

HEARTLAND FINANCIAL USA INC
Form PRE 14A
March 13, 2015

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

HEARTLAND FINANCIAL USA, INC.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4. Proposed maximum aggregate value of transaction:
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1. Amount Previously Paid:
2. Form, Schedule, or Registration Statement No.:
3. Filing Party:
4. Date Filed:

April 6, 2015

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Stockholders' Meeting of Heartland Financial USA, Inc. to be held at the Grand River Center, 500 Bell Street, Dubuque, Iowa, on Wednesday, May 20, 2015, at 6:00 p.m.

At our Annual Meeting, we will discuss and vote on the matters described in the Notice of Annual Meeting of Stockholders and the proxy statement. Copies of the meeting notice and proxy statement are enclosed, together with a copy of our 2014 Annual Report to Stockholders.

To register your vote, please complete, sign and date the enclosed proxy and return it in the accompanying postage-paid return envelope as promptly as possible. In the alternative, you may vote your proxy by Internet or telephone by following the instructions on the proxy card. You will be asked to follow the prompts on the Internet or by phone to vote your shares. Your electronic or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned the proxy card.

We encourage you to attend our Annual Meeting in person and enjoy camaraderie with other stockholders at the reception following the meeting. I look forward to visiting with you.

Sincerely,

Lynn B. Fuller
Chairman of the Board

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

We ask you to join the directors and other fellow stockholders for cocktails and hors d'oeuvres at a reception following the meeting. In order to comfortably accommodate all stockholders, we ask that you please return the enclosed reservation card. The reception will be held in the ballroom pre-function area at the Grand River Center, 500 Bell Street, Dubuque, Iowa, beginning at approximately 7:00 p.m. You need not attend the Annual Meeting in order to attend the reception.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 20, 2015

TO THE STOCKHOLDERS OF HEARTLAND FINANCIAL:

The Annual Meeting of Stockholders of Heartland Financial USA, Inc. will be held at the Grand River Center, 500 Bell Street, Dubuque, Iowa, on Wednesday, May 20, 2015, at 6:00 p.m., for the purpose of considering and voting upon the following matters:

- (1) Election of three (3) Class I Directors for a term expiring in 2018;
- (2) An amendment to our Certificate of Incorporation to increase the authorized shares of common stock from 25,000,000 to 30,000,000 shares;
- (3) Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015;
- (4) Approval of the compensation of our named executive officers on a non-binding advisory basis; and
- (5) Such other business as may properly come before the meeting and any adjournment or postponement thereof.

The Board of Directors is not aware of any other business to come before the meeting. Stockholders of record at the close of business on March 24, 2015, are the stockholders entitled to vote at the meeting and any adjournments or postponements of the meeting. Whether or not you plan to attend the meeting, please vote your shares promptly to ensure they are represented at the meeting. In the event there are an insufficient number of votes for a quorum, or to approve or ratify any of the foregoing proposals at the time of the Annual Meeting, the meeting may be adjourned or postponed in order to permit further solicitation of proxies.

The Board of Directors recommends a vote "for" the three Class I nominees for election to three-year terms ending 2018, as listed in the Company's 2015 proxy statement, and "for" Proposals 2, 3 and 4.

By Order of the Board of Directors:

Michael J. Coyle
Secretary

Dubuque, Iowa
April 6, 2015

The prompt return of proxies will save us the expense of further requests for proxies to ensure a quorum at the meeting. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed within the United States. In addition, you may vote your proxy by Internet or telephone by following the instructions on the proxy card.

Important notice regarding the availability of proxy materials for the Annual Meeting of Stockholders to be held on May 20, 2015: The proxy statement and Annual Report to Stockholders are available at www.htlf.com

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Heartland Financial USA, Inc. of proxies to be voted at the Annual Meeting of Stockholders to be held at the Grand River Center located at 500 Bell Street, Dubuque, Iowa, on Wednesday, May 20, 2015, at 6:00 p.m. Central Daylight Time, or at any adjournments or postponements of the meeting. We first mailed this proxy statement and proxy card on or about April 6, 2015.

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 PROXY STATEMENT AND PROXY CARD?

You are receiving a proxy statement and proxy card from us because on March 24, 2015, you owned shares of our common stock. This proxy statement describes the matters that will be presented for consideration by the stockholders at the Annual Meeting. It also gives you information concerning the matters to be voted upon to assist you in making an informed decision.

When you sign the enclosed proxy card, you appoint the proxy holder designated on the proxy card as your representative at the meeting. The proxy holder will vote your shares as you have instructed on the proxy card. This will ensure that your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, you should complete, sign and return your proxy card in advance of the meeting in case your plans change.

If you have signed and returned the proxy card and an issue comes up for a vote at the meeting that is not identified on the form, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her judgment.

WHAT MATTERS WILL BE VOTED ON AT THE MEETING?

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

- (1) Election of three (3) Class I Directors for a term expiring in 2018;
- (2) An amendment of our Certificate of Incorporation to increase the authorized shares of common stock from 25,000,000 shares to 30,000,000 shares;
- (3) Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015;
- (4) Approval of the compensation of our named executive officers on a non-binding advisory basis; and
- (5) Such other business as may properly come before the meeting and any adjournment or postponement thereof.

þ Our Board of Directors recommends that you vote FOR each of these proposals.

These matters are more fully described in the proxy statement. We are not aware of any other matters that will be voted on at the Annual Meeting. However, if any other business properly comes before the meeting, the persons named as proxies for stockholders will vote on these matters in a manner they consider appropriate.

HOW DO I VOTE?

You may vote either by mail, Internet, telephone or in person at the meeting. To vote by mail, complete and sign the enclosed proxy card and mail it in the enclosed pre-addressed envelope. No postage is required if mailed in the United States. If you mark your proxy card to indicate how you want your shares voted, your shares will be voted as you instruct. In addition, you may vote your proxy by Internet or telephone by following the instructions on the proxy card.

If you sign and return your proxy card but do not mark the form to provide voting instructions, the shares represented by your proxy card will be voted “for” all nominees named in this proxy statement, “for” the amendment to our Certificate of Incorporation, “for” the ratification of our independent registered public accounting firm and “for” the approval of Heartland executives' compensation as described in the Compensation Discussion and Analysis.

If you want to vote in person, please come to the meeting. Please note, however, that if your shares are held in the name of your broker (or in what is usually referred to as “street name”), you will need to arrange to obtain a separate proxy from your broker in order to vote in person at the meeting.

WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY CARD?

You will receive more than one proxy card if you have multiple holdings reflected in our stock transfer records and/or in accounts with brokers. Please sign and return all proxy cards, or vote by Internet or phone, to ensure that all your shares are voted.

IF I HOLD SHARES IN THE NAME OF A BROKER, WHO VOTES MY SHARES?

If you received this proxy statement from your broker, your broker should have given you instructions for directing how he or she should vote your shares. It will then be your broker's responsibility to vote your shares in the manner you direct.

Under the rules of various national and regional securities exchanges, brokers may generally vote in their discretion on behalf of their customers on routine matters, such as the ratification of KPMG LLP as our independent registered public accounting firm. Brokers cannot, however, vote on non-routine matters, such as the election of directors or any matter related to executive compensation, unless they have received voting instructions from the person for whom they are holding shares. If your broker does not receive instructions from you on how to vote particular shares on matters on which your broker does not have discretionary authority to vote, your broker will return the proxy form to us indicating that he or she does not have authority to vote on these matters. This is generally referred to as a “broker non-vote” and will affect the outcome of the voting as described below under “How many votes are needed for approval of each proposal?”. Therefore, we encourage you to provide directions to your broker as to how you want your shares voted on all matters brought before the meeting. You should do this by carefully following the instructions your broker gives you concerning the procedures. This ensures that your shares will be voted at the meeting.

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 meeting. You may do this by:

- * signing another proxy with a later date and returning that proxy to Mr. Michael J. Coyle, Secretary, Heartland Financial USA, Inc., 1398 Central Avenue, Dubuque, Iowa 52001;
- * sending notice to us that you are revoking your proxy;
- * voting your proxy by Internet or telephone by following the instructions on the proxy card; or
- * voting in person at the 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 that are outstanding and entitled to vote as of the record date must be present in person or by proxy at the meeting in order to hold the meeting and conduct business.

Shares are counted as present at the meeting if the stockholder either:

- * is present and votes in person at the meeting; or
 - * has properly submitted a signed proxy card or other proxy.
-

On March 24, 2015, there were _____ shares of common stock issued and outstanding. Therefore, at least _____ shares need to be present to constitute a quorum to hold the Annual Meeting and conduct business.

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 proxies 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 MAY I CAST?

Generally, you are entitled to cast one vote for each share of stock you owned on the record date.

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 shares present in person or by proxy at the meeting and entitled to vote is required to approve the amendment to our certificate of incorporation and to approve ratification of the appointment of independent public accountants for the fiscal year ending December 31, 2015.

The vote on our 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 extent of approval in establishing our 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 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 meeting. The voting results will also be disclosed in a Current Report on Form 8-K that we will file with the SEC by the close of business on the fourth business day after the meeting, which will be by May 27, 2015.

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

At the Annual Meeting to be held on May 20, 2015, you will be entitled to vote for three Class I Directors for terms expiring in 2018. The Board of Directors is divided into three classes of directors having staggered terms of three years. Two of the three nominees for election as Class I directors have been directors for more than ten years: Messrs. Lynn B. Fuller and John W. Cox, Jr. Mr. R. Michael McCoy was first elected a director in May 2014 and is being nominated for re-election as a Class I director. We have no knowledge that any of the nominees will refuse or be unable to serve, but if any becomes unavailable for election, the holders of proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting.

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

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

DIRECTOR NOMINEES

CLASS I (Term Expires 2018)

Lynn B. Fuller; Director Since 1987; Age 65

Professional Experience:

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

Other Boards and Appointments:

Director of Heartland subsidiaries Dubuque Bank and Trust Company, Wisconsin Bank & Trust, New Mexico Bank & Trust, Arizona Bank & Trust, Rocky Mountain Bank, Summit Bank & Trust, Minnesota Bank & Trust, and Citizens Finance Co. for more than five years; Director of Citizens Finance of Illinois Co. and Citizens Finance Parent Co. since 2013; Director of Morrill & Janes Bank and Trust Company, since its acquisition by Heartland in 2014.

John W. Cox, Jr.; Director Since 2003; Age 67

Professional Experience:

Mr. Cox was the Vice President of External Affairs and General Counsel for Jo-Carroll Energy, Inc. (NFP) from 2007 until his retirement in 2014. Mr. Cox was a practicing attorney in Galena, Illinois for over 35 years prior to joining Jo-Carroll Energy, Inc. Mr. Cox is also a former Member of the U.S. House of Representatives from the 16th District of the State of Illinois. During his term in the U.S. Congress, Mr. Cox served on the House Banking and Finance Committees. Mr. Cox also served as City Attorney for the City of Galena, Illinois during his years of private practice. Mr. Cox brings to our Board extensive knowledge of government relations and policy, banking and financial law and governance, and contacts with community leaders in the markets we serve in Northern Illinois, Eastern Iowa and Southwestern Wisconsin.

Other Boards and Appointments:

Director of Galena State Bank & Trust Co. from 1998 until its merger into Illinois Bank & Trust in 2015 and Director of Illinois Bank & Trust since 2015.

R. Michael McCoy; Director Since 2014; Age 66

Professional Experience:

Mr. McCoy has been the President of the McCoy Group, Inc., a full-service commercial truck leasing, rental and contract maintenance company, since 1993. Mr. McCoy brings Heartland not only significant experience in the operation of a business headquartered in Dubuque, but significant business contacts in central Iowa and Wisconsin markets from which a significant portion of small business loans we originate are sourced.

Other Boards and Appointments:

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

CONTINUING DIRECTORS

CLASS II (Term Expires 2016)

Mark C. Falb; Director Since 1995; Age 67

Professional Experience:

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

Other Boards and Appointments:

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

John K. Schmidt; Director Since 2001; Age 55

Professional Experience:

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

Other Boards and Appointments:

Director of Dubuque Bank and Trust Company and Citizens Finance Co. for more than 5 years; Director of Citizens Finance of Illinois Co. and Citizens Finance Parent Co. since 2013; Chairman of Loras College Board of Regents, Dubuque, Iowa, from 2011-present; Director, A.Y. McDonald Industries, from 2013-present.

Duane E. White; Director Since 2013; Age 59

Professional Experience:

Mr. White has been a partner at Aveus, a management consulting firm in St. Paul, Minnesota since 2013. Prior to joining Aveus, Mr. White was an independent consultant for 6 years. Mr. White also has over nine years of banking experience with U.S. Bancorp, including as President of the mortgage division for three years, Senior Vice President of Mergers and Acquisitions for two years, Senior Vice President of Marketing Support and Product Management, and Senior Vice President of Corporate Development. He began his career as an examiner for the OCC and was also involved with the regulatory supervision of problem banks in his role as the Assistant to the Regional Director of Special Projects. Mr. White brings considerable expertise in financial services, including merger and acquisition activity, to our Board as well as community knowledge and perspective of Minneapolis and St. Paul, Minnesota.

Other Boards and Appointments:

Director of Minnesota Bank & Trust for more than 5 years; Director of Fair Isaac Corporation since 2009.

CONTINUING DIRECTORS

CLASS III (Term Expires 2017)

James F. Conlan; Director Since 2000; Age 51

Professional Experience:

Mr. Conlan has been a partner with Sidley Austin LLP in Chicago, Illinois since 1996. Mr. Conlan has also been a member of the Executive Committee of Sidley Austin since 2005, Vice Chairman from 2000 to 2006, and Co-Chairman of the Firm-Wide Corporate Reorganization Practice since 2006. Mr. Conlan brings to our Board considerable expertise in complex financial structurings, particularly those associated with workout transactions, and the legal implications of such transactions.

Other Boards and Appointments:

Director of Dubuque Bank and Trust Company and Citizens Finance Co. for more than five years; Director of Citizens Finance of Illinois Co. and Citizens Finance Parent Co. since 2013.

Thomas L. Flynn; Director Since 2002; Age 59

Professional Experience:

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

Other Boards and Appointments:

Director and Vice Chairman of the Board of Dubuque Bank and Trust Company and Director of Citizens Finance Co. for more than 5 years; Director of Citizens Finance of Illinois Co. and Citizens Finance Parent Co. since 2013.

Kurt M. Saylor; Director Since 2013; Age 62

Professional Experience:

Mr. Saylor has been President and Chief Executive Officer of Morrill & Janes Bank and Trust Company since 2002. He began his banking career as an examiner with the Office of State Bank Commissioner in Kansas after graduating from college in 1974. He was an examiner for one year. He joined Morrill & Janes Bank and Trust Company in 1975. 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 of the Kansas City metropolitan area.

Other Boards and Appointments:

Director of Morrill & Janes Bank and Trust Company, a Heartland subsidiary, since 1988; Chairman and Chief Executive Officer of Century Capital Financial (City National Bank), Kilgore, TX, from 1997 to 2008; Chairman and Chief Executive Officer of FBC Financial Corp (1st Bank Oklahoma), Claremore, OK, 1998 to 2011.

All of our directors will hold office for the terms indicated, or until their respective successors are duly elected and qualified. With the exception of Mr. Conlan, who is the brother-in-law of Mr. Fuller, no member of the Board of Directors is related to any other member of the Board. Except for Mr. Saylor, who was first elected a director in accordance with the Merger Agreement with Morrill Bancshares, Inc. on October 18, 2013, no director has been nominated or is serving pursuant to any arrangement that requires that they be selected as a director.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

Our Board of Directors

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

Director Independence. Our Board has determined that each of Messrs. Cox, Falb, Flynn, McCoy and White are "independent" directors as defined in the rules of the Nasdaq Stock Market and the rules and regulations of the SEC. The Board has determined that each of Mr. Fuller, as the Chief Executive Officer of Heartland, Mr. Saylor as the President and CEO of Morrill & Janes Bank and Trust Company, a Heartland subsidiary bank, Mr. Schmidt as the Chief Financial Officer of Heartland until July 2013 and Mr. Conlan as Mr. Fuller's brother-in-law, is not independent. 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 2014, the Board of Directors held four regular meetings and two special meetings. All but one director, R. Michael McCoy, attended at least 75% of the meetings of the Board of Directors and its Committees on which they served. Mr. McCoy attended 73% of all board and committee meetings from his appointment in May 2014 through year end.

The independent directors are offered the opportunity at each meeting of the Board of Directors to meet without Messrs. Fuller, Saylor, Schmidt and Conlan in attendance. During 2014, the independent directors met in such capacity two 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 policy that all directors be in attendance at the Annual Meeting unless excused by the Chairman of the Board. In 2014, all directors attended the Annual Meeting in person.

Board Leadership. Under our Bylaws, the Chairman of the Board presides at meetings of the Board at which he is in attendance. Mr. Fuller, our Chief Executive Officer, has been Chairman of our Board of Directors since 2000. Mr. Fuller, as the director with the most knowledge of banking operations and of Heartland's business, 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.

Although Mr. Falb, the Chairman of both our Audit/Corporate Governance Committee and our Compensation/Nominating Committee, has not been formally designated as the "Lead Director," he chairs and assists in setting the agenda for executive sessions of the Board, as well as regularly interacting with Mr. Fuller to convey concerns of the directors and assists with the full agenda for Board meetings.

Risk Management - Background. Although much of Heartland's loan and deposit production activities are overseen by management at its subsidiary banks, Heartland's management establishes policies regarding these activities, audits the production function, and more directly manages risk on an enterprise-wide basis with a formalized risk management function and Chief Risk Officer. Each banking subsidiary also maintains a compliance officer to ensure adherence to corporate-wide policies. Heartland also maintains, at the holding company level, an Audit Department, a Loan Review Department and a Special Assets Department.

Risk Management - The Board. The Heartland Board of Directors oversees planning and responding to risks arising from changing business conditions, or the initiation of new activities or products. The Board of Directors is involved in overseeing all risks across the enterprise and actively participates by establishing policies, limits and tolerances, and reviewing reports provided by management and the Chief Risk Officer for monitoring those activities. The Audit/Corporate Governance Committee oversees risks associated with financial reporting, including internal control over financial reporting, and identifies and oversees compliance with changing laws and regulations. The Compensation/Nominating Committee identifies, reviews

and oversees risks created by Heartland's executive benefit programs and employee compensation plans. The Compensation/Nominating Committee also consults with the Chief Risk Officer for risk input pertaining to compensation.

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

Committees of the Board

Audit/Corporate Governance Committee. The members of the Audit/Corporate Governance Committee are Messrs. Cox, Falb, Flynn, McCoy and White. Each of Messrs. Cox, Falb, Flynn, McCoy and White is an "independent" director under the listing standards of the Nasdaq Stock Market and the rules and regulations of the SEC. The Board of Directors has determined that each of Messrs. Cox, Falb and Flynn qualify as, and should be named as, an "audit committee financial expert" as set forth in the rules and regulations of the SEC. The Board based this decision on the educational background and experience of Mr. Falb and Mr. Flynn in financial accounting, and the legal experience of Mr. Cox. In addition, the understanding these committee members bring as executive officers of other companies, and their familiarity analyzing financial statements, were factors in the designation.

The Audit/Corporate Governance Committee Charter can be found under the Investor Relations section of our website, www.htlf.com. The primary duties and functions of the Audit/Corporate Governance Committee are to:

- * monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;
- * retain, oversee, review and terminate, if necessary, the company's independent registered public accounting firm and
- * pre-approve all services greater than \$25,000 and ratify all services less than \$25,000 performed by such firm (tax-related services must be pre-approved by the committee before work begins regardless of dollar amount);
- * provide an avenue of communication among the 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;
- * review and approve related party transactions; 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 Corporate Governance Guidelines can be found under the Investor Relations section of our website, www.htlf.com.

Mr. Falb has served as Chairman of the Audit/Corporate Governance Committee since 2001. During 2014, 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 currently consists of Messrs. Cox, Falb, Flynn, McCoy and White. Each of Messrs. Cox, Falb, Flynn, McCoy and White is an “independent” director as defined by listing requirements of the Nasdaq Stock Market, an “outside” director pursuant to Section 162(m) of the Internal

Revenue Code of 1986, as amended, and a “non-employee” director under Section 16 of the Securities Exchange Act of 1934. Mr. Falb has served as Chairman of the Compensation/Nominating Committee since 2001.

The Charter of the Compensation/Nominating Committee can be found under the Investor Relations section of our website, www.htlf.com. 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 creation 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 meets as often as necessary to evaluate the performance of the named executive officers, to determine salaries and bonuses for the coming year, and to consider and approve any grants under incentive compensation programs. In formulating and approving the compensation programs for executive officers, the Compensation/Nominating Committee also meets with the risk management personnel of Heartland to consider whether the executive compensation programs are appropriately balanced, do not create inappropriate risk-taking incentives and do not impair the safety and soundness of Heartland and its subsidiary banks. The Compensation/Nominating Committee held six meetings in 2014.

The Compensation/Nominating Committee's duties and functions are set forth in more detail in its Charter. The process used by the Committee to evaluate and determine executive compensation is described in this proxy statement under the caption “Executive Officers and Directors 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 nominations for the 2015 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 have a significant business and personal relationship with Heartland or its subsidiary banks and share the Company’s philosophy, including the same sense of mission, vision and values. Additionally, the Committee would prefer experience with publicly held companies, growth businesses or sales.

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

The Compensation/Nominating Committee also evaluates potential nominees to determine if they have any conflicts of interest that may interfere with their ability to serve as effective Board members and whether they are “independent” in accordance with Nasdaq Stock Market requirements (to ensure that at least a majority of the directors will, at all times, be independent). In the past, the Compensation/Nominating Committee has not retained any third party to assist it in identifying candidates, but it has the authority to retain a third-party firm or professional for purposes of identifying candidates.

Stockholder Communications with the Board, Nomination and Proposal Procedures

General Communications with the Board. As set forth on our website, www.htlf.com, our Board of Directors can be contacted through our corporate headquarters at 1398 Central Avenue, P.O. Box 778, Dubuque, Iowa 52004-0778, Attn: Michael J. Coyle, 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 2016 Annual Meeting, such notice would need to be received on or before December 8, 2015. 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 otherwise nominate a director for election at an Annual Meeting of Stockholders by delivering 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, pursuant to this paragraph, will not be included in our proxy statement.

Other Stockholder Proposals. To be considered for inclusion in our proxy statement for the 2016 Annual Meeting of Stockholders, stockholder proposals must be received by our Corporate Secretary, at the above address, no later than December 8, 2015, and must otherwise comply with the notice and other provisions of our Bylaws, as well as SEC rules and regulations.

For proposals to be otherwise brought by a stockholder 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 conducting such business at the meeting; the name and address, as they appear with our Transfer Agent, of the stockholder proposing such business; number of shares of common stock held by the stockholder on the date of receiving notice; and any other financial or other interests of such stockholder in the proposal.

The Board of Directors may reject any proposals not timely made. If the information does not satisfy the requirements above, the Corporate Secretary will notify the stockholder of the deficiency. The stockholder then has 10 days to cure the deficiency by providing additional information within that time period. If the deficiency is not cured, or the Board determines that the additional information, together with the information previously provided, does not satisfy the notice requirements identified above, the Board may reject the proposal. The Corporate Secretary will notify the

stockholder in writing whether his or her proposal was made in accordance with time and information requirements.

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 is posted on our website, www.htlf.com. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding any amendment to, or waiver of, the Code with respect to our Chief Executive Officer and Chief Financial Officer and persons performing similar functions, by posting such information on our website.

Director Compensation

Our Board of Directors believes that any compensation received by a non-employee director should be tied directly to the success of Heartland and, by extension, the success of all Heartland stockholders. Non-employee directors are compensated for service on the Heartland Board of Directors solely by issuance of restricted stock units (RSUs) granted under the 2012 Long-Term Incentive Plan in an amount determined by the Committee at its Annual Meeting. The RSUs are awarded as of the date of the Annual Meeting and vest on the earlier of the one-year anniversary of grant or the date of the next Annual Meeting. In the event a director leaves the Board for any reason prior to any vesting date (other than due to death or disability), the committee retains sole discretion to determine whether to accelerate vesting. In the event of the death or disability of the director, the RSUs vest.

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

Each of Messrs. Conlan, Cox, McCoy, Schmidt and White were granted 1,250 RSUs on May 21, 2014 as their sole compensation for service on the Board of Directors of Heartland for the period from the May 21, 2014 Annual Meeting to the May 20, 2015 Annual Meeting. Mr. Falb and Mr. Flynn who chair and co-chair, respectively, both Audit/Corporate Governance and Compensation/Nominating committees, were granted 1,350 RSUs. All RSUs granted to directors in 2014 will vest and be issued after the 2015 Annual Meeting on May 20, 2015. Mr. Fuller and Mr. Saylor, who are officers, do not receive any compensation for serving on the Board of Heartland or any of its subsidiary banks.

Messrs. Conlan, Cox, Falb, Flynn, McCoy, Schmidt and White also serve on the Board of one of our subsidiary banks and receive cash compensation or Heartland stock for such service. Until May 2014, our subsidiary banks paid fees to directors in cash, although some gave the option to directors to purchase shares with that cash at fair market value at the end of the year. Commencing in May 2014, our subsidiary banks began compensating most directors by granting directors RSUs for Heartland common stock, though the directors continue to be paid in cash for committee work on the Boards of our subsidiary banks. Depending upon the cash fees historically paid by the subsidiary bank, and the role and committee service of the director, Heartland directors who also served as directors of subsidiary banks received between 200 and 250 RSUs during 2014 for their services on the boards of subsidiary banks.

The following table shows non-employee director compensation during 2014 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 |
|------------------|---|-----------------------------|----------|
| James F. Conlan | \$4,950 | \$35,072 | \$40,022 |
| John W. Cox, Jr. | \$3,975 | \$34,147 | \$38,122 |
| Mark C. Falb | \$4,500 | \$37,406 | \$41,906 |
| Thomas L. Flynn | \$5,400 | \$37,406 | \$42,806 |
| R. Michael McCoy | \$1,595 | \$35,072 | \$36,667 |
| John K. Schmidt | \$9,500 | \$35,072 | \$44,572 |
| Duane E. White | \$4,525 | \$34,539 | \$39,064 |

(1) The amounts in this column include fees paid in cash for services as a director at one of Heartland's subsidiaries, and for Mr. McCoy, fees payable in cash but for which he elected to receive 66 shares of Heartland common stock.

(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, of RSUs granted for service as directors of Heartland, as indicated above, as well as RSUs

granted for service as directors of subsidiary banks. Messrs. Conlan, Falb, Flynn, McCoy and Schmidt each received 250 RSUs for service as directors of Dubuque Bank & Trust Company on May 20, 2014, Mr. Cox received 200 RSUs for service as director of Illinois Bank & Trust on May 27, 2014, and Mr. White received 225 RSUs for service as director of Minnesota Bank & Trust on May 22, 2014.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists the beneficial ownership of our common stock as of January 15, 2015, by each person we know to beneficially own more than 5% of our outstanding common stock, by each director or nominee, by each executive officer named in the summary compensation table and by all directors and executive officers of Heartland as a group.

| Name of Individual and Number of Persons in Group | Amount of Shares owned by person or group ⁽¹⁾ | | Percent of Class |
|---|--|------|------------------|
| 5% Stockholders, Directors and Nominees | | | |
| BlackRock, Inc., 55 East 52nd Street, New York, NY 10022 | 974,612 | (2) | 5.3% |
| Directors | | | |
| James F. Conlan | 364,844 | (3) | 2% |
| John W. Cox, Jr. | 28,465 | (4) | * |
| Mark C. Falb | 103,030 | (5) | * |
| Thomas L. Flynn | 73,103 | (6) | * |
| Lynn B. Fuller | 1,003,202 | (7) | 5.4% |
| R. Michael McCoy | 36,554 | (8) | * |
| Kurt M. Saylor | 622,407 | (9) | 3.4% |
| John K. Schmidt | 152,040 | (10) | * |
| Duane E. White | 14,765 | | * |
| Other Named Executive Officers | | | |
| Kenneth J. Erickson | 217,228 | (11) | 1.2% |
| Douglas J. Horstmann | 155,727 | (12) | * |
| Brian J. Fox | 7,604 | | * |
| Bryan R. McKeag | 4,454 | | * |
| All directors and executive officers as a group (18 persons- including Bruce Lee) | 2,801,703 | | 15.14% |

* Less than one percent

(1) Includes the following shares that may be purchased through the exercise of options within 60 days of January 15, 2015: Mr. Fuller - 10,000 shares; Mr. Erickson - 4,000 shares; Mr. Horstmann - 1,500 shares; and all directors and executive officers as a group - 24,500 shares. All shares shown represent sole voting and investment power, except as set forth in the footnotes below. Inclusion of shares shall not constitute as admission of beneficial ownership or voting and investment power over included shares.

(2) Based upon a Schedule 13G filed February 3, 2015, reflecting sole voting power with respect to 942,119 shares and sole dispositive power with respect to 974,612 shares.

(3) Includes 225,602 shares held by Mr. Conlan's spouse, as trustee, and 137,398 shares held in trust for his children, over which Mr. Conlan's spouse is trustee.

(4) Includes 20,322 shares held by John W. Cox, Jr., Inc., of which Mr. Cox is a controlling stockholder and 2,432 shares held by McJoyce, Inc. of which Mr. Cox is a controlling stockholder.

(5) Includes 68,856 shares held by Mr. Falb's spouse, as trustee.

(6) Includes 2,786 shares held by Mr. Flynn's spouse in an individual retirement account (IRA) and 31,479 shares held by Mr. Flynn jointly with his spouse.

(7) Includes an aggregate of 5,000 shares held by Mr. Fuller's spouse, 835,936 shares held in a trust for which Mr. Fuller is sole trustee, and 123,078 shares held in a trust for which Mr. Fuller serves as co-trustee. Mr. Fuller has pledged 297,185 shares of common stock as collateral for a personal loan. Mr. Fuller's mailing address is: Heartland

Financial USA, Inc., 1398 Central Avenue, P.O. Box 778, Dubuque, Iowa 52004-0778.

(8) Includes 27,790 shares held by Mr. McCoy jointly with his spouse.

(9) Includes 180,448 shares held by Mr. Saylor's spouse, as trustee.

(10) Includes an aggregate of 24,850 shares held by Mr. Schmidt's spouse and minor children and 2,506 shares held by Mr. Schmidt jointly with his spouse. 118,655 shares of common stock held in Mr. Schmidt's name and 7,000 shares of common stock held in his spouse's name are subject to pledge as collateral for a personal loan.

(11) Includes 69,875 shares held by Mr. Erickson's spouse.

(12) Includes 27,000 shares held by Mr. Horstmann's spouse, as trustee.

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. Messrs. Conlan, Falb, and Flynn each filed two late reports on Form 4 during the year ended December 31, 2014. Messrs. Erickson, McCoy and Schmidt each filed one late report on Form 4 during the year ended December 31, 2014. Based upon information provided by officers and directors, except with respect to these late reports, we believe all our officers, directors and 10% shareholders filed all reports on a timely basis in the 2014 fiscal year.

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 2014.

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 cash compensation (base salary plus annual incentive compensation or bonus) that is competitive in our markets, and attracts and retains talented executives. This generally means that we pay total compensation near the median of our peer group for comparable positions for target performance. Base salaries of our executives are typically at or slightly less than the peer group median, but 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 metrics established by the organization. We believe our total compensation approach offers a reasonable balance between fixed and performance-based pay, with opportunities for above-median pay only for exceeding our targets. Our performance-based pay is tied primarily to the achievement of our 1-year business plan because we believe this appropriately focuses our executive officers on consistent annual progress toward our long-term business plan, and appropriately addresses risk management since a significant portion of our incentive payouts are made in the form of RSUs subject to a vesting period.

In 2012, we re-established performance-based compensation plans and created both equity and cash-based incentive programs for our executives. As part of a newly adopted 2012 Long-Term Incentive Plan under which we could provide equity based incentives, we granted both performance-based and time-based RSUs to our executive officers. The performance-based RSUs, which comprise at least half the totals, were earned based upon current year earnings per share and asset growth for 2012 and 2013 and loan growth for 2014, but vest two years after earned. The time-based RSUs vest in three annual increments starting on the third anniversary of the grant date. We also re-established a cash-based incentive compensation program that paid our executive officers incentive compensation based upon a variety of financial metrics that were designed to encourage not only performance, but to ensure growth in quality assets, to limit excessive liability risk, and to reward adherence to our longer-term financial plan.

The executive pay practices for 2014 have generally stayed the same as in 2012 and 2013. Specifically, in 2014 the CEO’s base salary stayed the same (below median) as in 2012 and 2013. Other executives generally received modest base salary increases in 2014 with the intent of maintaining their positioning relative to market. Mr Fox received a 14.2% increase in base salary, based on performance and the broad expansion of duties, as discussed below. With one exception, our 2014 annual incentive plan metrics stayed the same as in 2013, with payouts linked to return on equity,

loan growth, average non-time deposit growth, non-performing assets, net charge offs, and additional company-wide or division-specific performance metrics. Generally, we continued to target metrics at above peer performance levels. In 2014, we did introduce one new metric - efficiency ratio - given our desire to heighten focus on organizational efficiency. For long-term incentives, we continued to use a balanced portfolio approach, whereby we granted a blend of time-based RSUs and performance-based RSUs.

Administration of Our 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. The Compensation/Nominating Committee makes all decisions regarding the compensation of our executive officers. The Compensation/Nominating Committee reports its decisions to our Board of Directors, but there is no requirement for Board approval. Although many decisions for next year's compensation program are made in the last quarter of the current fiscal year, the program is normally finalized in the March meeting of the Committee and is evaluated and adjusted throughout the year.

The Compensation/Nominating Committee reviews and evaluates a broad range of material requested and received from management. The Committee also relies on an independent compensation consultant and legal counsel in establishing or modifying compensation programs, including, but not limited to, the following:

- * financial reports covering, among other things, historical and year-to-date financial performance vs. budget and financial performance vs. representative peer groups;
- * reports on levels of achievement of individual and corporate performance objectives;
- * reports on Heartland's strategic objectives and future budgets;
- * information on executive officers' stock ownership and option holdings;
- * agreements and other plan documents regarding compensation; and
- * reports 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 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 Committee meets with Heartland's Chief Risk Officer annually and discusses any risks presented by its annual incentive program.

The Compensation/Nominating Committee believes that a sensible approach to balancing risk-taking and rewarding reasonable, but not necessarily easily attainable, goals has always been a component of its overall assessment of the compensation plans, programs and arrangements it has established for Heartland's named executive officers. The Committee has regularly revisited the components of the frameworks set forth in the joint agency guidance as an effective tool for conducting its own assessment of the balance between risk and reward built into Heartland's compensation programs for named executive officers and will monitor adoption of the final regulations under the Dodd-Frank Act to incorporate into its risk assessment procedures the new regulations and procedures as adopted.

Role of Management. Our management evaluates employee performance, establishes business performance targets and objectives and recommends salaries, bonuses and equity awards. Our Chief Executive Officer and Executive Vice President, Human Resources and Organizational Development, 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 Chief Executive Officer and Executive Vice President, Human Resources and Organizational Development also provide information regarding our strategic objectives, evaluations of executive officers' performance and compensation recommendations for executive officers other than themselves. Our Chief Executive Officer and Executive Vice President, Human Resources and Organizational Development 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 2014 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 current peer comparison groups.

In considering the retention of GT, the Compensation/Nominating Committee 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 Heartland;
- * GT, and its employees who provide services to Heartland, 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 compensation advice.

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 peer group comparisons generated by its compensation consultant as a benchmark in establishing our compensation program and establishes appropriate and competitive ranges of short-term and long-term compensation based upon the median of the peer group. Various components of executive compensation (e.g., base salaries, bonuses, equity compensation, retirement plan contributions and other benefits) are compared to the peer group for similar positions. In addition, information on the usage of shares and related dilution levels for equity incentive plans is also prepared for and reviewed by the Compensation/Nominating Committee.

In consideration of the 2014 peer group, emphasis was placed on comparability of industry, organizational managed assets, sample size and regional characteristics. In addition, organizations with recognized continued comparable growth and returns over the past three to five years were also included. The table below lists the 22 companies that comprise our 2014 peer group:

| NAME | CITY, STATE | TICKER SYMBOL |
|----------------------------------|-------------------|---------------|
| Century Bancorp, Inc. | Medford, MA | CNBKA |
| First Busey Corporation | Champaign, IL | BUSE |
| Great Southern Bancorp Inc. | Springfield, MO | GSBC |
| Community Trust Bancorp, Inc. | Pikeville, KY | CTBI |
| Ameris Bancorp | Moultrie, GA | ABCB |
| Union Bankshares Corporation | Richmond, VA | UBSH |
| Banner Corporation | Walla Walla, WA | BANR |
| S&T Bancorp, Inc. | Indiana, PA | STBA |
| Tompkins Financial Corp | Ithaca, NY | TMP |
| First Merchants Corp | Muncie, IN | FRME |
| Pinnacle Financial Partners Inc. | Nashville, TN | PNFP |
| Renasant Corporation | Tupelo, MS | RNST |
| BancFirst Corporation | Oklahoma City, OK | BANF |
| Independent Bank Corp. | Rockland, MA | INDB |
| Chemical Financial Corp | Midland, MI | CHFC |
| Home BancShares, Inc. | Conway, AR | HOMB |
| Community Bank System, Inc. | Dewitt, NY | CBU |
| Columbia Banking System, Inc. | Tacoma, WA | COLB |
| NBT Bancorp Inc. | Norwich, NY | NBTB |
| Glacier Bancorp, Inc. | Kalispell, MT | GBCI |
| National Penn Bancshares, Inc. | Boyertown, PA | NPBC |
| Western Alliance Bancorporation | Phoenix, AZ | WAL |

The 2014 peer group resulted after GT, with input from our Compensation/Nominating Committee, pared down a list of over 60 closely-related financial organizations to establish the final peer group of the 22 organizations that most closely match Heartland in terms of financial size and financial results. In doing so, seven of the sixteen 2013 peers were eliminated because their financial size or financial results were no longer considered comparable to Heartland. The companies included in the 2013 peer group but removed from the 2014 peer group are shown in the table below.

| NAME | CITY, STATE | TICKER SYMBOL |
|------------------------------------|-----------------|---------------|
| First Financial Bankshares, Inc. | Abilene, TX | FFIN |
| Enterprise Financial Services Corp | Clayton, MO | EFSC |
| First Financial Corporation | Terre Haute, IN | THFF |
| S. Y. Bancorp, Inc. | Louisville, KY | SYBT |
| CoBiz Financial Inc. | Denver, CO | COBZ |
| Republic Bancorp, Inc. | Louisville, KY | RBCAA |
| West Coast Bancorp | Lake Oswego, OR | WCBO |

Because it recognizes the inherent limitations on benchmarked data, and because one of our objectives is to reward all company personnel for company performance rather than focusing solely on executives, 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 used as a component of the various data considered, and as a validation check of the final compensation package chosen for our executives.

Consideration of Advisory Vote. As required by federal regulation, we submitted the executive compensation arrangements for 2011, 2012 and 2013 as disclosed in the proxy statement for our 2012, 2013 and 2014 Annual Meetings of Stockholders to an advisory vote of stockholders. The Compensation/Nominating Committee believes that submitting the “say on pay” vote to our stockholders on an annual basis provides it with more direct and current input regarding the effectiveness of its compensation policies.

At each of our Annual Meetings in 2012, 2013 and 2014, over 97% of the shares present and entitled to vote on the advisory vote on executive compensation were 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 our compensation philosophy and structure.

Elements of Compensation

The compensation of executive officers is comprised of four primary components: base salary, cash bonus, equity compensation and additional benefits. In establishing 2014 compensation, the Compensation/Nominating Committee remained true to its philosophy of retaining base salaries at or slightly below peer group median and established criteria and benchmarks to be achieved relative to our 1-year business plan in determining equity and bonus awards.

2014 CEO Compensation Mix

| | | |
|--------------------------------------|-------------|-------------------------|
| Fixed Compensation (59%) | Amount | % of Total Compensation |
| Salary | \$470,000 | 44% |
| Time-Based RSUs | \$140,920 | 13% |
| Other Compensation | \$21,411 | 2% |
| | | 59% |
| Performance-Based Compensation (41%) | Amount | % of Total Compensation |
| Performance RSUs | \$140,920 | 13% |
| Annual Incentive | \$294,327 | 28% |
| | | 41% |
| Total Compensation | \$1,067,578 | 100% |

Objective components upon which performance-based compensation is based include Heartland's return on equity, loan growth, average non-time deposit growth, non-performing assets, efficiency ratio and net charge-offs. The subjective component of the executive officers' performance-based compensation emphasized the performance of subsidiaries versus the goals established in their 1-year plans. All executive officers' performance-based compensation includes the elements of Heartland's return on equity, loan growth and efficiency ratio. Other factors vary by individual based upon the executive officer's area of influence, and may include average non-time deposit growth, non-performing assets, net charge-offs and acquisitions. With respect to compensation that is intended to be performance-based compensation under Internal Revenue Code Section 162(m), the subjective component may only negatively impact the compensation determinations.

We believe that this compensation program has, over the past five years, very closely aligned the value we have generated for shareholders with the compensation of our executives. The table below, prepared by GT, graphs CEO pay against “total shareholder return” (“TSR”) and illustrates the alignment of CEO pay with company performance. The pay increases in recent years illustrated by the table were primarily the result of increasing payments under annual and long-term incentive programs, as Heartland has met or exceeded total shareholder return in its peer group and other similarly situated community banks:

(1) Indexed TSR assumes an initial investment of \$100 at the start of year one (2009) and reinvestment of all dividends, and reflects the annual increase/(decrease) in the value of such investment reflected in market prices or the index as a result of annual total shareholder return (“TSR”).

(2) Mr. Fuller’s Total Compensation as disclosed in Heartland’s Proxy filings

(3) Reflects the 50th percentile of Heartland’s 2014 Peer Group

(4) Reflects the 50th percentile of regional savings and loan/thrift banks ranging in size from \$2.4B to \$14B in assets. Base Salary. The Compensation/Nominating Committee regards base salary as an important component of executive compensation because it provides executives with a regular income. Base salaries are intended to assist us in attracting executives and recognizing different levels of responsibility and contribution. The determination of base salary is based upon the executive’s qualifications and experience, scope of responsibility and potential to achieve the goals and objectives established. Additionally, past performance, internal pay equity and comparison to competitive salary practices in the peer group are also considered.

The following table sets forth the base salaries established for our executive officers in 2014 in comparison to 2013 and 2012:

| Officer | 2012 | 2013 | 2014 |
|----------------------|-----------|-----------|-----------|
| Lynn B. Fuller | \$470,000 | \$470,000 | \$470,000 |
| Bryan R. McKeag | \$— | \$81,761 | \$300,000 |
| Kenneth J. Erickson | \$263,000 | \$265,000 | \$270,000 |
| Douglas J. Horstmann | \$250,000 | \$265,000 | \$270,000 |
| Brian J. Fox | \$190,000 | \$210,000 | \$240,000 |

Mr. Fuller has endorsed our policy of tying more of his compensation to performance-based pay, and recommended that his salary remain flat over the three-year period. Mr. McKeag’s salary is consistent with his offer of employment in September 2013, and reflects his first 15 months of employment. Douglas Horstmann's base salary was increased more significantly in 2013 because of his added responsibilities in supervising the expanding mortgage origination division, and oversight of Wealth Advisory Services. Mr. Fox's increases in base salary reflect additional responsibilities he has assumed as Executive Vice President of Operations and his role in individual projects, such as mergers and acquisitions and conversions.

Performance-Based Plan - Executive Bonuses. Since 2012, our Compensation/Nominating Committee has created a performance-based executive incentive plan that allows our executive officers to earn annual cash bonus awards based upon our performance against pre-established annual business plan targets. For most of our executives, these business plan targets are based primarily upon performance on a consolidated basis at Heartland, with all of our executives having a portion of their performance-based pay tied to Heartland’s return on equity (“ROE”) and loan growth. For Douglas Horstmann, except for the

ROE target, performance targets are based upon the business plan at Dubuque Bank and Trust Company, for which he serves as President and Chief Executive Officer.

The aggregate bonus that can be earned by each of our executives under the incentive plan is based upon a percentage of his base salary. For both 2013 and 2014, the targeted percentage of base salary was 75% for Mr. Fuller, 60% for Mr. Erickson, 45% for Douglas Horstmann, and 40% for Mr. Fox. Bryan McKeag, who was hired in September 2013, did not participate in the 2013 incentive plan and had a performance target of 50% for 2014. An executive can receive more than the percentage of salary set forth above, but only in situations where one or more of the executive's performance targets are markedly exceeded.

In order to balance the benefits of encouraging growth and increased stockholder return against the potential for short-term risk taking, our executive incentive plan pays compensation based upon up to six different factors for each executive. Because we believe earnings and ROE are the most important indicators of market performance, and therefore best align the interests of our executive officers with our stockholders, the largest proportion of the potential bonus of most of our executives is based upon ROE.

As a bank holding company, it is also our objective to encourage organic growth in our most important asset: loans. Accordingly, loan growth, exclusive of acquisitions, is a significant factor for the bonus of each of our executive officers. To balance the incentive to grow the amount of this asset against the risk of accumulating lower quality assets, we also base a portion of the bonus of those executives most able to influence quality on the ratio of nonperforming assets to total loans, and on the ratio of net charge-offs to total loans. Our Compensation/ Nominating Committee also bases a portion of the plan on organic deposit growth at the conservative rates projected in our business plan.

In 2014, efficiency ratio was added as an element of each executive officer's performance-based incentive pay. This metric focuses attention on organizational efficiency. We believe efficiency ratio, which measures bank productivity, is another indicator of returning value to our stockholders.

The remaining factors upon which a portion of an executive's incentive pay may be earned vary based upon the duties and responsibilities of the executive, and may include subjective elements, such as achievement of company-wide projects and initiatives. The amount of achievement of any particular factor is generally linear from \$0 to the targeted achievement, in the case of loan growth and deposit growth, and linear between the target and a minimum in the case of ROE, and the target and a maximum in the case of the ratios of nonperforming assets to total loans and net charge-offs to average loans.

The overall bonus payable under our executive incentive plan to any particular executive is equal to his base salary multiplied by the percentage of his base salary that is his bonus target, multiplied by the sum of the percentage weighting for each factor, and multiplied by the percentage achievement of that factor.

The tables below show the incentive plan targets, and the achievement of our incentive plan targets, for each of our named executive officers:

Mr. Fuller

| Performance Standard | Weighting | 2014 Target | 2014 Result | |
|---|-----------|-----------------|---------------|---|
| Return on Equity | 40.00 | % 10.75 | % 10.62 | % |
| Efficiency Ratio | 10.00 | % 70.29 | % 71.61 | % |
| Loan Growth, exclusive of acquisitions | 20.00 | % \$350,000,000 | \$380,000,000 | |
| Average Deposit Growth (excluding CDs), exclusive of acquisitions | 10.00 | % \$200,000,000 | \$143,000,000 | |

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| | | | | |
|---------------------------------------|------|----------|----------|---|
| Nonperforming Assets/ to Total Loans | 6.00 | % 0.75 | % 0.72 | % |
| Net Charge-Offs / to Average Loans | 6.00 | % 0.15 | % 0.39 | % |
| Company Wide Projects and Initiatives | 8.00 | % 100.00 | % 100.00 | % |

| | | | | | |
|--|-----------|---|----------------|----------------|---|
| Mr. McKeag | | | | | |
| Performance Standard | Weighting | | 2014 Target | 2014 Result | |
| Return on Equity | 40.00 | % | 10.75 | % 10.62 | % |
| Efficiency Ratio | 10.00 | % | 70.29 | % 71.61 | % |
| Loan Growth, exclusive of acquisitions | 20.00 | % | \$ 350,000,000 | \$ 380,000,000 | |
| Average Deposit Growth (excluding CDs), exclusive of acquisitions | 10.00 | % | \$ 200,000,000 | \$ 143,000,000 | |
| Company Wide Projects and Initiatives | 20.00 | % | 100.00 | % 100.00 | % |
| Mr. Erickson | | | | | |
| Performance Standard | Weighting | | 2014 Target | 2014 Result | |
| Return on Equity | 40.00 | % | 10.75 | % 10.62 | % |
| Efficiency Ratio | 10.00 | % | 70.29 | % 71.61 | % |
| Loan Growth, exclusive of acquisitions | 20.00 | % | \$ 350,000,000 | \$ 380,000,000 | |
| Nonperforming Assets/ to Total Loans | 10.00 | % | 0.75 | % 0.72 | % |
| Net Charge-Offs / to Average Loans | 10.00 | % | 0.15 | % 0.39 | % |
| Citizens Finance Co. Income in Comparison with Budget | 10.00 | % | \$ 2,501,000 | \$ 1,647,000 | |
| Mr. Fox | | | | | |
| Performance Standard | Weighting | | 2014 Target | 2014 Result | |
| Return on Equity | 40.00 | % | 10.75 | % 10.62 | % |
| Efficiency Ratio | 10.00 | % | 70.29 | % 71.61 | % |
| Loan Growth, exclusive of acquisitions | 20.00 | % | \$ 350,000,000 | \$ 380,000,000 | |
| Average Deposit Growth (excluding CDs), exclusive of acquisitions | 10.00 | % | \$ 200,000,000 | \$ 143,000,000 | |
| Company Wide Projects and Initiatives | 20.00 | % | 100.00 | % 100.00 | % |
| Mr. Douglas J. Horstmann | | | | | |
| Performance Standard | Weighting | | 2014 Target | 2014 Result | |
| Return on Equity | 15.00 | % | 10.75 | % 10.62 | % |
| DB&T Net Income | 20.00 | % | \$ 16,314,000 | \$ 16,181,000 | |
| DB&T Bank Efficiency Ratio | 15.00 | % | 66.66 | % 63.97 | % |
| DB&T Self-Originated Commercial and Agriculture Loans | 20.00 | % | \$ 911,948,000 | \$ 893,093,000 | |
| DB&T Average Deposits Balance (Excluding CDs) | 10.00 | % | \$ 895,179,000 | \$ 830,797,000 | |
| Heartland Mortgage Income in Comparison with Budget ⁽¹⁾ | 20.00 | % | \$ 7,241,000 | \$(1,891,000) |) |

(1) Exclusive of Heartland management fees and allocated interest income.

At the January 2015 Compensation/Nominating Committee meeting, Committee members reviewed information about our financial performance during 2014 and approved the final bonus payouts, which were paid in February 2015.

The Compensation/Nominating Committee believes these incentive plan payouts properly reflect our performance during 2014.

Equity Compensation. The Compensation/Nominating Committee believes that equity compensation is an effective way of creating a long-term link between the compensation provided to officers and other key management personnel

with the value to be realized by stockholders. Since 2012, our Compensation/Nominating Committee has granted our executive officers, as the principal means of equity compensation, a combination of RSUs that vest based on time and continued employment, and RSUs that must be earned based upon performance. The performance-based RSUs are intended to drive the achievement of our business plan and other long-term business goals, and both forms of equity incentive are intended to

enhance our ability to retain and attract senior leadership talent, provide compensation opportunities tied to long-term service and stockholder value, and reinforce our pay-for-performance and stockholder-alignment philosophy.

The time-based RSUs that we have granted under this program vest in three equal increments, starting on the third anniversary of the date of grant, and become fully vested on the fifth anniversary of the grant date. The performance-based RSUs must first be “earned” and the RSUs we granted in 2012, 2013 and 2014 are earned (1) 70% based upon achieving earnings targets, and (2) 30% based upon achieving asset or loan growth targets. Regardless of meeting these performance targets, however, our Compensation/Nominating Committee has authority to suspend earning of the RSUs if we are subject to significant regulatory action or a regulatory body has identified any material weakness in our operations or the operations of our subsidiaries. The performance-based RSUs vest two years after they are earned. Both the time-based and performance-based RSUs contain clawback provisions that allow any amount or benefit received to be canceled, recouped, rescinded, or otherwise reduced in accordance with the terms of any applicable Company clawback policy.

In granting performance-based RSUs to the named executive officers, the Compensation/Nominating Committee considers the overall allocation of RSUs to ensure that the number of performance-based RSUs granted were equal to or greater than the number of time-based RSUs. The Compensation/Nominating Committee strives to grant RSUs with grant date value that is consistent with an executive’s performance and position. Because the market value of our common stock has increased in each of the past three years, the number of shares subject to RSUs granted to executive officers has declined in each year. The following table shows the performance-based and time-based RSUs granted under the program since January 2012:

| Officer | Year | Time-Based RSUs | Performance-Based RSUs |
|----------------------|------|-----------------|------------------------|
| Lynn B. Fuller | 2014 | 5,200 | 5,200 |
| | 2013 | 5,775 | 5,775 |
| | 2012 | 8,250 | 8,250 |
| | 2014 | 1,875 | 1,875 |
| Bryan R. McKeag | 2013 | 8,000 | — |
| | 2012 | — | — |
| | 2014 | 2,050 | 2,050 |
| Kenneth J. Erickson | 2013 | 2,275 | 2,275 |
| | 2012 | 3,250 | 3,250 |
| | 2014 | 2,025 | 2,025 |
| Douglas J. Horstmann | 2013 | 2,250 | 2,250 |
| | 2012 | 3,188 | 3,188 |
| | 2014 | 1,470 | 1,470 |
| Brian Fox | 2013 | 1,470 | 1,470 |
| | 2012 | 1,750 | 1,750 |

Stock Ownership and Retention Guidelines. To reinforce our philosophy of equity ownership for executives and to further align the interest of our executives with our stockholders, we have share retention and ownership guidelines for our executives and directors, including our named executive officers and the presidents of our bank subsidiaries. The stock ownership guidelines vary based upon position or tenure on the board, and range from 30,000 to 100,000 shares for both our executive officers and directors. Executives subject to our ownership policy are required to retain a portion of shares received from equity awards until the guideline level is attained.

Other Compensation and Benefits. We have historically provided perquisites and other types of non-cash benefits on a limited basis in an effort to avoid an entitlement mentality, reinforce a pay-for-performance orientation and minimize expenses. Such non-cash benefits, when provided, can include the use of a company-owned vehicle and payment of

50% of country club or social club dues. The following executive officers are provided the use of a company owned vehicle: Mr. Fuller, as our President and Chief Executive Officer, and Douglas Horstmann, as the president of Dubuque Bank and Trust Company. Consistent with our philosophy, the annual value of the above non-cash benefits is, in the aggregate, less than \$10,000 for each executive.

Heartland is a majority owner of a Cessna business jet. The aircraft is used to transport personnel to meetings at various Heartland locations. The jet also provides transportation for Heartland executives to business meetings and transports

Heartland executives, directors, major stockholders and customers for business development purposes. It is our policy that the aircraft is not to be utilized for personal benefit; however, on occasion, and subject to applicable regulations, an executive officer's or a director's family member may board a flight if an empty seat is available on a regularly-scheduled business flight. We believe such usage does not create any incremental cost to Heartland. Heartland does provide additional life insurance benefits to certain officers of Heartland under a number of different executive life insurance programs. The dollar value of these premiums for 2014 was \$1,663 for Mr. Fuller; \$6,313 for Mr. Horstmann; \$1,166 for Mr. Erickson; and \$0 for Messrs. Fox and McKeag. Executive officers also participate in our other broad-based employee benefit programs on the same terms as similarly situated employees, including our 2006 Employee Stock Purchase Plan, health insurance plans and a defined contribution retirement savings plan.

Compensation/Nominating Committee Report on Executive Compensation

We have reviewed and discussed the Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that this Compensation Discussion and Analysis be included in the proxy statement for the year ended December 31, 2014. We also certify that we have reviewed with senior risk officers of Heartland, the incentive compensation arrangements for named executive officers (those officers listed in the Summary Compensation Table) and have made reasonable efforts to ensure that such arrangements do not encourage those named executive officers to take unnecessary and excessive risks that threaten the value of the financial institution.

Members of the Compensation/Nominating Committee,

Mark C. Falb
John W. Cox, Jr.
Thomas L. Flynn
R. Michael McCoy
Duane E. White

Summary Compensation Table

The following table sets forth information concerning the compensation of our Chief Executive Officer, our Chief Financial Officer and our other three most highly compensated executive officers for the fiscal years ended December 31, 2014, 2013 and 2012.

| Name & Principal Position | Year | Salary ⁽¹⁾ | Stock Awards ⁽²⁾ | Non-Equity Incentive Plan Compensation | All Other Compensation ⁽⁴⁾ | Total |
|-------------------------------------|------|-----------------------|-----------------------------|--|---------------------------------------|-------------|
| Lynn B. Fuller | 2014 | \$470,000 | \$281,840 | \$294,327 | \$19,863 | \$1,066,030 |
| President & Chief Executive Officer | 2013 | \$470,000 | \$310,233 | \$254,695 | \$19,716 | \$1,054,644 |
| Bryan R. McKeag ⁽³⁾ | 2012 | \$470,000 | \$268,620 | \$292,484 | \$21,760 | \$1,052,864 |
| Executive Vice President | 2014 | \$300,000 | \$101,625 | \$134,246 | \$45,896 | \$581,767 |
| Chief Financial Officer | 2013 | \$81,761 | \$220,480 | \$80,000 | \$— | \$382,241 |
| Kenneth J. Erickson | 2012 | \$— | \$— | \$— | \$— | \$— |
| Executive Vice President | 2014 | \$270,000 | \$111,110 | \$132,268 | \$19,366 | \$532,744 |
| Chief Credit Officer | 2013 | \$265,000 | \$122,213 | \$98,952 | \$19,271 | \$505,436 |
| Douglas J. Horstmann | 2012 | \$263,000 | \$105,820 | \$130,176 | \$20,998 | \$519,994 |
| President & Chief Executive Officer | 2014 | \$270,000 | \$109,755 | \$91,622 | \$24,513 | \$495,890 |
| Brian J. Fox | 2013 | \$265,000 | \$120,870 | \$78,273 | \$24,446 | \$488,589 |
| Executive Vice President | 2012 | \$250,000 | \$103,802 | \$112,675 | \$39,769 | \$506,246 |
| Operations | 2014 | \$240,000 | \$79,674 | \$85,917 | \$18,200 | \$423,791 |
| | 2013 | \$210,000 | \$78,968 | \$62,609 | \$18,133 | \$369,710 |
| | 2012 | \$190,000 | \$56,980 | \$68,567 | \$18,460 | \$334,007 |

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

(2) The amounts shown represent the grant date fair market value of restricted stock units computed in accordance with FASB ASC Topic 718. With the exception of Mr. McKeag, such restricted stock units are comprised of 50% time-based vesting and 50% performance-based vesting units. Mr. McKeag's 2013 restricted stock units, which were granted when he was hired, are all time-based. With respect to the performance-based units, the value reflected assumes that the highest level of performance conditions will be achieved. See the discussion of equity awards in Note 16 of our financial statements for the year ended December 31, 2014, for all assumptions made in the valuation of the restricted stock units.

(3) Mr. McKeag was hired on September 23, 2013 as the Company's Chief Financial Officer.

(4) The elements of "All Other Compensation" include company contributions to our 401(k) defined contribution plan, payment of an executive life insurance premium for one executive, split-dollar life insurance for two executives, and for Mr. McKeag, payment of moving expenses. The following table sets forth the components of All Other Compensation during 2014.

| Name | Employer Contributions to Retirement | Employer Payment to Executive Life Insurance | Executive Split-Dollar Life Insurance Program | Allowance for moving expenses | Total |
|----------------------|--------------------------------------|--|---|-------------------------------|----------|
| Lynn B. Fuller | \$18,200 | \$— | \$1,663 | \$— | \$19,863 |
| Bryan R. McKeag | \$5,250 | \$— | \$— | \$40,646 | \$45,896 |
| Kenneth J. Erickson | \$18,200 | \$— | \$1,166 | \$— | \$19,366 |
| Douglas J. Horstmann | \$18,200 | \$6,313 | \$— | \$— | \$24,513 |
| Brian J. Fox | \$18,200 | \$— | \$— | \$— | \$18,200 |

Grants of Plan-Based Awards

The following table sets forth certain information concerning grants of plan-based awards made during 2014 to named executive officers:

| Name | Grant Date | Estimated Future Payouts under Non-Equity Incentive Plan Awards ⁽¹⁾ | | | Estimated Future Payouts under Equity Incentive Plan Awards ⁽²⁾ | | | All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽⁵⁾ | Grant Date Fair Value of Stock Awards (\$) ⁽⁶⁾ |
|------------------------|------------|--|-------------|--------------|--|------------|-------------|---|---|
| | | Threshold ⁽³⁾ (\$) | Target (\$) | Maximum (\$) | Threshold ⁽⁴⁾ (#) | Target (#) | Maximum (#) | | |
| Lynn B. Fuller | | | | | | | | | |
| Annual Bonus | — | \$— | \$352,500 | \$487,626 | — | — | — | — | \$— |
| Performance-Based RSUs | 03/11/2014 | \$— | \$— | \$— | 0 | 5,200 | 5,200 | — | \$141,804 |
| Time-Based RSUs | 03/11/2014 | \$— | \$— | \$— | — | — | — | 5,200 | \$141,804 |
| Bryan R. McKeag | | | | | | | | | |
| Annual Bonus | — | \$— | \$150,000 | \$195,000 | — | — | — | — | \$— |
| Performance-Based RSUs | 3/11/2014 | \$— | \$— | \$— | — | 1,875 | 1,875 | — | \$51,131 |
| Time-Based RSUs | 3/11/2014 | \$— | \$— | \$— | — | — | — | 1,875 | \$51,131 |
| Kenneth J. Erickson | | | | | | | | | |
| Annual Bonus | — | \$— | \$162,000 | \$206,550 | — | — | — | — | \$— |
| Performance-Based RSUs | 03/11/2014 | \$— | \$— | \$— | 0 | 2,050 | 2,050 | — | \$55,904 |
| Time-Based RSUs | 03/11/2014 | \$— | \$— | \$— | — | — | — | 2,050 | \$55,904 |
| Douglas J. Horstmann | | | | | | | | | |
| Annual Bonus | — | \$— | \$121,500 | \$156,432 | — | — | — | — | \$— |
| Performance-Based RSUs | 03/11/2014 | \$— | \$— | \$— | 0 | 2,025 | 2,025 | — | \$55,222 |
| Time-Based RSUs | 03/11/2014 | \$— | \$— | \$— | — | — | — | 2,025 | \$55,222 |
| Brian J. Fox | | | | | | | | | |
| Annual Bonus | — | \$— | \$96,000 | \$124,800 | — | — | — | — | \$— |
| Performance-Based RSUs | 03/11/2014 | \$— | \$— | \$— | 0 | 1,470 | 1,470 | — | \$40,087 |
| Time-Based RSUs | 03/11/2014 | \$— | \$— | \$— | — | — | — | 1,470 | \$40,087 |

(1) The amounts shown represent possible annual cash payments under Heartland's annual 2014 cash incentive program (including the applicable performance targets) as described in the section entitled "Performance-Based Plan - Executive Bonuses" in the Compensation Discussion and Analysis above. The actual payments under this program with respect to 2014 are shown in the column entitled "Non-Equity Incentive Plan Compensation" in the Summary

Compensation Table above.

(2) The amounts shown represent performance-based RSUs granted in 2014. Heartland's equity compensation program (including the applicable performance targets, earning and vesting schedules) is described in the section entitled "Equity Compensation" in the Compensation Discussion and Analysis above.

(3) Because there is the possibility of no annual incentive payment if the performance objectives are not met, the threshold amount is deemed to be zero.

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

(5) The amounts shown represent time-based RSUs granted in 2014. Heartland's equity compensation program (including the applicable vesting schedules) is described in the section entitled "Equity Compensation" in the Compensation Discussion and Analysis above.

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

Outstanding Equity Awards

The following table sets forth information concerning outstanding stock options and RSUs held at December 31, 2014, by the named executive officers:

| Name | Grant Date | Option Awards | | | | Stock Awards | |
|----------------------|------------|---|---|----------------------------|------------------------|---|---|
| | | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾ |
| Lynn B. Fuller | 01/16/2007 | 10,000 | — | \$29.65 | 01/16/2017 | — | \$— |
| | 03/11/2014 | — | — | \$— | — | 4,654 | (2) \$126,123 |
| | 03/11/2014 | — | — | \$— | — | 5,200 | (3) \$140,920 |
| | 01/22/2013 | — | — | \$— | — | 1,733 | (4) \$46,964 |
| | 01/22/2013 | — | — | \$— | — | 5,775 | (3) \$156,503 |
| | 01/17/2012 | — | — | \$— | — | 8,250 | (5) \$223,575 |
| | 01/17/2012 | — | — | \$— | — | 8,250 | (3) \$223,575 |
| | 01/18/2011 | — | — | \$— | — | 6,000 | (3) \$162,600 |
| | 01/19/2010 | — | — | \$— | — | 3,000 | (3) \$81,300 |
| Bryan R. McKeag | 03/11/2014 | — | — | \$— | — | 1,678 | (2) \$45,474 |
| | 03/11/2014 | — | — | \$— | — | 1,875 | (3) \$50,813 |
| | 09/23/2013 | — | — | \$— | — | 4,000 | (6) \$108,400 |
| Kenneth J. Erickson | 01/16/2007 | 2,000 | — | \$29.65 | 01/16/2017 | — | \$— |
| | 03/11/2014 | — | — | \$— | — | 1,835 | (2) \$49,729 |
| | 03/11/2014 | — | — | \$— | — | 2,050 | (3) \$55,555 |
| | 01/22/2013 | — | — | \$— | — | 683 | (4) \$18,509 |
| | 01/22/2013 | — | — | \$— | — | 2,275 | (3) \$61,653 |
| | 01/17/2012 | — | — | \$— | — | 3,250 | (5) \$88,075 |
| | 01/17/2012 | — | — | \$— | — | 3,250 | (3) \$88,075 |
| | 01/18/2011 | — | — | \$— | — | 3,000 | (3) \$81,300 |
| | 01/19/2010 | — | — | \$— | — | 1,667 | (3) \$45,176 |
| Douglas J. Horstmann | 01/16/2007 | 1,500 | — | \$29.65 | 01/16/2017 | — | \$— |
| | 03/11/2014 | — | — | \$— | — | 1,664 | (2) \$45,094 |
| | 03/11/2014 | — | — | \$— | — | 2,025 | (3) \$54,878 |
| | 01/22/2013 | — | — | \$— | — | 585 | (4) \$15,854 |
| | 01/22/2013 | — | — | \$— | — | 2,250 | (3) \$60,975 |
| | 01/17/2012 | — | — | \$— | — | 3,139 | (5) \$85,067 |
| | 01/17/2012 | — | — | \$— | — | 3,188 | (3) \$86,395 |
| | 01/18/2011 | — | — | \$— | — | 3,000 | (3) \$81,300 |
| | 01/19/2010 | — | — | \$— | — | 1,667 | (3) \$45,176 |
| Brian J. Fox | 03/11/2014 | — | — | \$— | — | 1,316 | (2) \$35,664 |
| | 03/11/2014 | — | — | \$— | — | 1,470 | (3) \$39,837 |
| | 01/22/2013 | — | — | \$— | — | 441 | (4) \$11,951 |
| | 01/22/2013 | — | — | \$— | — | — | — |