

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Heartland Financial USA, Inc

Point of Contact:	David L. Horstmann, SVP Finance	RSSD: (For Bank Holding Companies)	1206546
UST Sequence Number:	326	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	81,698,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 19, 2008	City:	Dubuque
Date Repaid ¹ :	N/A	State:	Iowa

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

Heartland's total loans declined less than would have been the case had it not participated in CPP. Heartland continues to aggressively seek qualified lending opportunities in its market areas. Net reduction in loans outstanding is due to the exiting of non-performing credits & the economy.

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

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Increase securities purchased (ABS, MBS, etc.).

Make other investments.

CPP funds were invested in subsidiary banks to enhance their capital positions and enhance their ability to serve the financial needs of their market areas.

Increase reserves for non-performing assets.

Reduce borrowings.

CPP funds permitted the reduction in the funds borrowed by Heartland to support its banking subsidiaries.

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Increase charge-offs.

Empty text box for details regarding increase in charge-offs.

Purchase another financial institution or purchase assets from another financial institution.

Heartland, through its subsidiary Galena State Bank, purchased The Elizabeth State Bank from the FDIC. CPP funds were used to fund the required investment. This purchase insured the continuity of banking services to the markets served by the failed bank.

Empty text box for additional details regarding the purchase of another financial institution or assets.

Held as non-leveraged increase to total capital.

Empty text box for details regarding non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Heartland was able to avoid the need to raise equity capital at a time when such issuance would have been very difficult, if not impossible. The participation in CPP permitted Heartland to avoid the need to renegotiate its borrowing facilities at a time when such funds may not have been available.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Heartland was able to invest substantial sums in its banking subsidiaries to ensure they remained well capitalized and able to continue to serve the needs of their markets. The acquisition of The Elizabeth State Bank from the FDIC would likely not have been possible without the use of CPP funds. This acquisition provided continuing borrowing capacity to customers in this market. Heartland was also able to continue the aggressive search for quality lending opportunities in all of its markets that may have been curtailed had CPP funds not been available.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.