

HEARTLAND FINANCIAL USA INC  
Form 10-Q  
May 10, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended March 31, 2007

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For transition period \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-24724

**HEARTLAND FINANCIAL USA, INC.**

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

42-1405748

(I.R.S. employer identification number)

1398 Central Avenue, Dubuque, Iowa 52001

(Address of principal executive offices)(Zip Code)

(563) 589-2100

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes x**  
**No**

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

**Large accelerated filer** **Accelerated filer x** **Non-accelerated filer**

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Securities Exchange Act of 1934). **Yes** **No x**

Indicate the number of shares outstanding of each of the classes of Registrant's common stock as of the latest practicable date: As of May 4, 2007, the Registrant had outstanding 16,454,541 shares of common stock, \$1.00 par value per share.



**HEARTLAND FINANCIAL USA, INC.**  
**Form 10-Q Quarterly Report**

**Part I**

- |         |   |
|---------|---|
| Item 1. | Financial Statements  |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk                            |
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**Part II**

- |          |   |
|----------|---|
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| Item 1A. | Risk Factors  |
| Item 2.  | Unregistered Sales of Issuer Securities and Use of Proceeds |
| Item 3.  | Defaults Upon Senior Securities                             |
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| Item 5.  | Other Information   |
| Item 6.  | Exhibits  |

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**PART I****ITEM 1. FINANCIAL STATEMENTS****HEARTLAND FINANCIAL USA, INC.  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands, except per share data)**

|   | <b>March 31, 2007<br/>(Unaudited)</b> | <b>December 31, 2006</b> |
|---|---------------------------------------|--------------------------|
| <b>ASSETS</b>   |                                       |                          |
| Cash and due from banks   | \$ 30,944                             | \$ 47,753                |
| Federal funds sold and other short-term investments   | 31,288                                | 1,390                    |
| Cash and cash equivalents   | 62,232                                | 49,143                   |
| Securities:   |                                       |                          |
| Trading, at fair value  | 1,259                                 | 1,568                    |
| Available for sale, at fair value (cost of \$581,226 at March 31, 2007, and \$612,440 at December 31, 2006) | 583,874                               | 613,950                  |
| Held to maturity, at cost (fair value of \$2,750 at March 31, 2007, and \$1,513 at December 31, 2006)       | 2,670                                 | 1,522                    |
| Loans held for sale   | 42,644                                | 50,381                   |
| Gross loans and leases:   |                                       |                          |
| Held to maturity  | 2,224,097                             | 2,147,845                |
| Allowance for loan and lease losses   | (31,545)                              | (29,981)                 |
| Loans and leases, net   | 2,192,552                             | 2,117,864                |
| Premises, furniture and equipment, net  | 112,951                               | 108,567                  |
| Other real estate, net  | 1,689                                 | 1,575                    |
| Goodwill  | 40,207                                | 39,817                   |
| Other intangible assets, net  | 8,997                                 | 9,010                    |
| Cash surrender value on life insurance  | 33,698                                | 33,371                   |
| Assets of discontinued operations held for sale   | 20,947                                | -                        |
| Other assets  | 32,640                                | 31,474                   |
| <b>TOTAL ASSETS</b>   | <b>\$ 3,136,360</b>                   | <b>\$ 3,058,242</b>      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                       |                          |
| <b>LIABILITIES:</b>   |                                       |                          |
| <b>Deposits:</b>  |                                       |                          |
| Demand  | \$ 360,744                            | \$ 371,465               |
| Savings   | 825,600                               | 822,915                  |
| Time  | 1,163,481                             | 1,117,277                |
| Total deposits  | 2,349,825                             | 2,311,657                |
| Short-term borrowings   | 304,342                               | 275,694                  |
| Other borrowings  | 210,804                               | 224,523                  |
| Liabilities of discontinued operations held for sale  | 32,086                                | -                        |
| Accrued expenses and other liabilities  | 27,453                                | 36,657                   |
| <b>TOTAL LIABILITIES</b>  | <b>2,924,510</b>                      | <b>2,848,531</b>         |

## STOCKHOLDERS' EQUITY:

|   |              |              |
|---|--------------|--------------|
| Preferred stock (par value \$1 per share; authorized, 184,000 shares; none issued or outstanding)   | -            | -            |
| Series A Junior Participating preferred stock (par value \$1 per share; authorized, 16,000 shares; none issued or outstanding)                                | -            | -            |
| Common stock (par value \$1 per share; authorized, 20,000,000 shares; issued 16,611,671 shares at March 31, 2007, and 16,572,080 shares at December 31, 2006) | 16,612       | 16,572       |
| Capital surplus   | 38,596       | 37,963       |
| Retained earnings   | 158,607      | 154,308      |
| Accumulated other comprehensive income  | 1,608        | 868          |
| Treasury stock at cost (127,130 shares at March 31, 2007, and no shares at December 31, 2006)   | (3,573)      | -            |
| TOTAL STOCKHOLDERS' EQUITY  | 211,850      | 209,711      |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY  | \$ 3,136,360 | \$ 3,058,242 |

See accompanying notes to consolidated financial statements.

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**HEARTLAND FINANCIAL USA, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**  
**(Dollars in thousands, except per share data)**

|   | <b>Three Months Ended</b> |                  |
|---|---------------------------|------------------|
|   | <b>March 31,</b>          | <b>March 31,</b> |
|   | <b>2007</b>               | <b>2006</b>      |
| INTEREST INCOME:  |                           |                  |
| Interest and fees on loans and leases                                 | \$ 45,558                 | \$ 37,362        |
| Interest on securities:   |                           |                  |
| Taxable   | 5,297                     | 3,883            |
| Nontaxable  | 1,458                     | 1,428            |
| Interest on federal funds sold and other short-term investments       | -                         | 59               |
| Interest on interest bearing deposits in other financial institutions | 10                        | 5                |
| <b>TOTAL INTEREST INCOME</b>  | <b>52,323</b>             | <b>42,737</b>    |
| INTEREST EXPENSE:   |                           |                  |
| Interest on deposits  | 18,298                    | 12,927           |
| Interest on short-term borrowings                                     | 3,811                     | 1,858            |
| Interest on other borrowings  | 3,323                     | 3,044            |
| <b>TOTAL INTEREST EXPENSE</b>   | <b>25,432</b>             | <b>17,829</b>    |
| <b>NET INTEREST INCOME</b>  | <b>26,891</b>             | <b>24,908</b>    |
| Provision for loan and lease losses                                   | 1,926                     | 1,175            |
| <b>NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES</b>  | <b>24,965</b>             | <b>23,733</b>    |
| NONINTEREST INCOME:   |                           |                  |
| Service charges and fees, net   | 2,571                     |                  |