HEARTLAND FINANCIAL USA INC
Form PRE 14A
March 25, 2019

SCHEDULE 14A INFORMATION

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

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:
x Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o 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):
x No fee required
o 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:
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1. Amount Previously Paid:
2. Form, Schedule, or Registration Statement No.:
3. Filing Party:
4. Date Filed:

April 12, 2019

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Heartland Financial USA, Inc. (the "Company") to be held at the Hotel Julien Dubuque, 200 Main Street, Dubuque, Iowa, on Wednesday, May 22, 2019, 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
Executive Operating Chairman

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 22, 2019 at 6:00 p.m. Central Daylight Time
LOCATION	Hotel Julien Dubuque, 200 Main Street, Dubuque, Iowa
ITEMS OF BUSINESS	(1) Elect three individuals to serve as Class II directors for a three-year term expiring in 2022 (2) Approve an amendment to the Company’s Certificate of Incorporation to increase the number of authorized shares of common stock from 40,000,000 to 60,000,000 shares (3) Approve an amendment to the Company’s Certificate of Incorporation to increase the maximum Board size from 11 members to 13 members (4) Ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019 (5) Take a non-binding, advisory vote on executive compensation (6) 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 25, 2019, 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 II nominees for election as directors for three-year terms ending 2022, as listed in the proxy statement, and a vote “FOR” Proposals 2, 3, 4 and 5.

By Order of the Board of Directors:
Angela W. Kelley, Corporate Secretary
Dubuque, Iowa
April 12, 2019

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 22, 2019. The proxy statement and Annual Report to Stockholders are available through the Investor Relations section of Heartland’s website at ir.htlf.com.

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PROXY
HIGHLIGHTS

This summary highlights information contained elsewhere in this proxy statement. We encourage you to review the entire proxy statement for more details.

Chief Executive Officer Succession	At our Annual Meeting of Stockholders on May 16, 2018, we announced that Bruce K. Lee, President and a director of Heartland, would be appointed to the additional office of Chief Executive Officer effective June 1, 2018. Mr. Lee succeeded existing Chief Executive Officer Lynn B. Fuller, who moved into the role of Executive Operating Chairman, and who continues to provide strategic guidance to the Company. These changes were designed to ensure continuity as the Company grows and evolves, and they were the result of a three-year succession-planning process, during which the Board had the opportunity to observe and evaluate Mr. Lee in various settings. The Board determined that Mr. Lee had the right business and leadership skills, broad banking background, and vision to lead the Company into the future.
Corporate Governance	In 2018, our shareholders approved an amendment to our Certificate of Incorporation, increasing the size of the Board from 9 to 11 directors. Subsequently, the Board appointed two new directors. Susan G. Murphy joined the Board in July 2018, while Jennifer K. Hopkins joined the Board in December 2018. Additionally, in July 2018, the Board voted to add the role of Lead Director and named Thomas L. Flynn to serve in that capacity. The Lead Director serves as a liaison between the independent directors and management, along with building a healthy governance culture.
Business Results	2018 was a year of solid performance for our Company: * Annual net income of $117.0 million, an increase of 55% over 2017; * Net interest margin of 4.26%, compared to 4.04% during 2017; * Total assets increased to $11.41 billion, an increase of 16% from year end 2017.
Mergers & Acquisitions	2018 was another year of strategic acquisitions for Heartland. We diversified our market area and asset base with our 1st quarter acquisition of Signature Bank of Minnetonka, Minnesota. We also diversified our footprint with the addition of First Bank & Trust of Lubbock, Texas in the 2nd quarter. In January 2019, we announced our agreement to acquire Bank of Blue Valley, which expands our existing presence in Kansas City, Kansas.

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 22, 2019, 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 12, 2019.

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 25, 2019, which is the record date for the Annual Meeting, you owned shares of our common 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 II directors for a three-year term expiring in 2022
(2) Approve an amendment to the Company’s Certificate of Incorporation to increase the number of authorized shares of common stock from 40,000,000 to 60,000,000 shares
(3) Approve an amendment to the Company’s Certificate of Incorporation to increase the maximum Board size from 11 members to 13 members
(4) Ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019
(5) Take a non-binding, advisory vote on executive compensation
(6) 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 II nominees for election as directors for three-year terms ending 2022, as listed in the proxy statement, and a vote “FOR” Proposals 2, 3, 4 and 5.

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 25, 2019, the record date for the Annual Meeting.

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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 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; or
* 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 Stock Market ("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 4, the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019.

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 Ms. Angela W. Kelley, 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 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 25, 2019, there were _________ shares of common stock outstanding. Therefore, shares of common 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 2018 Annual Report on Form 10-K, including financial statements, by sending a written request to Ms. Angela W. Kelley, 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 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 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 II directors for a three-year term expiring in 2022	þThe Board of Directors recommends that you vote your shares FOR each of the nominees.

At the Annual Meeting on Wednesday, May 22, 2019, you will be entitled to vote for three Class II Directors to serve for terms expiring in 2022. The Board of Directors is divided into three classes of directors having staggered terms of three years. Each of the nominees has agreed to serve as a director, if elected. If for any reason any of the nominees becomes 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.

In 2018, we increased the size of our Board from nine to eleven members. Ms. Murphy joined the Board effective July 26, 2018, and Ms. Hopkins joined the Board effective December 12, 2018.

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 II (Term Expires 2022)

Mark C. Falb Director Since 1995 Age 71

Professional and Educational Background:

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 Certified Public Accountant (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. He holds a BBA in Accounting from the University of Iowa.

Other Boards and Appointments:

President of Board of Directors, Iowa Scholarship Fund, since 1997; Vice President of the Grand Opera House Foundation since 2006; Lifetime Member on the Board of Trustees for the University of Dubuque since 2015.

John K. Schmidt Director Since 2001 Age 59

Professional and Educational Background:

Mr. Schmidt has been the Senior Vice President and 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 Certified Public Accountant (inactive), Mr. Schmidt brings to our Board extensive knowledge in operational bank management and accounting. He graduated with a BA from the University of Northern Iowa.

Other Boards and Appointments:

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

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Duane E. White Director Since 2013 Age 63

Professional and Educational Background:

Mr. White has been Executive Vice President and Chief Product Officer for Medecision, a healthcare IT provider, since May 2018. Mr. White was a partner at Aveus, a management consulting firm in St. Paul, Minnesota from 2013 until the firm was acquired by Medecision in May 2018. Prior to joining Aveus, he was an independent consultant for six years. Mr. White has 15 years of financial services experience, including nine years with U.S. Bancorp. Positions at U.S. Bancorp included President of the mortgage division, Senior Vice President of Mergers and Acquisitions, and Senior Vice President of Marketing Support and Product Management. 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, public company board experience, and knowledge and perspective with respect to the Minneapolis and St. Paul metropolitan area. He holds an MBA from Harvard Business School and a BBA in Business Economics from the University of Wisconsin-Eau Claire.

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 63

Professional and Educational Background:

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. He holds an MBA from the University of Dubuque and a BA in Accounting and Finance from Loras College.

Other Boards and Appointments:
Director and Vice Chairman of the Board of Heartland subsidiaries Dubuque Bank and Trust Company, Citizens Finance Co., Citizens Finance of Illinois Co. and Citizens Finance Parent Co. for more than five years.

Jennifer K. Hopkins Director Since 2018 Age 58

Professional and Educational Background:

Ms. Hopkins has been a managing partner at Crescendo Capital, a private investment firm for early stage companies, since 2007, and has served as CEO of one of Crescendo's portfolio companies, American Medical - The Oxygen Concentrator Store, since 2009. Prior to joining Crescendo Capital, Ms. Hopkins had a twenty-year career with Hewlett Packard and Agilent Technologies, leading teams in research and development, marketing, and operations. Her career with Agilent culminated in the role of Vice President of the Global Solutions business unit. Ms. Hopkins brings to our Board a technology background and operational expertise. In addition, she has small business and executive management experience, as well as contacts in our largest market, the Denver metropolitan area. She holds a Masters in Industrial Engineering from Stanford University and a BS in Industrial Engineering from North Dakota State University.

Other Boards and Appointments:

Director of Heartland subsidiary Citywide Banks since 2018. Board member of Spectralogic Corporation since 2012; Board of Advisors for Sartori Cheese Corporation since 2013; Alumni Association and Board of Trustees, North Dakota State University since 2005; and Director of Craig Hospital Foundation Board since 2015.

Bruce K. Lee Director Since 2017 Age 58

Professional and Educational Background:

Mr. Lee is the President and Chief Executive Officer of Heartland. He was named Chief Executive Officer effective June 1, 2018, and he has served as President since 2015. He 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. He earned his BA in Business Administration and Management from Siena Heights University.

Other Boards and Appointments:

Director of Heartland subsidiary Citywide Banks since 2017; and Director of Heartland subsidiary First Bank & Trust since 2018.

Kurt M. Saylor Director Since 2013 Age 66

Professional and Educational Background:

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. Mr. Saylor graduated with a BBA in Finance from Kansas State University.

Other Boards and Appointments:

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

CONTINUING DIRECTORS
CLASS I (Term Expires 2021)

Lynn B. Fuller Director Since 1987 Age 69

Professional and Educational Background:

Mr. Fuller has served as the Executive Operating Chairman of Heartland since June 1, 2018. Previously, he had been Chief Executive Officer of Heartland since 1999, Chairman of the Board of Heartland since 2000 and was President of Heartland from 1990 until 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. He earned an MBA from the University of Iowa and a BS from the University of Dubuque.

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, Morrill & Janes Bank and Trust Company, Citizens Finance Co., Citizens Finance of Illinois Co. and Citizens Finance Parent Co. for more than five years; Director of Premier Valley Bank since its acquisition by Heartland in 2015; Director of Citywide Banks since its acquisition by Heartland in 2017; Director of First Bank & Trust since its acquisition by Heartland in 2018.

R. Michael McCoy Director Since 2014 Age 70

Professional and Educational Background:

Mr. McCoy was the President and CEO of the McCoy Group, Inc. from 1998 to 2012. Parent company to seven subsidiaries, including Midwest-based Freightliner dealerships Truck Country and Stoops, and transportation-focused companies, Foodliner, Quest Liner and McCoy NationaLease, the McCoy Group is a diversified, national transportation enterprise of more than 2,600 employees. 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.

Susan G. Murphy	Director Since 2018	Age 62

Professional and Educational Background:

Ms. Murphy has been a Principal at The Grace Alliance, LLC in Denver, which assists individuals and families in developing and maintaining financial strategies for the future, since 2005. She has also served as Trustee of the Colorado Public Employees' Retirement Association since 2007, providing oversight to a public pension fund managing $48 billion in assets for 606,000 beneficiaries. She started her career at Ernst and Young. She is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants. Ms. Murphy brings Heartland significant public accounting, investment advisory and public policy expertise along with knowledge of the Denver metropolitan area. She graduated with a BA in Accounting from the University of Notre Dame.

Other Boards and Appointments:

Director of Heartland subsidiary Citywide Banks since 2017; Board Member of Arrupe Jesuit High School 2010-16 and 2017-Present, currently Chair Elect; Trustee for the Colorado Public Employees' Retirement Association since 2007.

Martin J. Schmitz	Director Since 2018	Age 61

Professional and Educational Background:

Mr. Schmitz is the Chairman of Citywide Banks, Heartland's subsidiary bank in Colorado. Prior to Heartland's acquisition of Citywide, he was Chairman of the Board along with overseeing business development and commercial banking. In addition, he was involved in the administration of credit management, 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. Mr. Schmitz brings to our Board community bank leadership experience and knowledge of the Denver metropolitan area. He holds a BA in Accounting, Business Administration and Economics from Regis University.

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.

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 was first nominated as a director in accordance with the Merger Agreement with Citywide Banks of Colorado, Inc. in 2018, 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 eleven 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 and Mmes. Hopkins and Murphy are “independent” directors as defined in the listing standards of Nasdaq and the rules and regulations of the SEC. The Board has also determined that Mr. Fuller, as Executive Operating Chairman, and Mr. Lee, as President and Chief Executive Officer, 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 is a former Chairman of the Board of Citywide Banks, a Heartland subsidiary bank, and is not an independent director. 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 2018, the Board of Directors held four regular meetings and four 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 2018, the independent directors met in such capacity five 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 2018, 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 Executive Operating Chairman, 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 Messrs. Fuller and Lee to convey concerns of the independent directors.

In 2018, the Board voted to add the role of Lead Director and appointed Mr. Flynn to serve in that capacity. In this role, Mr. Flynn serves as the liaison between the directors and management, promoting open and constructive conversation. He also works closely with our Executive Operating Chairman, Mr. Fuller, and our President and Chief Executive Officer, Mr. Lee, to ensure Heartland is building a healthy governance culture. As lead director, Mr. Flynn chairs the executive sessions of the Board, facilitates the Board evaluation process, and works with Messrs. Fuller and Lee to monitor progress on the strategic plan and succession planning.

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 Managers, having leadership and managerial responsibility for first line of defense, ensure the formation of a risk-appropriate plan, and the effectiveness of first line of defense in executing it. This includes coordination of product and service activities that are largely the domain of our member banks, with operational support activities that are largely the domain of Heartland business units, and ensuring that all aspects of it are aligned with our strategic plan. They receive information about risks from the Risk Management System, and also report information about their risks and how they are managed into that system. Top-level management is also responsible to the Board of Directors for ensuring that the Chief Risk Officer position is adequately staffed, and for providing administrative oversight to the Chief Risk Officer, as he functionally reports to the Board of Directors.

Committees of the Board

Audit/Corporate Governance Committee. The members of the Audit/Corporate Governance Committee are Messrs. Falb, Flynn, McCoy, Schmidt and White and Mmes. Hopkins and Murphy. Each of Messrs. Falb, Flynn, McCoy, Schmidt and White and Mmes. Hopkins and Murphy 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 and Ms. Murphy 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 financial literacy and independence requirements for audit committee membership under the listing standards of Nasdaq and the rules and regulations 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, risk management, and legal compliance;
* retain, oversee, review and terminate, if necessary, the Company's independent registered public accounting firm and pre-approve all services performed by such firm;
* 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; and
* 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, ir.htlf.com.

Mr. Falb has served as Chairman of the Audit/Corporate Governance Committee since 2001. During 2018, 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 and Mmes. Hopkins and Murphy. Each of Messrs. Falb, Flynn, McCoy, Schmidt and White and Mmes. Hopkins and Murphy is an “independent” director as defined by listing requirements of the Nasdaq 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, ir.htlf.com. The Compensation/Nominating Committee held eight meetings in 2018.

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 2019 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 72 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. Ms. Murphy and Ms. Hopkins were recommended for the Board by another director, Mr. Schmitz.

Stockholder Communications with the Board, Nomination and Proposal Procedures

General Communications with the Board. As set forth on our website, ir.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: Angela W. Kelley, 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 2020 Annual Meeting, such notice would need to be received on or before December 16, 2019. 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 2020 Annual Meeting of Stockholders, stockholder proposals must be received by our Corporate Secretary, at the above address, no later than December 16, 2019, 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, ir.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 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 an annual retainer, committee meeting fees, and 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. In 2018, the grant date fair value of the RSUs was $60,000. The Chair of the Audit/Corporate Governance Committee received an additional grant of RSUs with a grant date fair value of $15,000, while the Chair of the Compensation/Nominating Committee received an additional grant of RSUs with a grant date fair value of $10,000.

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. Additionally, non-employee directors receive a $25,000 annual retainer, which each director may elect to receive in cash or equivalent-value RSUs. Directors serving as committee members of the Compensation/Nominating Committee or Audit/Corporate Governance Committee are also paid $1,000 per committee meeting.

The following table highlights the material elements of our director compensation program:

Compensation Element	2018
Annual Retainer	$25,000 (1)
Annual Equity Award	$60,000 (2)
Annual Audit/Corporate Governance Committee Chair Equity Award	$15,000 (2)
Annual Compensation/Nominating Committee Chair Equity Award	$10,000 (2)
Committee Meeting Fees	$1,000 (3)

(1) Directors may elect to receive the retainer in RSUs or cash
(2) Represents grant date fair value, payable in RSUs
(3) Paid per meeting attended

To further reinforce the tie between directors and stockholders, our directors are subject to stock ownership guidelines that require them to hold common stock with a value of at least three times annual total director compensation. Directors must achieve this holding within five years of being named a director.

Mr. Fuller and Mr. Lee, who were Heartland officers in 2018, did not receive any compensation for serving on the Board of Heartland or any of its subsidiary banks.

Messrs. Flynn, McCoy, Saylor, Schmidt, Schmitz and White and Mmes. Murphy and Hopkins 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 2018 for their services on the Boards of subsidiary banks.

The following table shows non-employee director compensation during 2018 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
Mark C. Falb	$37,350	$ 76,103	$113,453
Thomas L. Flynn	$44,850	$ 77,956	$122,806
Jennifer K. Hopkins[3]	$12,500	$ 28,191	$40,691
R. Michael McCoy	$40,850	$ 67,554	$108,404
Susan J. Murphy[4]	$24,750	$ 62,423	$87,173
Kurt M. Saylor	$29,050	$ 67,685	$96,735
John K. Schmidt	$41,200	$ 67,554	$108,754
Martin J. Schmitz	$28,700	$ 67,673	$96,373
Duane E. White	$39,425	$ 67,654	$107,079

(1) The amounts in this column include the annual retainer and fees paid for service on a committee at Heartland or one of Heartland’s subsidiaries. For the retainer portion of director compensation, Messrs. Falb, Schmidt and Schmitz elected to receive $25,000 in cash. Messrs. McCoy, Flynn, Saylor and White, along with Mmes. Murphy and Hopkins, elected to receive equivalent-value RSUs. Messrs. McCoy, Flynn, Saylor and White were granted 460 RSUs. Ms. Murphy received 384 RSUs and Ms. Hopkins received 273 RSUs to reflect the prorated portion of their retainers based upon their appointment dates to the Board.
(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 well as RSUs granted for service as directors of subsidiary banks.
Each of Messrs. McCoy, Saylor, Schmidt, Schmitz and White were granted 1,110 RSUs on May 16, 2018, as compensation for service on the Board of Directors of Heartland for the period from the 2018 Annual Meeting to the 2019 Annual Meeting. Mr. Falb, who chairs the Audit/Corporate Governance Committee, was granted 1,390 RSUs. Mr. Flynn who chairs the Compensation/Nominating Committee, was granted 1,300 RSUs. Ms. Murphy, who was appointed

to the Board effective July 26, 2018, received a prorated total of 925 RSUs for 2018-19 service. Ms. Hopkins, who was appointed to the Board effective December 12, 2018, received a prorated total of 555 RSUs for 2018-19 service.

Messrs. Flynn, McCoy and Schmidt each received 125 RSUs for service as directors of Dubuque Bank and Trust Company on May 15, 2018, Mr. Saylor received 125 RSUs for service as director of Morrill & Janes Bank on May 17, 2018, Mr. White received 125 RSUs for service as director of Minnesota Bank & Trust on May 18, 2018, and Mr. Schmitz and Ms. Murphy received 125 RSUs for service as directors of Citywide Banks on May 25, 2018. Ms. Hopkins joined the Citywide Banks Board in December 2018 and was granted 62 RSUs for her service as a 2018-19 Citywide Banks director.

The aggregate number of RSUs outstanding for each director at December 31, 2018 was: 1,390 for Mr. Falb, 1,885 for Mr. Flynn, 890 for Ms. Hopkins, 1,695 for Mr. McCoy, 1,434 for Ms. Murphy, 1,695 for Mr. Saylor, 1,235 for Mr. Schmidt, 1,235 for Mr. Schmitz and 1,695 for Mr. White.

(3) Ms. Hopkins joined the Board effective December 12, 2018.

(4) Ms. Murphy joined the Board effective July 26, 2018.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists the beneficial ownership of our common stock as of January 31, 2019, by each person we know to beneficially own more than 5% of our outstanding common stock, by each director or 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			
BlackRock, Inc., 55 East 52nd Street, New York, NY 10022	2,252,763	(3)	6.5%
Directors and Nominees			
Mark C. Falb	180,874	(4)	*
Thomas L. Flynn	80,334	(5)	*
Lynn B. Fuller	1,047,370	(6)	3.0%
Jennifer K. Hopkins	—		*
Bruce K. Lee	19,274		*
R. Michael McCoy	48,510	(7)	*
Susan J. Murphy	2,539		*
Kurt M. Saylor	160,531	(8)	*
John K. Schmidt	129,964	(9)	*
Martin J. Schmitz	295,097	(10)	*
Duane E. White	19,924		*
Other Named Executive Officers			
Brian J. Fox	17,114	(11)	*
Bryan R. McKeag	17,198	(12)	*
Andrew E. Townsend	29,051	(13)	*
All Directors and Executive Officers as a Group (20 persons)	2,094,639		6.1%

* 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, 2019.

(2) Based upon 34,567,872 shares of common stock outstanding on January 31, 2019, plus any restricted stock units that will vest within 60 days of January 31, 2019 for that person.

(3) Based upon a Schedule 13G/A filed on February 4, 2019. BlackRock, Inc. has sole voting power with respect to 2,114,283 shares and sole dispositive power with respect to 2,252,763 shares.

(4) Includes 68,856 shares held in a trust for which Mr. Falb's spouse serves as trustee, 40,018 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.

(5) Includes 3,081 shares held by Mr. Flynn's spouse in an individual retirement account (IRA) and 37,411 shares held by Mr. Flynn jointly with his spouse.

(6) Includes 5,000 shares held in a trust for which Mr. Fuller's spouse serves as trustee, 59,019 shares held in a GST trust for which Mr. Fuller serves as sole 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 151,177 shares as collateral for a personal loan.
(7) Includes 35,043 shares held by Mr. McCoy jointly with his spouse and 13,467 shares held in a trust for which Mr. McCoy's spouse serves as trustee.
(8) Includes 46,311 shares held in a trust for which Mr. Saylor's spouse serves as trustee, and 114,220 shares held in a trust for which Mr. Saylor serves as trustee.
(9) 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.
(10) Includes 226,460 shares held by Padekeky Investments, LLC, of which Mr. Schmitz is a controlling stockholder.
(11) Shares are held in a revocable trust for which Mr. Fox serves as trustee.
(12) Shares are held in a living trust for which Mr. McKeag serves as trustee.
(13) Includes 24,485 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 each filed one late report covering one transaction on Form 4 during the year ended December 31, 2018: Messrs. Coyle, Fox, Lynn B. Fuller, Lynn H. Fuller, McKeag, Sloan, Townsend and Ms. Quick. 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 2018.

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 2018.

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.

Chief Executive Officer Succession. At our Annual Meeting of Stockholders on May 16, 2018, we announced that Bruce Lee, President and a director of Heartland, would be appointed to the additional office of Chief Executive Officer effective June 1, 2018. Mr. Lee succeeded existing Chief Executive Officer Lynn Fuller, who moved into the role of Executive Operating Chairman, allowing him to continue his strategic guidance for the Company.

2018 Highlights. 2018 was a year of solid performance for our Company, including the following highlights:

* Annual net income of $117.0 million, an increase of 55% over 2017;
* Total assets increased to $11.41 billion, an increase of 16% from year end 2017;
* Net interest margin of 4.26%, compared to 4.04% during 2017;
* Diversified our market area and asset base with the acquisition of Signature Bank of Minnetonka, Minnesota (1st Quarter 2018) and First Bank & Trust of Lubbock, Texas (2nd

HIGHLIGHTS

* Annual Net Income Ý55%
* Total Assets Ý16%

Quarter 2018); and

* 4.26% Net Interest Margin

* Announced agreement to acquire Bank of Blue Valley of Kansas City, Kansas (1st Quarter 2019).

Elements of Executive Compensation. 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 tangible common equity, efficiency ratio, loan growth and deposit 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 2018 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 2018 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").

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:
(1) Indexed TSR assumes an initial investment of $100 at the start of year one (2014) and reflects the annual increase/(decrease) in such investment as a result of annual total shareholder return ("TSR").
(2) 2018 represents Mr. Lee's Total Compensation as disclosed in the Summary Compensation Table. Years 2014-2017 represent Mr. Fuller's Total Compensation as disclosed in the Summary Compensation Table.
(3) Reflects the 50th percentile of Heartland's 2018 primary peer group, which is described later in this Compensation Discussion and Analysis section.
(4) Reflects the 50th percentile of Heartland's 2018 secondary peer group, a broader group of banks with total assets ranging in size from $6.8B to $25B in Assets.

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 the management of 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 Executive Operating Chairman, President and CEO, 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 Executive Operating Chairman, President and CEO, 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 Executive Operating Chairman, President and CEO, 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 2018 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;
* 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. Based on the criteria above, the 2018 primary peer group added two companies, Bank of Hawaii and Trustmark Corporation, and removed three companies from the 2017 primary peer group, FCB Financial holdings, Inc., 1st Source Corporation and First Busey Corporation. The table below lists the 27 companies that comprise our 2018 primary peer group:

NAME	CITY, STATE	TICKER	NAME	CITY, STATE	TICKER
Western Alliance Bancorporation	Phoenix, AZ	WAL	Banner Corporation	Walla Walla, WA	BANR
Chemical Financial Corporation	Midland, MI	CHFC	Banc of California, Inc.	Irvine, CA	BANC
Bank of Hawaii Corporation	Honolulu, HI	BOH	First Merchants Corporation	Muncie, IN	FRME
Simmons First National Corporation	Pine Bluff, AR	SFNC	NBT Bancorp Inc.	Norwich, NY	NBTB
Trustmark Corporation	Jackson, MS	TRMK	LegacyTexas Financial Group, Inc.	Plano, TX	LTXB
Union Bankshares Corporation	Richmond, VA	UBSH	Independent Bank Corp.	Rockland, MA	INDB
Columbia Banking System, Inc.	Tacoma, WA	COLB	Eagle Bancorp, Inc.	Bethesda, MD	EGBN
First Interstate BancSystem, Inc.	Billings, MT	FIBK	Southside Bancshares, Inc.	Tyler, TX	SBSI
Great Western Bancorp, Inc.	Sioux Falls, SD	GWB	BancFirst Corporation		BANF

				Oklahoma City, OK	
International Bancshares Corporation	Laredo, TX	IBOC	Park National Corporation	Newark, OH	PRK
Glacier Bancorp, Inc.	Kalispell, MT	GBCI	S&T Bancorp, Inc.	Indiana, PA	STBA
Ameris Bancorp	Moultrie, GA	ABCB	Tompkins Financial Corporation	Ithaca, NY	TMP
Customers Bancorp, Inc.	Wyomissing, PA	CUBI	Flushing Financial Corporation	Uniondale, NY	FFIC
Renasant Corporation	Tupelo, MS	RNST			

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 2018 was performance-based:

2018 CEO Total Direct Compensation Mix - Bruce K. Lee

Fixed Compensation	Amount	% of Total Compensation	
Base Salary	$576,000	40	%
Total Fixed Compensation	$576,000	40	%
Variable-Based Compensation	Amount	% of Total Compensation	
Long-Term Equity Incentive - Performance-Based RSUs	$294,427	20	%
Long-Term Equity Incentive - Time-Based RSUs	$126,191	9	%
Annual Incentive Cash Award	$455,263	31	%
Total Variable-Based Compensation	$875,881	60	%
Total Direct Compensation	$1,451,881	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 2018 in comparison to 2017 and 2016:

Officer	2016	2017	2018
Bruce K. Lee	$400,000	$485,417	$576,000
Lynn B. Fuller	$499,219	$501,675	$512,963
Bryan R. McKeag	$312,113	$316,913	$343,500
Brian J. Fox	$—	$275,025	$298,000
Andrew E. Townsend	$240,000	$266,250	$297,500

Mr. Lee, who was appointed to the role of CEO effective June 1, 2018, received a significant increase in base salary in conjunction with his promotion. Mr. Fuller, who moved from CEO to the position of Executive Operating Chairman in June 2018, received a modest base salary increase in line with market trends for his position. Messrs. McKeag, Fox and Townsend received base salary increases in 2018 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 tangible common equity ("ROTCE"); efficiency ratio; 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 2018, the target annual incentive was 80% of base salary for Messrs. Lee and Fuller, 60% for Mr. McKeag, and 50% for Messrs. 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:

Award Based on Each Performance Standard	=	Executive Officer's Salary	x	Target Annual Incentive	x	Weighting of Performance Standard	x	(2018 Result ÷ 2018 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 ROTCE 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 ROTCE. To encourage superior performance, our ROTCE target is set at 15% or greater, which we believe is strong performance in relation to our peers based on competitive analysis.

The efficiency ratio is the second largest 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 important indicator of returning value to our stockholders.

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 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, leadership, regulatory relations, special projects and unplanned/unexpected circumstances. Because of the strong leadership of Messrs. McKeag, Fox and Townsend in their respective functional areas: finance, operations, and credit, the Committee awarded a payout of 125% to each in the discretionary category. The Committee believed Messrs. Fuller and Lee provided solid strategic leadership for the Company, with Mr. Fuller focusing on investor relations, merger and acquisition activity, and risk management, and Mr. Lee focusing on operational leadership and management. Accordingly, Committee awarded Mr. Fuller a 100% payout and Mr. Lee a 90% payout within the discretionary category.

The tables below show business plan targets and 2018 results that were used to calculate the annual incentive cash award for each of our named executive officers, dollars in thousands. Payouts can be found in the column "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table:

Mr. Lee

Performance Standard	Weighting	2018 Target	2018 Result	2018 Score
Return on Tangible Common Equity (non-GAAP)(1)	40.00 %	15.00 %	14.79 %	90.00 %
Efficiency Ratio (non-GAAP)(2)	10.00 %	65.00 %	63.54 %	137.00%
Loan Growth, Organic	7.50 %	$255,659	$106,712	—%
Loan Growth, Acquired	7.50 %	$500,000	$1,005,548	150.00%
YTD Non-Time Deposit Growth, Organic	7.50 %	$288,938	$326,748	126.00%
YTD Non-Time Deposit Growth, Acquired	7.50 %	$500,000	$918,051	142.00%
Board Discretionary	20.00 %	100.00 %	90.00 %	90.00 %

Mr. Fuller

Performance Standard	Weighting	2018 Target	2018 Result	2018 Score
Return on Tangible Common Equity (non-GAAP)(1)	40.00 %	15.00 %	14.79 %	90.00 %
Efficiency Ratio (non-GAAP)(2)	10.00 %	65.00 %	63.54 %	137.00%
Loan Growth, Organic	7.50 %	$255,659	$106,712	—%
Loan Growth, Acquired	7.50 %	$500,000	$1,005,548	150.00%
YTD Non-Time Deposit Growth, Organic	7.50 %	$288,938	$326,748	126.00%
YTD Non-Time Deposit Growth, Acquired	7.50 %	$500,000	$918,051	142.00%
Board Discretionary	20.00 %	100.00 %	100.00 %	100.00%

Mr. McKeag

Performance Standard	Weighting	2018 Target	2018 Result	2018 Score
Return on Tangible Common Equity (non-GAAP)(1)	40.00 %	15.00 %	14.79 %	90.00 %
Efficiency Ratio (non-GAAP)(2)	10.00			