects of any tax reform. The Act subsequently was signed into law on December 22, 2017. This measure should not be considered a substitute for operating results determined in accordance with GAAP.

Below are the components of the efficiency ratio that reconcile to the comparable GAAP measures, dollars in thousands:

Reconciliation of Non-GAAP Measure - Efficiency Ratio

	For the Year Ended December 31, 2017
Net interest income (GAAP)	\$ 330,308
Tax-equivalent adjustment ⁽¹⁾	15,139
Net interest income - tax equivalent (non-GAAP)	345,447
Noninterest income	102,022
Securities gains, net	(6,973)
Gain on extinguishment of debt	(1,280)
Adjusted income (non-GAAP)	\$ 439,216
Total noninterest income expenses (GAAP)	\$ 297,675
Less:	
Core deposit intangibles and customer relationship intangibles amortization	6,077
Partnership investment in historic rehabilitation tax credits	1,860
Loss on sales/valuations of assets, net	2,475
Adjusted noninterest income expenses (non-GAAP)	\$ 287,263
Efficiency ratio, fully tax-equivalent (non-GAAP) ⁽²⁾	65.40 %

(1) Computed on a tax equivalent basis using an effective tax rate of 35%.

(2) Efficiency ratio, fully tax-equivalent, expresses adjusted noninterest expenses as a percentage of fully tax-equivalent net interest income and noninterest income. This efficiency ratio is presented on a tax-equivalent basis, which adjusts net interest income and noninterest income expenses for the tax favored status of certain loans, securities, and tax credit projects. Management believes the presentation of this non-GAAP measure enhances the comparability of income and expenses arising from taxable and nontaxable sources and excludes specific items, as noted in the table. This measure should not be considered a substitute for operating results determined in accordance with GAAP.

Long-Term Incentive Equity Compensation. The Compensation/Nominating Committee believes that equity compensation can be an effective tool for aligning the long-term interests of management with those of stockholders. Since 2012, our Compensation/Nominating Committee has granted our named executive officers a combination of RSUs that vest based on time and continued employment, and RSUs that must be earned based upon annual performance. In addition to our time-based RSUs and one-year performance-based RSUs, in 2016, the Compensation/Nominating Committee added three-year performance-based RSUs to the long-term equity compensation pool to encourage long-term decision-making. All forms of equity incentive are intended to enhance our ability to retain and attract senior leadership talent, provide compensation opportunities tied to long-term service and stockholder value, and reinforce our pay-for-performance and stockholder-alignment philosophy. The equity compensation is administered through our Amended and Restated 2012 Long-Term Incentive Plan.

Starting in 2016, in order to compete with prevailing peer practice, the time-based RSUs that we have granted under this program vest in three equal installments, starting on the first anniversary of the date of grant, and become fully vested on the third anniversary of the grant date. All prior years of time-based RSUs that remain outstanding vest in

three equal installments, starting on the third anniversary of the grant date, and become fully vested on the fifth anniversary of the grant.

The one-year performance-based RSUs that we granted in 2017 have a one-year performance period and are earned (1) 70% based upon achieving earnings per share targets, and (2) 30% based upon achieving loan growth targets, both organic and acquired. The one-year performance-based RSUs vest two years after they are earned. Named executive officers may receive a maximum payout of 150% of target for outstanding performance. No payout is received if threshold levels of performance are not met, with payouts beginning at 50% of targeted award levels for threshold performance. In 2017, the named executive officers received a 55% score for the one-year performance-based RSUs tied to achievement of Heartland's earnings per share targets and received a 75% score for the one-year performance-based RSUs tied to the combination of organic and acquired loan growth. Accordingly, the named executive officers received a payout of 61% of target for the one-year performance-based RSUs.

The three-year performance-based RSUs that we granted in 2017 have a three-year performance period, and are earned (1) 50% based upon Heartland's earnings growth in comparison to its secondary peer group, and (2) 50% based upon Heartland's return on tangible common equity in comparison to its secondary peer group. The three-year performance-based RSUs granted in 2017 will vest on a measurement date in 2020, upon a review of aggregate performance from fiscal year 2017 through fiscal year 2019. Named executive officers may receive a maximum payout of 150% of target for outstanding performance. No payout is received if threshold levels of performance are not met, with payouts beginning at 50% of targeted award levels for threshold performance.

In granting performance-based RSUs to the named executive officers, the Compensation/Nominating Committee considers the overall allocation of RSUs to ensure that the target number of performance-based RSUs granted is equal to or greater than the number of time-based RSUs granted. In 2017, the RSU awards to the named executive officers were roughly 40% time-based RSUs, 40% one-year performance-based RSUs and 20% three-year performance-based RSUs. The Compensation/Nominating Committee strives to grant RSUs with an aggregate grant date fair value that is competitive in the context of an executive's performance and position.

Other Compensation and Benefits. We have historically limited perquisites and other types of non-cash benefits to reinforce a pay-for-performance orientation and to minimize expenses. Such non-cash benefits, when provided, can include use of a company-owned vehicle, payment of 50% of country club or social club dues, and an allowance for moving expenses.

Heartland is a majority owner of a Cessna business jet. The aircraft is used to transport personnel to meetings at various Heartland locations. The jet also provides transportation for Heartland executives to business meetings and transports Heartland executives, directors, major stockholders and customers for business development purposes. It is our policy that the aircraft is not to be utilized for personal benefit; however, on occasion, and subject to applicable regulations, an executive officer's or a director's family member may board a flight if an empty seat is available on a regularly-scheduled business flight. We believe such usage does not create any incremental cost to Heartland.

Heartland does provide additional life insurance benefits to certain officers of Heartland under a number of different executive life insurance programs.

Executive officers also participate in our other broad-based employee benefit programs on the same terms as similarly situated employees, including our 2016 Employee Stock Purchase Plan, health insurance plans and a defined contribution retirement savings plan.

We provide severance and change in control arrangements to our named executive officers that are described under "Potential Payments upon Termination or Change in Control."

Key Policies

Stock Ownership and Retention Guidelines. To reinforce our philosophy of equity ownership and to further align the interest of our executives and directors with our stockholders, we have share retention and ownership guidelines for our executives and directors, including our named executive officers and the presidents of our bank subsidiaries. The stock ownership guidelines vary based upon position or tenure on the board, and range from 30,000 to 100,000 shares for both our executive officers and directors.

Prohibition on Hedging. Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such hedging transactions may permit a director or executive officer to continue to own

securities of the Company, but without the full risks and rewards of ownership. When this situation occurs, the director or executive officer may no longer have the same objectives as the Company's other stockholders. Therefore, directors and executive officers are prohibited from engaging in any such hedging transactions.

Clawback Provisions. Regardless of whether we meet the performance targets, however, our Compensation/Nominating Committee has authority to claw back the RSUs if we are subject to significant regulatory action or a regulatory body has identified any material weakness in our operations or the operations of our subsidiaries. Both the time-based and performance-based RSU agreements contain clawback provisions that allow any amount or benefit received to be canceled, recouped, rescinded, or otherwise reduced.

Tax Deductible Compensation. Section 162(m) of the Internal Revenue Code disallows a tax deduction to publicly held companies for compensation paid to certain covered officers to the extent such compensation exceeds \$1.0 million per

covered officer in any year. The Tax Cuts and Jobs Act eliminates the current exception to the deduction limit for qualified performance-based compensation and broadens the application of the deduction limit to certain current and former executive officers who previously were exempt from such limit, effective for taxable years beginning on and after January 1, 2018. We believe that in establishing the cash and equity incentive compensation programs for our named executive officers, the potential deductibility of the compensation payable under those programs should be only one of a number of relevant factors taken into consideration, and not the sole governing factor. For that reason, we may deem it appropriate to provide one or more named executive officers with the opportunity to earn incentive compensation, which together with base salary in the aggregate may be in excess of the amount deductible by reason of Section 162(m) or other provisions of the Internal Revenue Code.

Compensation/Nominating Committee Report

We have reviewed and discussed the Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that this Compensation Discussion and Analysis be included in the proxy statement for the year ended December 31, 2017.

Members of the Compensation/Nominating Committee,

Mark C. Falb
Thomas L. Flynn
R. Michael McCoy
John K. Schmidt
Duane E. White

Summary Compensation Table

The following table sets forth information concerning the compensation of our Chief Executive Officer, our Chief Financial Officer and our other three most highly compensated executive officers (collectively, the “named executive officers”) for the fiscal years ended December 31, 2017, 2016 and 2015.

Name & Principal Position	Year	Salary ⁽¹⁾	Stock Awards ⁽²⁾	Non-Equity Incentive Plan Compensation	All Other Compensation ⁽³⁾	Total
Lynn B. Fuller	2017	\$501,675	\$417,944	\$352,778	\$20,833	\$1,293,230
Chairman & Chief Executive Officer	2016	\$499,219	\$369,591	\$416,426	\$20,380	\$1,305,616
	2015	\$486,388	\$284,950	\$341,080	\$20,303	\$1,132,721
Bruce K. Lee	2017	\$485,417	\$395,684	\$341,345	\$18,900	\$1,241,346
President	2016	\$400,000	\$289,302	\$336,179	\$18,550	\$1,044,031
	2015	\$383,519	\$227,960	\$233,984	\$177,468	\$1,022,931
Bryan R. McKeag	2017	\$316,913	\$195,980	\$167,713	\$19,025	\$699,631
Executive Vice President	2016	\$312,113	\$123,238	\$173,568	\$18,550	\$627,469
Chief Financial Officer	2015	\$305,625	\$106,856	\$142,880	\$18,550	\$573,911
Andrew E. Townsend ⁽⁴⁾	2017	\$266,250	\$124,942	\$126,363	\$19,502	\$537,057
Executive Vice President	2016	\$240,000	\$150,705	\$140,400	\$18,886	\$549,991
Chief Credit Officer	2015	\$—	\$—	\$—	\$—	\$—
Brian J. Fox ⁽⁵⁾	2017	\$275,025	\$108,394	\$123,060	\$18,900	\$525,379
Executive Vice President	2016	\$—	\$—	\$—	\$—	\$—
Operations	2015	\$—	\$—	\$—	\$—	\$—

(1) The amounts shown include amounts deferred at the discretion of the executive officer under our retirement plan.

(2) The amounts shown represent the grant date fair market value of RSUs computed in accordance with FASB ASC Topic 718. With respect to the performance-based RSUs, the value reflected assumes that the targeted level of performance conditions will be achieved; however, named executive officers may receive a maximum payout of 150% of target. The maximum value of stock awards granted in 2017 is: \$547,882 for Mr. Fuller; \$518,702 for Mr. Lee; \$256,912 for Mr. McKeag; \$163,783 for Mr. Townsend; and \$142,094 for Mr. Fox. See the discussion of equity awards in Note 16 of our financial statements for the year ended December 31, 2017, contained in our Annual Report to Stockholders, for all assumptions made in the valuation of the RSUs.

(3) The elements of “All Other Compensation” include company contributions to our 401(k) defined contribution plan, payment of executive life insurance premiums for three executives, and for Mr. Lee, payment of moving expenses in 2015. The table below sets forth the components of All Other Compensation during 2017:

(4) Mr. Townsend was named as the Company’s Chief Credit Officer on February 1, 2016.

(5) Mr. Fox became a named executive officer following the retirement of Doug Horstmann, President and CEO of Dubuque Bank and Trust Company, in June 2017.

Name	Employer Contributions to 401(k) Retirement Plan	Executive Split-Dollar Life Insurance Program	Perquisites ⁽¹⁾	Total
Lynn B. Fuller	\$18,900	\$1,933	\$—	—\$20,833

Edgar Filing: HEARTLAND FINANCIAL USA INC - Form PRE 14A

Bruce K. Lee	\$ 18,900	\$ —	\$	—\$18,900
Bryan R. McKeag	\$ 18,900	\$ 125	\$	—\$19,025
Andrew E. Townsend	\$ 18,900	\$ 602	\$	—\$19,502
Brian J. Fox	\$ 18,900	\$ —	\$	—\$18,900

(1) All executive officers had perquisites totaling less than \$10,000 and, accordingly, those amounts are not included in this table in accordance with SEC rules.

Grants of Plan-Based Awards

The following table sets forth certain information concerning grants of plan-based awards made during 2017 to named executive officers:

Name	Grant Date	Estimated Future Payouts under Non-Equity Incentive Plan Awards ⁽¹⁾		Estimated Future Payouts under Equity Incentive Plan Awards ⁽²⁾		All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽⁵⁾	Grant Date Fair Value of Stock Awards (\$) ⁽⁶⁾
		Target (\$)	Maximum (\$)	Target (#) ⁽⁴⁾	Maximum (#)		
Lynn B. Fuller							
Annual Incentive	—	\$—	\$401,340	\$602,010	—	—	\$—
Performance-Based RSUs (1-year)	3/8/2017	\$—	\$—	—	-3,455	5,183	\$173,268
Performance-Based RSUs (3-year)	3/8/2017	\$—	\$—	—	-1,727	2,591	\$86,609
Time-Based RSUs	1/17/17	\$—	\$—	—	—	3,455	\$158,067
Bruce K. Lee							
Annual Incentive	—	\$—	\$388,334	\$582,501	—	—	\$—
Performance-Based RSUs (1-year)	3/8/2017	\$—	\$—	—	-3,271	4,907	\$164,041
Performance-Based RSUs (3-year)	3/8/2017	\$—	\$—	—	-1,635	2,453	\$81,995
Time-Based RSUs	1/17/17	\$—	\$—	—	—	3,271	\$149,648
Bryan R. McKeag							
Annual Incentive	—	\$—	\$190,800	\$286,200	—	—	\$—
Performance-Based RSUs (1-year)	3/8/2017	\$—	\$—	—	-1,620	2,430	\$81,243
Performance-Based RSUs (3-year)	3/8/2017	\$—	\$—	—	-810	1,215	\$40,622
Time-Based RSUs	1/17/17	\$—	\$—	—	—	1,620	\$74,115
Andrew E. Townsend							
Annual Incentive	—	\$—	\$137,500	\$206,250	—	—	\$—
Performance-Based RSUs (1-year)	3/8/2017	\$—	\$—	—	-1,033	1,550	\$51,805
Performance-Based RSUs (3-year)	3/8/2017	\$—	\$—	—	-516	774	\$25,877
Time-Based RSUs	1/17/17	\$—	\$—	—	—	1,033	\$47,260
Brian J. Fox							
Annual Incentive	—	\$—	\$140,000	\$210,000	—	—	\$—
Performance-Based RSUs (1-year)	3/8/2017	\$—	\$—	—	-896	1,344	\$44,934
Performance-Based RSUs (3-year)	3/8/2017	\$—	\$—	—	-448	672	\$22,467
Time-Based RSUs	1/17/17	\$—	\$—	—	—	896	\$40,993

(1) The amounts shown represent possible annual incentive cash awards that could have been earned in

2017. Heartland's executive incentive program (including the applicable performance targets) is described in the section entitled "Annual Incentive Cash Awards" in the Compensation Discussion and Analysis above.

The actual payments under this program are shown in the column entitled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table above.

(2) The amounts shown represent performance-based RSUs granted in 2017. Heartland's equity compensation program (including the applicable performance targets, earning and vesting schedules) is described in the section entitled "Long-Term Incentive Equity Compensation" in the Compensation Discussion and Analysis above.

(3) Because no annual incentive payment will be earned if the performance standards are not met, the threshold

amount is deemed to be zero.

(4) Because no performance-based RSUs will be earned if the performance standards are not met, the threshold amount is deemed to be zero.

(5) The amounts shown represent time-based RSUs granted in 2017. Heartland's equity compensation program (including the applicable vesting schedules) is described in the section entitled "Long-Term Incentive Equity Compensation" in the Compensation Discussion and Analysis above.

(6) The amounts shown represent the grant date fair value of RSUs computed in accordance with FASB ASC Topic 718.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning outstanding RSUs held at December 31, 2017, by the named executive officers:

Stock Awards

Name	Grant Date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$) ⁽¹⁾	Grant Date	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (\$) ⁽¹⁾
Lynn B. Fuller	3/8/2017	3,455	(2) \$185,361	3/8/2017	1,727	(3) \$92,654
	1/17/2017	3,455	(5) \$185,361	3/8/2016	2,524	(4) \$135,413
	3/8/2016	5,300	(2) \$284,345			
	1/19/2016	3,173	(6) \$170,231			
	3/10/2015	3,500	(2) \$187,775			
	1/20/2015	5,000	(7) \$268,250			
	3/11/2014	3,467	(7) \$186,005			
Bruce K. Lee	1/22/2013	1,925	(7) \$103,276			
	3/8/2017	3,271	(2) \$175,489	3/8/2017	1,635	(3) \$87,718
	1/17/2017	3,271	(5) \$175,489	3/8/2016	1,976	(4) \$106,012
	3/8/2016	4,148	(2) \$222,540			
	1/19/2016	2,484	(6) \$133,267			
Bryan R. McKeag	3/10/2015	2,800	(2) \$150,220			
	1/20/2015	4,000	(7) \$214,600			
	3/8/2017	1,620	(2) \$86,913	3/8/2017	810	(3) \$43,457
	1/17/2017	1,620	(5) \$86,913	3/8/2016	842	(4) \$45,173
	3/8/2016	1,767	(2) \$94,800			
	1/19/2016	1,058	(6) \$56,762			
	3/10/2015	1,313	(2) \$70,442			
Andrew E. Townsend	1/20/2015	1,875	(7) \$100,594			
	3/11/2014	1,250	(7) \$67,063			
	3/8/2017	1,033	(2) \$55,420	3/8/2017	516	(3) \$27,683
	1/17/2017	1,033	(5) \$55,420	3/8/2016	657	(4) \$35,248
	3/8/2016	1,379	(2) \$73,983			
	1/19/2016	826	(6) \$44,315			
	1/19/2016	1,333	(7) \$71,515			
3/10/2015	875	(2) \$46,944				
1/20/2015	1,250	(7) \$67,063				

3/11/2014 833 (7) \$44,690

1/22/2013 467 (7) \$25,055

Brian J. Fox	3/8/2017	547	(2)	\$29,347	3/8/2017	448 ⁽³⁾	\$24,035
	1/17/2017	896	(5)	\$48,070	3/8/2016	698 ⁽⁴⁾	\$37,448
	3/8/2016	1,453	(2)	\$77,953			
	1/19/2016	877	(6)	\$47,051			
	3/10/2015	1,225	(2)	\$65,721			
	1/20/2015	1,750	(7)	\$93,888			
	3/11/2014	980	(7)	\$52,577			
	1/22/2013	490	(7)	\$26,289			

(1) Market values for outstanding RSUs are based on \$53.65 per share, the closing price of Heartland shares of common stock on December 29, 2017 (the last trading day of the year).

(2) Reflects one-year performance-based RSUs that were earned in the applicable fiscal year based upon satisfaction of that fiscal year's performance targets. Such earned RSUs vest fully two years after the end of the performance period, subject to the continued employment of the executive officer.

(3) Reflects three-year performance-based RSUs assuming target performance, with a performance period of 2017-2019. Final award determination and vesting will be made after the completion of the 2019 performance year, subject to the continued employment of the executive officer.

(4) Reflects three-year performance-based RSUs assuming target performance, with a performance period of 2016-2018. Final award determination and vesting will be made after the completion of the 2018 performance year, subject to the continued employment of the executive officer.

(5) Reflects time-based RSUs that vest in three equal annual installments on January 19th in the first, second and third years following the grant date, subject to the continued employment of the executive officer.

(6) Reflects time-based RSUs that vest in three equal annual installments on the first, second and third anniversaries of the grant date, subject to the continued employment of the executive officer.

(7) Reflects time-based RSUs that vest in three equal annual installments on the third, fourth, and fifth anniversaries of the grant date, subject to the continued employment of the executive officer.

Stock Vested

The following table sets forth certain information concerning restricted stock unit awards vested during 2017 for the named executive officers:

Name	Stock Awards Number of Shares Acquired on	Value Realized on Vesting (\$) ⁽¹⁾
------	--	---

	Vesting (#)	
Lynn B. Fuller	12,649	\$592,340
Bruce K. Lee	1,242	\$57,443
Bryan R. McKeag	3,832	\$180,100
Andrew E. Townsend	3,707	\$173,231
Brian J. Fox	3,319	\$155,639

(1) The amounts in this column were calculated by multiplying the number of vested shares by the closing trading price per share of Heartland common stock on the dates the shares vested.

Potential Payments upon Termination or Change in Control

As described below, we provide for certain payments and benefits upon death, disability or retirement. We have also entered into change in control agreements with our named executive officers that provide for certain payments and benefits upon involuntary termination without cause or voluntary termination with good reason in connection with a change in control. In the face of corporate changes, we believe these arrangements help ensure the continuity of our management and staff, allow them to function more objectively and in a manner that is in the best interests of stockholders.

Payments Made Upon Death. Heartland has a Split-Dollar Life Insurance Plan and an Executive Supplemental Life Insurance Plan (collectively, the “plans”) that provide death benefits to the designated beneficiaries of the officers who have been enrolled in the plans. Participation in these plans is limited to persons in the position of Executive Vice President, or higher, with at least three years of service. The combined death benefit under these plans is the lesser of (1) one million dollars, or (2) two times current compensation at the time of termination (salary plus cash incentive and commissions), or (3) one hundred percent of the difference between total death proceeds payable under the policy and the cash surrender value of the policy. For those participants who entered the plans prior to 2008, this benefit continues for the officer when employment has terminated as a result of disability, retirement or a change in control. For those participants who entered the plans in 2008 or later, this benefit continues for the officer when employment has terminated as a result of disability or a change in control.

The terms of our performance-based RSU agreements prior to 2016 provide that, upon termination due to death, all earned shares become fully vested and any unearned shares are forfeited. The terms of our 2016 and 2017 performance-based RSU agreements provide that, upon termination due to death, all earned shares become fully vested and all other RSUs remain outstanding until the measurement date and then become vested to the extent earned. The terms of our time-based RSU agreements provide that, upon termination due to death, all unvested RSUs immediately vest.

Payments Made Upon Disability. Long-term disability (“LTD”) coverage is provided to all full-time employees on the first of the month following hire date. Full-time employees are eligible for a maximum monthly long-term disability benefit of \$20,000, which is based upon eligible earnings and age.

“Eligible earnings” includes base salary plus prior 12-month calculation of bonus and/or commission, which will be reduced by other income received or eligible to receive due to disability such as Social Security disability insurance, workers’ compensation, other employer-based insurance coverage, unemployment benefits or settlements/judgments for income loss or retirement benefits the employer fully or partially pays. This benefit is employer paid and the benefits are tax-free when received by the participant.

The terms of our performance-based RSU agreements prior to 2016 provide that, upon termination due to disability, all earned shares become fully vested and any unearned shares are forfeited. The terms of our 2016 and 2017 performance-based RSU agreements provide that, upon termination due to disability, all earned shares become fully vested and all other RSUs remain outstanding until the measurement date and then become vested to the extent earned. Additionally, the terms of our time-based RSU agreements provide that, upon termination due to disability, all unvested RSUs immediately vest.

Payments Made Upon Retirement. Upon retirement, unearned performance-based RSU awards will continue to remain outstanding until the date the Compensation/Nominating Committee determines the number of performance-based RSUs earned, upon which date the earned performance-based RSUs will vest. Earned performance-based RSU awards will vest immediately upon retirement. For time-based RSUs granted in 2013, the

Compensation/Nominating Committee has full discretion to accelerate the vesting of awards after the retirement of the holders of the awards. Time-based RSUs granted in 2014-2017 will vest as of the date of termination of service in the case of retirement. Retirement is defined as reaching age 62 and having provided at least five years of service to the Company. In each case, we require that retirees execute a waiver of claims against the Company, and covenant not to compete with the Company and maintain the confidentiality of its information, as a condition to acceleration.

Payments Made Upon Change In Control. Change In Control Agreements are in place for each of the named executive officers. The agreements provide that, if the executive officer's employment is terminated by Heartland other than for "Cause," death or disability, or is terminated by the officer for "Good Reason," within six months prior to, or 24 months after, a "Change in Control" of Heartland, then the executive officer is entitled to a special severance payment. The severance payment is equal to a multiple of one to two times the sum of (1) the executive officer's salary, plus (2) the average of the three most recent bonuses paid to the executive officer. For Messrs. Fuller and Lee the multiple is two times, and for Messrs. McKeag, Townsend and Fox, one time. The agreements also provide for continuation of health and welfare benefits after termination for 12 to 24 months and for out-placement services or training in an amount not to exceed one-fourth of base compensation.

The agreements do not provide for the payment of “gross-ups” to cover any applicable federal or state taxes but instead provide that applicable taxes, if owed, will be paid by the officers covered under the agreements and if any payments under the agreements would constitute an “excess parachute payment” under the Internal Revenue Code of 1986, as amended, the aggregate amount due under the agreement will be reduced to one dollar less than the amount that would cause an excess parachute payment.

The agreements define “Cause” as (1) the continued willful failure, after 20 days’ notice, to perform employment obligations, (2) conviction of a felony or a crime of embezzlement or fraud, (3) breach of fiduciary responsibility, or (4) an act of dishonesty that materially injures Heartland. “Good Reason” for termination under the agreements is defined to include (1) a material and adverse diminution in the nature, scope or status of the officer’s position, including a failure to continue in the position as an executive officer of a public company, (2) a material reduction in base compensation, (3) a relocation of the primary place of employment by more than 50 miles or a material increase in travel obligations, (4) a failure by the acquiring entity to assume the agreement or to comply with the agreement, or (5) a material breach of the agreement. A “Change in Control” is defined in the agreements to include: (1) the acquisition by a person of 51% or more of Heartland’s voting securities; (2) the election of persons to constitute a majority of the Board who were not nominated by our Board or one of its committees; (3) the consummation of a merger where the prior stockholders do not hold at least 51% of the resulting entity; or (4) the liquidation or dissolution of Heartland.

Our RSU agreements contain terms that provide that, if the obligations under those agreements are not assumed by a successor, the vesting of the option or RSU will accelerate upon a change in control. Because of the amendment and restatement of the Company’s 2012 Long-Term Incentive Plan in 2016, beginning in 2017, our award agreements include double-trigger vesting, so that future awards will accelerate only if the executive officer’s employment is terminated other than for Cause, death or disability, or is terminated by the executive officer for Good Reason, within six months prior to, or 24 months after, a Change in Control of Heartland.

Payments Made Upon Termination. Except for the payments and benefits upon death, disability, retirement or a change in control discussed above, no additional payments or benefits will accrue or be paid upon termination of a named executive officer.

The following table shows the value of potential payments and benefits to the named executive officers upon disability, death, retirement, or in connection with certain terminations related to a change in control of Heartland. The amounts shown assume that termination was effective as of December 29, 2017, the last business day of the year, and are estimates of the amounts that would be paid to the executives upon termination in addition to the base salary and other compensation earned by the executives during 2017. The actual amounts to be paid can only be determined at the actual time of an executive’s termination.

POTENTIAL PAYMENTS UPON DEATH, DISABILITY, RETIREMENT OR CHANGE IN CONTROL

Name	Type of Payment	Payments Upon Death	Payments Upon Disability	Payments Upon Retirement ⁽¹⁾	Termination Payments Upon Change In Control ⁽²⁾
Lynn B. Fuller	Disability Benefit ⁽³⁾	\$—	\$240,000	\$—	\$—
	Cash Severance ⁽⁴⁾	\$—	\$—	\$—	\$1,704,572
	Health/Welfare Benefits ⁽⁴⁾	\$—	\$—	\$—	\$24,015
	Out-Placement Counseling ⁽⁵⁾	\$—	\$—	\$—	\$125,419
	Value of Acceleration of Stock Awards ⁽⁶⁾	\$1,798,671	\$1,798,671	\$1,798,671	\$1,798,671
	Group Term Life Insurance	\$325,000	\$—	\$—	\$—
Bruce K. Lee	Split-Dollar Life Insurance	\$755,157	\$—	\$—	\$—
	Disability Benefit ⁽³⁾	\$—	\$240,000	\$—	\$—
	Cash Severance ⁽⁴⁾	\$—	\$—	\$—	\$883,833
	Health/Welfare Benefits ⁽⁴⁾	\$—	\$—	\$—	\$20,545
	Out-Placement Counseling ⁽⁵⁾	\$—	\$—	\$—	\$118,750
	Value of Acceleration of Stock Awards ⁽⁶⁾	\$1,265,335	\$1,265,335	\$—	\$1,265,335
Bryan R. McKeag	Group Term Life Insurance ⁽⁷⁾	\$500,000	\$—	\$—	\$—
	Disability Benefit ⁽³⁾	\$—	\$240,000	\$—	\$—
	Cash Severance ⁽⁴⁾	\$—	\$—	\$—	\$468,231
	Health/Welfare Benefits ⁽⁴⁾	\$—	\$—	\$—	\$21,696
	Out-Placement Counseling ⁽⁵⁾	\$—	\$—	\$—	\$79,500
	Value of Acceleration of Stock Awards ⁽⁶⁾	\$652,117	\$652,117	\$—	\$652,117
Andrew E. Townsend	Group Term Life Insurance	\$477,000	\$—	\$—	\$—
	Split-Dollar Life Insurance	\$983,136	\$—	\$—	\$—
	Disability Benefit ⁽³⁾	\$—	\$180,000	\$—	\$—
	Cash Severance ⁽⁴⁾	\$—	\$—	\$—	\$415,400
	Health/Welfare Benefits ⁽⁴⁾	\$—	\$—	\$—	\$33,599
	Out-Placement Counseling ⁽⁵⁾	\$—	\$—	\$—	\$68,750
Brian J. Fox	Value of Acceleration of Stock Awards ⁽⁶⁾	\$547,336	\$547,336	\$—	\$547,336
	Group Term Life Insurance	\$413,000	\$—	\$—	\$—
	Split-Dollar Life Insurance	\$813,300	\$—	\$—	\$—
	Disability Benefit ⁽³⁾	\$—	\$234,738	\$—	\$—
	Cash Severance ⁽⁴⁾	\$—	\$—	\$—	\$377,038
	Health/Welfare Benefits ⁽⁴⁾	\$—	\$—	\$—	\$15,696
Brian J. Fox	Out-Placement Counseling ⁽⁵⁾	\$—	\$—	\$—	\$70,000
	Value of Acceleration of Stock Awards ⁽⁶⁾	\$464,931	\$464,931	\$464,931	\$464,931
	Group Term Life Insurance	\$273,000	\$—	\$—	\$—

(1) For the purposes of the Value of Acceleration of Stock Awards row of this column, it has been assumed that all shares will be earned even though they continue to be subject to the earning provisions as if the officer had continued employment with Heartland.

(2) For the purposes of the Value of Acceleration of Stock Awards row of this column, it has been assumed that the performance-based RSU agreements are not fully assumed in the Change in Control and, therefore, all shares immediately vest. All other stock awards immediately vest upon a Change in Control, whether or not the executive terminates employment.

(3) The disability benefit is shown as the annual maximum benefit available to each executive.

(4) Cash severance will be paid in equal monthly payments for the number of months specified for each executive officer as follows: Messrs. Fuller and Lee - 24 months, and Messrs. McKeag, Townsend and Fox - 12 months. Mr. Lee is the only executive for whom the severance amount was reduced to avoid exceeding the limitation of Section 280G of the Internal Revenue Code of 1986, as amended. Health/welfare benefits will be provided for the same periods.

(5) The amounts reflected are the maximum amounts allowed and are to be paid in the form of either (i) reimbursement of the expenses incurred for out-placement counseling within the 12-month period following the employment termination date, or (ii) a pre-paid executive level program.

(6) The amounts reflect the value of acceleration in the vesting of RSUs and were determined by multiplying the number of shares that vest by \$53.65, the closing market price of a share of our common stock on December 29, 2017.

(7) Mr. Lee is not eligible for life insurance benefits other than group term life insurance because the current criteria for initial participation in the Split-Dollar Life Insurance Plan requires the employee to have a minimum of three years of service and be less than the early retirement age as defined by the Social Security Administration.

Pay Ratio Disclosure

The following pay ratio and supporting information compares the annual total compensation of our employees other than our CEO (including full-time, part-time and temporary employees) and the annual total compensation of our CEO, as required by Section 953(b) of the Dodd-Frank Act. The pay ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

For 2017, our last completed fiscal year, the median of the annual total compensation of all employees of our company (other than our CEO) was \$47,005 and the annual total compensation of our CEO, as reported in the Summary Compensation Table included in this Proxy Statement, was \$1,293,230.

Based on this information, the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all other employees was 27.51 to 1.

To determine the pay ratio, we determined that as of December 31, 2017, our employee population consisted of approximately 2,597 individuals located in the United States. This population consists of our full-time, part-time and temporary employees.

To identify the median employee, we calculated the annual total compensation for 2017 among our employee population, excluding our CEO, as it is calculated in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in a median employee with annual total compensation of \$47,005. The median employee's annual total compensation includes salary received in 2017, annual incentive payment received in 2017, equity awards granted in 2017, company-paid 401(k) Plan match made during 2017, and company-paid life insurance premiums paid during 2017.

With respect to the CEO, we used the amount reported as total compensation in the Summary Compensation table included in this Proxy Statement. Any adjustments, estimates and assumptions used to calculate total annual compensation are described in footnotes to the Summary Compensation Table.

RELATED PERSON TRANSACTIONS

Directors and officers of Heartland and our subsidiaries, and their associates, were customers of and had banking transactions with one or more of Heartland's subsidiaries during 2017. Additional transactions may be expected to take place in the future. All outstanding loans, commitments to loan, transactions in repurchase agreements, certificates of deposit and depository relationships, in the opinion of management, were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and did not involve more than the normal risk of collectability or present other unfavorable features. All such loans are approved by the subsidiary bank's Board of Directors in accordance with the bank regulatory requirements. Additionally, the Audit/Corporate Governance Committee Charter provides that the Committee will consider and approve other material non-lending transactions between a "related person" and Heartland, or its subsidiaries, to ensure that such transactions are done at arm's length and do not affect a director's independence. For such purposes, a "related person" includes any officer or director, or any nominee for director, of Heartland, any holder of 5% or more of our common stock, or any immediate family member of those persons. In addition to such lending transactions, we engaged in the following transactions with named executive officers, directors and members of their families during the past fiscal year:

Heartland, Kendall/Hunt Publishing Company (“Kendall/Hunt”) and Westmark Enterprises, Inc. (“Westmark”) are joint owners of a Cessna Citation aircraft that Heartland uses in its business. Mark C. Falb, a Heartland director, is CEO and Chairman of the Board of Kendall/Hunt and Westmark. Heartland has contracted with Westmark to employ the flight crew, maintain and store the aircraft, and pays Westmark annually for its allocated portion of these expenses and direct flight expense. For the year ended December 31, 2017, Heartland paid Westmark \$951,665 under this arrangement. Heartland’s purchase of the fractional interest in the aircraft and the shared ownership arrangement was approved by its Board of Directors in 2006. Heartland believes this arrangement is typical for shared ownership of aircraft and is on terms at least as favorable as could be obtained from unaffiliated third parties.

Heartland’s subsidiary banks engage in regular financing transactions with BluePath Finance LLC (“BluePath”), a company specializing in structuring energy-efficiency projects in the public, non-profit, and private sectors. BluePath’s Chief Financial Officer is Michael J.J. Cox, son of Heartland director John W. Cox, Jr. Payments made from Heartland’s subsidiary banks to BluePath were all transaction-related, and were paid in connection with BluePath’s origination and servicing of loans

held by Heartland's subsidiary banks. The total amount of payments received by BluePath from Heartland's subsidiary banks in 2017 was \$2,473,055. Heartland sold its minority equity interest in BluePath in December 2017, and Andrew E. Townsend, Heartland's Chief Credit Officer, served as a director on BluePath's Board of Directors until December 2017. All loans involving BluePath are reviewed and approved through the respective subsidiary bank's standard loan procedures.

Heartland is party to a Consulting Agreement with director nominee Martin J. Schmitz dated February 13, 2017, pursuant to which Mr. Schmitz cultivates existing customers in Heartland's Colorado market, introduces prospective customers to Citywide Banks, and performs other services as agreed upon by the parties. Heartland pays Mr. Schmitz \$15,500 per month as a consulting fee. The Consulting Agreement has a two-year term and is renewable upon written agreement of the parties. Mr. Schmitz is past chairman of Citywide Banks, a Heartland subsidiary.

AUDIT/CORPORATE GOVERNANCE COMMITTEE REPORT

The Audit/Corporate Governance Committee assists the Board in carrying out its oversight responsibilities for our financial reporting process, audit process and internal controls. The Audit/Corporate Governance Committee also reviews the audited financial statements and recommends to the Board that they be included in our Annual Report on Form 10-K.

The Audit/Corporate Governance Committee has:

- * reviewed and discussed our audited financial statements for the fiscal year ended December 31, 2017, with our management and KPMG LLP, our independent registered public accounting firm; discussed with KPMG LLP the matters required to be discussed under Auditing Standard No. 1301,
- * Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board (the "PCAOB"), and SEC Rule 2-07, Communications with Audit Committees; and received and discussed the written disclosures and the letter from KPMG LLP required by applicable requirements
- * of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence, and discussed with the independent accountant its independence.

Based on the review and discussions with management and KPMG LLP, the Audit/Corporate Governance Committee has recommended to the Board that the audited financial statements be included in our annual report on Form 10-K for the fiscal year ended December 31, 2017, for filing with the SEC.

Members of the Audit/Corporate Governance Committee,

Mark C. Falb
Thomas L. Flynn
R. Michael McCoy
John K. Schmidt
Duane E. White

RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP has served as our independent registered public accounting firm since June 1994, and our Audit/Corporate Governance Committee has selected KPMG LLP to be our independent registered public accounting

firm for the fiscal year ending December 31, 2018.

The aggregate fees billed for each of the last two fiscal years for professional services rendered by KPMG LLP are as follows:

	Fiscal Year	Fiscal Year
	2017	2016
Audit Fees	\$1,247,500	\$1,156,150
Audit-Related Fees	\$130,000	\$250,000
Tax Fees	\$285,585	\$370,450
All Other Fees	\$1,780	\$1,780
Total	\$1,664,865	\$1,778,380

“Audit Fees” were related to KPMG LLP’s work in performing the integrated audit of our consolidated annual financial statements and the internal control attestation reports related to the Federal Deposit Insurance Corporation Improvement Act, review of interim quarterly financial statements included in our Form 10-Q reports, and services that are normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements.

“Audit-Related Fees” in 2017 related to services rendered in connection with compliance with the requirements of the U.S. Department of Housing and Urban Development (“HUD”) and the filing with the SEC of registration statements on Form S-4. “Audit-Related Fees” in 2016 related to services rendered in connection with HUD compliance, the filing with the SEC of Form S-4 registration statements and prospectuses pursuant to SEC Rule 424B, and the issuance of a comfort letter for our equity offering.

“Tax Fees” were incurred for the preparation of our state and federal tax returns and for consultation with KPMG LLP on various tax matters.

“All Other Fees” were incurred in connection with Heartland obtaining access to KPMG LLP’s electronic accounting research tool.

The Audit/Corporate Governance Committee, after consideration of these matters, does not believe that the rendering of these services by KPMG LLP is incompatible with maintaining their independence as our independent registered public accounting firm.

Audit/Corporate Governance Committee Pre-Approval Policy

Among other things, the Audit/Corporate Governance Committee is responsible for appointing, setting compensation for and overseeing the work of the independent registered public accounting firm. The Audit/Corporate Governance Committee has adopted a policy requiring pre-approval of any audit and permissible non-audit services to be provided by our independent registered public accounting firm if the fees for those services are anticipated to exceed \$25,000. These services include audit and audit-related services, and other services. In the case of fees for audit, audit-related, and other permissible services that are not expected to exceed \$25,000, the fees are subject to ratification by the Audit/Corporate Governance Committee. All tax-related services, regardless of dollar amount, must be pre-approved by the Audit/Corporate Governance Committee. All of the fees earned by KPMG LLP described above were attributable to services pre-approved or ratified by the Audit/Corporate Governance Committee.

APPROVAL OF AMENDMENTS TO CERTIFICATE OF INCORPORATION TO
PROPOSAL 2 INCREASE THE MAXIMUM NUMBER OF BOARD MEMBERS AND
INCREASE THE MAXIMUM AGE OF DIRECTORS

Proposal 2(a) -
Approve an
amendment to
the Company's
Certificate of
Incorporation
to increase the
maximum size
of the Board
from 9
members to 11
members.

¶The Board of Directors recommends that you vote your shares FOR Proposal 2(a).

Proposal 2(b) -
Approve an
amendment to
the Company's
Certificate of
Incorporation
to increase the
maximum age
at which a
director may be
elected from
age 70 to age
72.

¶The Board of Directors recommends that you vote your shares FOR Proposal 2(b).

On January 16, 2018, our Board of Directors voted to approve, and to recommend that you approve at the 2018 Annual Meeting of Stockholders, amendments to our Certificate of Incorporation that will (a) increase the board size from 9 members to 11 members, and (b) increase the maximum age at which a director may be elected from age 70 to age 72. Each proposed amendment is addressed below.

Proposal 2(a) - Amendment to Certificate of Incorporation to Increase Maximum Size of Board of Directors

The Amendment. The Board of Directors is proposing that the Company's Certificate of Incorporation be amended to increase the size of the Board from 9 to 11 directors. In order to effect this amendment, the first paragraph of Article XII of our Certificate of Incorporation would be amended and restated to provide as follows:

Article XII

The number of directors constituting the entire board of directors shall not be less than three nor more than eleven as fixed from time to time by resolution of not less than 66 2/3% of the number of directors which immediately prior to such proposed change had been fixed, in the manner prescribed herein, by the board of directors of the corporation, provided, however, that the number of directors shall not be reduced as to shorten the term of any director at the time in office.

Reasons for the Amendment. Our Board regularly reviews the Company's corporate governance policies and procedures. In light of recent acquisitions and increased regulatory requirements that will become effective upon Heartland's crossing the threshold of \$10 billion in assets, the Board has determined that it would be in the best interests of the Company and its stockholders to increase the maximum size of the Board from 9 to 11 directors.

The Board believes the Company would benefit from having a larger Board. If the size of the Board is increased, the Board will have a greater number of directors with different backgrounds and the breadth and depth of experience and skills necessary for proper oversight of the Company's affairs. The amendment will also facilitate the Company's ability to address and meet evolving corporate governance standards and the rules, regulations and other requirements of the SEC, the Federal Deposit Insurance Corporation, the Federal Reserve Board and Nasdaq. In addition, the Board believes a larger Board will facilitate compliance by the Company with the regulatory requirements of the Dodd-Frank Act applicable to bank holding companies with more than \$10 billion in assets (including the formation and operation of a highly-qualified Risk Committee of the Board). Finally, a larger Board will help enable the Board to meet its goal of having greater diversity among the Company's directors.

Currently, our Board is comprised of a majority of independent directors. Only independent directors serve on each of the standing Board Committees: the Compensation/Nominating Committee and the Audit/Corporate Governance Committee. The Board will remain comprised of a majority of independent directors if the amendment is approved by the stockholders. If the proposed amendment is approved and the number of directors is increased, the oversight and other responsibilities of the Board can be spread among a larger number of directors.

If the amendment is approved by our stockholders, the Board intends to expand the Board size to 11 directors. Any vacancies in the Board resulting from an increase in the number of directors may be filled by the Board, acting by a majority of the directors then in office, pursuant to the Company's Bylaws. The Board, through its Compensation/Nominating Committee, has been engaged in discussions with various persons who could join the Board, though it has not yet determined the identities of the two additional directors if the amendment is approved.

Proposal 2(b) - Amendment to Certificate of Incorporation to Increase the Maximum Age at Which a Director May be Elected From 70 to 72 Years

The Amendment. The Board of Directors is proposing that the Company's Certificate of Incorporation be amended to increase the maximum age at which a director may be elected to the Board from 70 to 72 years. In order to effect this amendment, the second paragraph of Article XII of our Certificate of Incorporation would be amended and restated to provide as follows:

Article XII

No person shall be eligible for election to the board of directors if such person has attained the age of seventy-two (72) years prior to the date of the stockholders' meeting at which directors are to be elected. Directors need not be stockholders of the corporation.

Reasons for the Amendment. The Company's maximum age at which a director may be elected is age 70. The Board believes that 72, rather than 70, is a more appropriate maximum age for election to the Board. The current maximum age for election could result in the premature retirement of experienced directors who are valuable members of the Board with deep knowledge of the Company's business and operations. Also, the existing maximum age of election for directors may deter well-qualified candidates who are approaching age 70 from agreeing to serve on the Board. Increasing the maximum election age to 72 would give the Company the opportunity to benefit from the valuable expertise of directors for a longer time, while maintaining a maximum retirement age that is in line with the average required retirement age of directors of our Peer Group companies.

After review of peer data regarding director age and term limits, the Board believes an increase in the maximum age at which a director may be elected is warranted. Based on the 2017 proxy filings and publicly-available corporate governance guidelines of our Peer Group, 27 of the 28 Peer Group companies have a mandatory retirement age higher than the Company's maximum age of election to the Board or have no mandatory retirement age at all. Age 72 was the most common required retirement age for directors of companies in our Peer Group, with eight Peer Group companies using age 72 as the required retirement age for directors.

Increasing the maximum election age for directors to age 72 will bring the Company into better alignment with the Peer Group and allow the Company to be more competitive with its peers in the recruitment of experienced directors.

PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018.

The Board of Directors recommends that you vote your shares FOR ratification of the appointment of KPMG LLP as our independent registered public accounting firm.

Although we are not required to do so, our Board of Directors recommends that the stockholders ratify the appointment of KPMG LLP as our independent registered public accounting firm. A representative of KPMG LLP is expected to attend the meeting and will be available to respond to appropriate questions and to make a statement if he or she so desires. If the appointment of our independent registered public accounting firm is not ratified, the Audit/Corporate Governance Committee of the Board of Directors will consider the matter of the appointment.

PROPOSAL
4 ADVISORY VOTE ON EXECUTIVE COMPENSATION

Take a

non-binding,
advisory vote
on executive
compensation.

The Board of Directors recommends that you vote your shares FOR the approval of Heartland's executive compensation.

We are asking our stockholders to provide advisory approval of the compensation to our executive officers set forth in the "Summary Compensation Table" and related tables in this proxy statement, and described in the "Compensation Discussion

and Analysis” section of this proxy statement. Consistent with the direction of our stockholders and our Board of Directors, we submit executive compensation to our stockholders for their advisory approval on an annual basis. Although your vote is advisory and not binding upon the Compensation/Nominating Committee, the Committee will take the results of the vote into account in formulating executive compensation in future years. We are requesting your vote on the following resolution:

RESOLVED, that the stockholders approve the compensation of Heartland’s executives as described in the Compensation Discussion and Analysis, the Summary Compensation Table and the other executive compensation tables and related disclosure contained in the Heartland proxy statement dated April 6, 2018.

As described in more detail in the “Compensation Discussion and Analysis” section of this proxy statement, Heartland’s compensation program has been reflective of its results of operations. The objective of our Board has been to provide salary levels to our executives that are competitive relative to their peers and longer-term incentives that both align executive officer compensation with the success of meeting long-term strategic operating and financial goals and minimizing risks to Heartland. The Board believes our compensation policies and procedures achieve these objectives.

**OTHER
MATTERS**

We do not know of any other matters that may be presented for consideration at the Annual Meeting. If any other business does properly come before the Annual Meeting, the persons named as proxies on the enclosed proxy card will vote in accordance with his or her judgment.

Sincerely,
Lynn B. Fuller
Chairman of the Board

Dubuque, Iowa
April 6, 2018

ALL STOCKHOLDERS ARE URGED TO SUBMIT THEIR PROXIES PROMPTLY